

读书郎

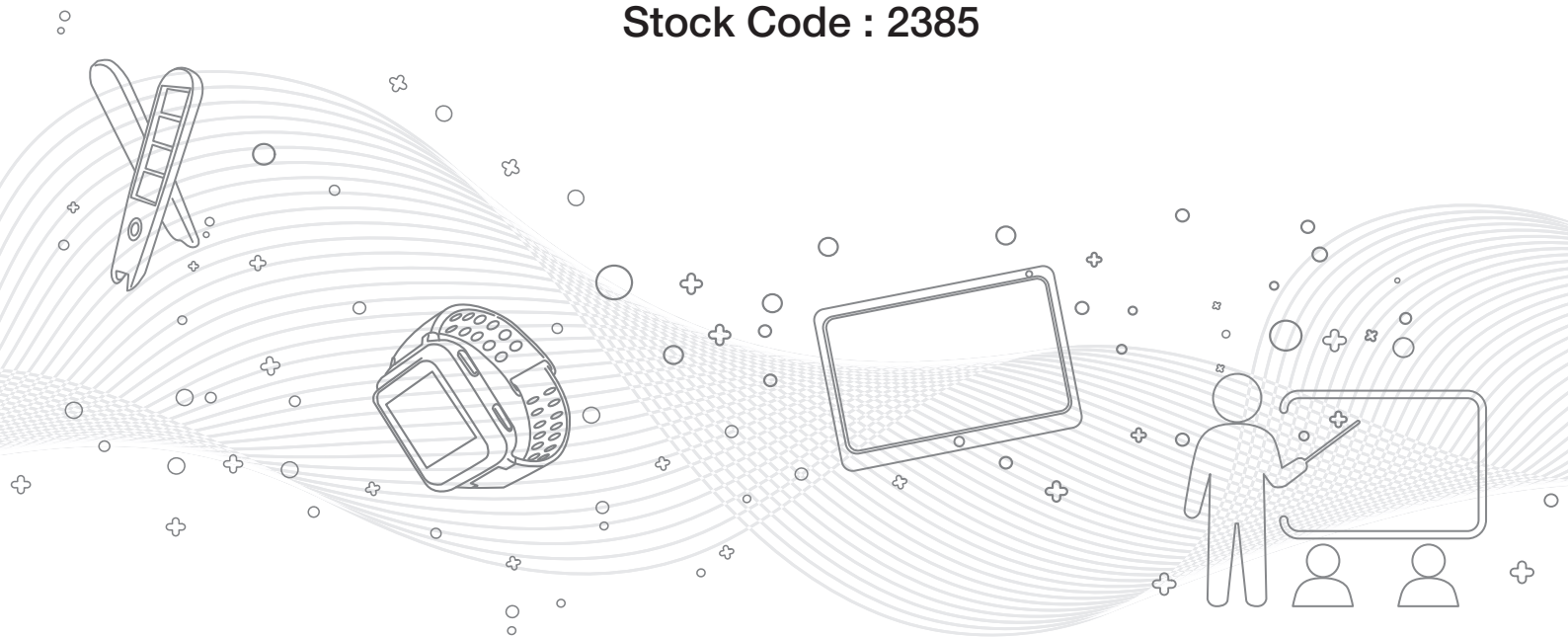
GLOBAL OFFERING

讀書郎教育控股有限公司

READBOY EDUCATION HOLDING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2385



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



(in alphabetical order)

IMPORTANT

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

读书郎

Readboy Education Holding Company Limited 讀書郎教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 52,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 5,200,000 Shares (subject to adjustment)
Number of International Offer Shares	: 46,800,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$10.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.001 per Share
Stock code	: 2385

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



中信建投國際
CHINA SECURITIES INTERNATIONAL



MACQUARIE

(in alphabetical order)

Joint Bookrunners and Joint Lead Managers



海通國際
HAITONG



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



交銀國際
BOCOM International



富途證券



老虎證券
TIGER BROKERS



利弗莫尔证券
LIVERMORE HOLDINGS LIMITED



EDDID
艾德金融



CMS 招商證券國際

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 the section headed "Documents Delivered to the Registrar of Companies and on Display" in Appendix VI, 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 determined by agreement between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on or about Tuesday, July 5, 2022 and, in any event, not later than Friday, July 8, 2022. The Offer Price will be not more than HK\$10.00 per Offer Share and is currently expected to be not less than HK\$7.60 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, July 8, 2022 between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering 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, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on our Company's website at <http://www.readboy.com>, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "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 consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting Agreement and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus. 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 law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

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

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (<http://www.readboy.com>). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 29, 2022

IMPORTANT

Readboy Education Holding Company Limited**(HK\$10.00 per Hong Kong Offer Share)****NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>
400	4,040.32	8,000	80,806.28	40,000	404,031.40	600,000	6,060,471.00
800	8,080.63	10,000	101,007.85	50,000	505,039.25	700,000	7,070,549.50
1,200	12,120.94	12,000	121,209.42	60,000	606,047.10	800,000	8,080,628.00
1,600	16,161.25	14,000	141,410.99	70,000	707,054.95	900,000	9,090,706.50
2,000	20,201.57	16,000	161,612.56	80,000	808,062.80	1,000,000	10,100,785.00
2,400	24,241.89	18,000	181,814.13	90,000	909,070.65	1,400,000	14,141,099.00
2,800	28,282.20	20,000	202,015.70	100,000	1,010,078.50	1,800,000	18,181,413.00
3,200	32,322.51	24,000	242,418.84	200,000	2,020,157.00	2,200,000	22,221,727.00
3,600	36,362.82	28,000	282,821.98	300,000	3,030,235.50	2,600,000 ⁽¹⁾	26,262,041.00
4,000	40,403.14	32,000	323,225.12	400,000	4,040,314.00		
6,000	60,604.71	36,000	363,628.26	500,000	5,050,392.50		

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

EXPECTED TIMETABLE

Hong Kong Public Offering commences 9:00 a.m. on Wednesday,
June 29, 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 Tuesday,
July 5, 2022

Application lists open⁽³⁾ 11:45 a.m. on Tuesday,
July 5, 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 Tuesday,
July 5, 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 Tuesday,
July 5, 2022

Expected Price Determination Date⁽⁵⁾ Tuesday,
July 5, 2022

(1) 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 under the Hong Kong Public Offering
to be published on the website of the Stock Exchange at
www.hkexnews.hk and our Company's website at
<http://www.readboy.com/> on or before Monday,
July 11, 2022

(2) An announcement of 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 the website of the Stock Exchange at
www.hkexnews.hk and the Company's website at
<http://www.readboy.com/>⁽⁶⁾ (see "How to Apply for
Hong Kong Offer Shares – 10. Publication of Results"
in this prospectus) from Monday,
July 11, 2022

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering will be available 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. Monday, July 11, 2022 to 12:00 midnight Sunday, July 17, 2022

The allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Monday, July 11, 2022 to Thursday, July 14, 2022

Share certificates in respect of wholly or partially successful applications to be despatched/collected or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Monday, July 11, 2022

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 despatched/collected on or before⁽⁸⁾⁽⁹⁾ Monday, July 11, 2022

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, July 12, 2022

The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, July 11, 2022. Prospective investors should be aware that the Price Determination Date is expected to be on or about Tuesday, July 5, 2022, on which the Offer Price is determined and, in any event, no later than Friday, July 8, 2022 and the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, July 12, 2022.

Notes:

- (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 Monday, July 11, 2022 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 or 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 Tuesday, July 5, 2022, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares – 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.

EXPECTED TIMETABLE

- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Tuesday, July 5, 2022 and, in any event, not later than Friday, July 8, 2022. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and us by Friday, July 8, 2022, 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 evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Agreement and Expenses – Hong Kong Public Offering – Grounds for Termination” in this prospectus 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.
- (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 for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed “How to Apply for Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection – (iv) If you apply via Electronic Application Instructions to HKSCC” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their share certificates (if any) in person from our Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, July 11, 2022. For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to their application payment bank account on Monday, July 11, 2022. For applicants who apply through the **White Form eIPO** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their electronic application instruction to the **White Form eIPO** Service Provider on or before Monday, July 11, 2022 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 despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to apply for Hong Kong Offer Shares – 12. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares”, respectively.

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, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us 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 offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, 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 in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. 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 pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. 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, the Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a smart learning device service provider in China, focusing on the design, development, manufacturing and selling of smart learning devices embedded with digital educational resources for China’s primary and secondary students, their parents and school teachers. We have become a technology-powered smart learning device service provider with established education product and service offerings in China. According to the Frost & Sullivan Report, we ranked second among China’s smart learning device service providers in terms of total retailing market value and ranked fifth among China’s smart learning device service providers in terms of total device shipment in 2021. Our Readboy brand was recognized as a reputable technology-powered education brand in China. We have accumulated over 5.5 million registered users as of the Latest Practicable Date, and by May 2022, our average MAU amounted to over 1.4 million in the past 12 months.

We design, develop, manufacture and market smart learning devices, including personal student tablets, smart classroom solutions, wearable products and a number of smart accessories. Our smart learning devices are embedded with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for primary and secondary school students in China. During the Track Record Period, a substantial majority of our revenue was derived from the sales of our smart learning devices. Currently, the end users can only access our device-level embedded digital educational resources through our smart learning devices and we do not separately charge additional fees for such embedded digital educational resources. Moreover, in that we have accumulated our brand recognition for digital educational resources, since 2019, we have established cooperative arrangements with third parties, usually online content distribution platforms or content streaming device systems with education-focused channels, under which we licensed certain digital educational resources to such third parties, on a non-exclusive basis, to display on their platforms and share service fees charged from their users. We endeavor to leverage the advanced technologies to create a flexible, efficient, effective, interactive and personalized learning experience.

SUMMARY

In addition, we have established a nationwide offline distribution network with deep penetration. Our products are generally sold to our distributors, who then onsell our products to end users, such as students or their parents, in the cases of personal student tablets and wearables products, and schools, in the case of smart classroom solutions. Our distributors not only market and sell our products, but also deliver customer services, especially to places where educational resources are typically inadequate. Face-to-face communications provide better experience for users to understand our products and an effective way to convey our philosophy of education, which facilitates us in effectively acquiring end users and maintaining a large, loyal and expanding user base. Our end users may get familiar with our products at offline points of sales through first-hand experience with the assistance from offline store staff. In addition, offline presence in local markets enables our brand and products and services to gain trust from end users. Such offline points of sales help us to communicate with and deliver after-sales and operational services to end users in a more effective manner, which we believe will generate word-of-mouth referral and spread of our brand name and reputation, thereby further expanding user base. As of the Latest Practicable Date, we contracted 129 offline distributors who controlled a total of 4,608 points of sales located in 344 cities covering 31 provinces and autonomous administrative regions, including municipalities, across China. We strive to establish a nationwide distribution network with deep penetration, especially in third- and lower-tier cities in China. The number of the points of sales located in third- and lower-tier cities accounted for approximately 68.6%, 69.7% and 70.9% of total points of sales in 2019, 2020 and 2021, respectively. We also distribute our smart learning devices empowered by our digital educational resources through self-operated online channels as well as online distributors. Besides our efforts in strengthening our nationwide offline distribution network, we also introduce and implement new and innovative marketing measures, such as social media operations on WeChat, Weibo and TikTok and online live streaming sales, to achieve the expansion of our end user base, which in turn will improve the traffic of our offline stores. We expect such online-to-offline model will not only attract potential individual end users to promote our online sales but also will increase the sales at offline stores.

Our Technology-powered Education Product and Service Offerings

We have developed integrated technology-powered education product and service offerings, aiming to offer all-in-one smart learning device service with digital educational resources catering to the learning needs of primary and secondary school students, their parents and school teachers in China. Our education product and service offerings are able to fulfill the full spectrum of applications for various education scenarios and offering an innovative learning experience.

SUMMARY

Our Smart Learning Devices

We design, develop, manufacture and market smart learning devices empowered by digital educational resources primarily targeting primary and secondary students in China, creating a flexible, efficient, effective, interactive and personalized learning experience.

- **Personal student tablets.** Our personal student tablets are designed for personal end users who are primary and secondary (including middle and high school) students aging from 6 to 18, equipped with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for compulsory school education, and certain selected featured learning resources. In 2018, the total shipment of our personal student tablets was 399.6 thousand units. During the Track Record Period, the total shipments of our personal student tablets were 456.9 thousand units, 484.6 thousand units and 458.8 thousand units in 2019, 2020 and 2021, respectively. The retail price of our personal student tablets mainly ranges from approximately RMB2,000 to RMB5,000.
- **Smart classroom solutions.** Our smart classroom solutions typically refer to the smart educational devices embedded with smart classroom management functions, which provide a connected and interactive learning environment for school teachers and students on one hand and enable parents to monitor the learning status of their children on the other hand. Our smart classroom solutions are designed for primary and secondary schools and aim to enhance the way of teaching and learning digitally, promoting teaching quality and efficiency. Except for a few samples of short-form animation courseware pre-installed on our personal student tablets, the educational content offered under smart classroom solutions, such as short-form animation courseware and pre-recorded video resources, can only be accessed online through our online platform and mobile APPs. In 2018, the total device shipment of our smart classroom solutions was 4.3 thousand units. During the Track Record Period, the total device shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. The retail price of the smart educational devices sold under our smart classroom solutions mainly ranges from approximately RMB1,998 to RMB4,898 per unit.
- **Wearable products.** Wearable products provides a wireless and hand-free access to various visual and audio educational resources beyond classroom in pockets of time. Such devices have expanded education scenarios and fueled the students with additional fun and motivation in learning during fragmentary time. In this regard, we have developed smartwatches specifically focusing on educational features and functions. In 2018, the total shipment of our wearable products was 510.7 thousand units. During the Track Record Period, the total shipments of our wearable products were 380.9 thousand units, 112.2 thousand units and 188.5 thousand units in 2019, 2020 and 2021, respectively. Such downward trend in total shipments of our wearable products during the Track Record Period was primarily because (i) we reduced our marketing efforts in promoting existing wearable products as we plan

SUMMARY

to upgrade our offerings for wearable product and (ii) certain key customers of such products shifted their distribution strategies to focus more on 4G powered products, therefore reducing the purchase orders with us. The retail price of our wearable products mainly ranges from approximately RMB390 to RMB1,000.

- **Other products.** We identify emerging market needs and trends and from time to time develop teaching and learning accessories that compatible to our smart learning devices, such as smart reader pens, aiming to make learning more productive and efficient.

For more details about our smart learning devices, please refer to “Business – Our Business – Our Smart Learning Devices.”

Our Digital Educational Resources

We strive to develop digital educational resources catering to the diverse learning needs of primary and secondary school students in all age groups from 6 to 18 years old, facilitating them to develop more productive and efficient learning skills, and thus, better academic performance. Our current major digital educational resources may be classified into synchronous lesson learning resources, advanced learning resources and featured learning resources, targeting students with different learning needs. For more details about our digital educational resources, please refer to “Business – Production and Assembly – Our Digital Educational Resource Offering.”

We produce short-form animation courseware, each focusing on one knowledge point and lasting for about three minutes. As of the Latest Practicable Date, we had produced 3,319 such animation courseware. In addition, we also offer online pre-recorded video resources held by us through our online learning platform. As of the Latest Practicable Date, our online learning platform had hosted pre-recorded video lasting for over 12,192 hours. Except for a few samples of short-form animation courseware pre-installed on our personal student tablets, the educational content, such as short-form animation courseware and pre-recorded video resources, can only be accessed online through our online platform and mobile APPs.

Our Mission and Vision

Our mission is to take advantage of technology empowerment to make study a pleasant experience.

We strive to become a major smart learning device service provider in China specializing in the provision of all-in-one self-directed learning solutions for students to improve leaning efficiency, and the provision of all-in-one smart classroom solutions for schools to improve precise education.

SUMMARY

OUR MARKET OPPORTUNITIES AND MARKET POSITIONS

We operate in a highly competitive industry, while we believe that there remain huge market opportunities and unsatisfied learning needs nationwide, especially in lower-tier cities. According to the Frost & Sullivan Report, in 2021, total K-12 students in China was approximately 232.2 million persons, of which 169.5 million, or 73%, were located in third- and lower-tier cities. It is expected to be 224.3 million K-12 students in China by 2026, of which 161.5 million, or 72%, are located in third- and lower-tier cities. Despite a mild decrease in the absolute number of population, the overall smart learning device service market is still underserved mainly due to the limited number of industry players and presents remarkable opportunities. In addition, the continuous implementation of the “two-child policy” in 2016 and the recently announced “three-child policy” in 2021 by the central government would also boost the long-term population growth and improve the country’s population structure. However, in 2021, China’s birth rate remained at a relatively low level.

The smart learning device service market we operate in may be further classified into two main segments, namely the To-C-based learning market which mainly serves personal end users and the To-B-based learning market which mainly refers to digital in-school teaching solutions. In 2021, the total market of smart learning device in China reaches RMB65.9 billion and the market size of the To-C-based segment was RMB32.9 billion, representing a CAGR of 23.7% and 22.5% from 2017, respectively. The total market of smart learning device in China is expected to reach RMB145.0 billion and the market size of the To-C-based segment is expected to reach RMB74.1 billion in 2026, representing a CAGR of 17.1% and 17.6%, respectively, from 2021 to 2026.

Compared with learning through educational APPs on general personal tablets, our personal student tablets offer a more personalized, comfortable and efficient study experience to students. In particular, leveraging our in-depth knowledge of student learning behavior and performance data, we developed AI systems that are able to identify each individual user’s learning performance and learning progress, and generate personalized study reports and learning recommendation accordingly. For example, we developed AI tutor system based on expert system technology to monitor and collect an individual user’s learning preferences and feedbacks, such as homework results, and provide personalized learning advices. In addition, different from general personal tablets, our personal student tablets focus on offering educational content, which exclude game apps from our app store and provide access to various online pre-recorded video educational resources. Furthermore, our personal student tablets also have specialized functions designed for students that deliver a comfortable and efficient learning experience, such as eye-protection and parental control features, which allow the parents to conveniently track and review the students’ learning progress.

SUMMARY

OUR MAJOR SUPPLIERS AND MAJOR CUSTOMERS

During the Track Record Period, aggregate purchases from our top five third-party suppliers or supplier groups in each of the period in terms of dollar amount in aggregate accounted for approximately 27.3%, 28.3% and 26.1%, respectively, of our total purchase costs in 2019, 2020 and 2021. Purchase from our largest supplier in terms of dollar amount accounted for approximately 7.9%, 6.7% and 12.7%, respectively, of our total purchase costs in such periods. During the Track Record Period, our suppliers were mainly raw material suppliers of custom metal and plastic components, electronic components, lithium-ion batteries, liquid crystal displays and so on.

During the Track Record Period, revenue derived from our top five customers or customer groups in each of the period accounted for 29.5%, 25.9% and 29.8% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively. Revenue derived from the respective largest customer or customer group over the same periods accounted for 9.3%, 6.7% and 10.0%, respectively. During the Track Record Period, the substantial portion of our customers were our distributors, who were not our agents, and our sales to the distributors are without recourse.

PRICING

We take into account a number of factors in determining the price of our products, including costs relating to procurement and production, market demands, spending patterns of our target consumers, the prices set by major competitors, and the anticipated profit margins for us. We generally price our products at a similar level with the products offered by our major competitors which have a similar level of hardware performance. We differentiate our products mainly through our efforts in educational content offering, customized learning features and after-sale and operational services.

We adopt a uniformed selling price strategy and typically offer a discount/rebate rate to our distributors. The purchase prices set for our distributors currently represent approximately 52% of the suggested retail price we set out for end users in the relevant period. Our revenue is stated net of such sales discounts/rebates. In light of the sales by our distributors to end users, we set a suggested retail price for each of our products as well as a maximum retail price that our distributors shall follow. Offline distributors may slightly adjust their selling prices with our prior consent. To avoid unhealthy competition, selling prices of the products available in our online storefronts are generally consistent with that of the products of the same model sold to end users through our distributors, both offline and online.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success:

- A China's major smart learning device service provider, building complete education product and service offerings with multiple growth potential;
- A nationwide distribution network with deep penetration which delivers innovative experience, ensures user acquisition efficiency and effectively improves the imbalance in educational resource allocation;
- Successful applications of advanced technologies and strong AI and big-data capabilities, realizing personalized precision education and maintaining a large and growing user base;
- Digital educational resources underpinned by comprehensive and strong content development capability; and
- Experienced, visionary and dedicated management team.

OUR BUSINESS STRATEGIES

Our objective is to become a trusted smart learning device service provider. We expect to continue to grow and expand our business, and to further strengthen and advance our leadership and market share in China. We aim to achieve this through the following strategies:

- Continue to optimize our technology-powered education product and service offerings and to identify and realize additional growth potentials and revenue streams;
- Deepen the reform of our distribution network and strengthen its penetration and leverage new and innovative marketing measures to expand end individual user base;
- Continue to enhance our educational resource development capability and further diversify the offering scope, aiming to deliver greater learning experience and efficiency; and
- Selectively pursue strategic investment or acquisition opportunities, extending the value chain of our education product and service offerings.

SUMMARY

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021, extracted from the Accountants' Report set out in Appendix I to this prospectus. The below summary should be read in conjunction with the consolidated financial information in Appendix I, including the accompanying notes and the information set forth in "Financial Information."

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Revenue	669,853	100.0	733,997	100.0	813,181	100.0
Cost of sales	(495,470)	(74.0)	(532,285)	(72.5)	(644,009)	(79.2)
Gross profit	174,383	26.0	201,712	27.5	169,172	20.8
Other income and gains	30,623	4.6	42,741	5.8	60,098	7.4
Selling and distribution expenses	(63,490)	(9.5)	(74,163)	(10.1)	(73,060)	(9.0)
Administrative expenses	(20,203)	(3.0)	(21,865)	(3.0)	(44,008)	(5.4)
Research and development expenses	(36,428)	(5.4)	(30,211)	(4.1)	(43,870)	(5.4)
Other expenses	(7,752)	(1.2)	(15,067)	(2.1)	(22,867)	(2.8)
Finance costs	(1,227)	(0.2)	(359)	(0.0)	(88)	(0.0)
Changes in fair value of financial liabilities at fair value through profit or loss	-	-	-	-	26,649	3.3
Profit before tax	75,906	11.3	102,788	14.0	72,026	8.9
Income tax credit/(expense)	(6,471)	(0.9)	(10,775)	(1.5)	10,120	1.2
Profit and total comprehensive income for the year	<u>69,435</u>	<u>10.4</u>	<u>92,013</u>	<u>12.5</u>	<u>82,146</u>	<u>10.1</u>
Attributable to owners of the parent	<u>69,435</u>	<u>10.4</u>	<u>92,013</u>	<u>12.5</u>	<u>82,146</u>	<u>10.1</u>

SUMMARY

Non-HKFRS Measures – Adjusted Net Profit and Adjusted Net Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted net profit and adjusted net profit margin as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit, as we present it, represents profit for the year before listing expenses and changes in fair value of financial liabilities at fair value through profit or loss in connection with the shares we issued to our Pre-IPO Investors. Adjusted net profit margin is calculated by adjusted net profit for the year divided by total revenue for the year. Listing expenses are expenses in relation to the Global Offering. Changes in fair value of financial liabilities at fair value through profit or loss are expenses in connection with the shares we issued to our Pre-IPO Investors. We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations because they do not reflect all items of income and expense that affect our operations. Our presentation of these non-HKFRS measures should not be construed as an inference that our future results will be unaffected by such unusual item.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, because they may not be calculated in the same manner by all companies, our adjusted net profit (a non-HKFRS measure) and adjusted net profit margin (a non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

The following table reconciles profit and net profit margin for the year under HKFRSs to adjusted net profit (a non-HKFRS measure) and adjusted net profit margin (a non-HKFRS measure), respectively, for the year indicated:

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	69,435	92,013	82,146
Add:			
Listing expenses	–	–	21,506
Less:			
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	26,649
	69,435	92,013	77,003
Adjusted net profit for the year (a non-HKFRS measure)	69,435	92,013	77,003
Net profit margin	10.4	12.5	10.1
Adjusted net profit margin (a non-HKFRS measure)	10.4	12.5	9.5

SUMMARY

Our gross profit and net profit increased from 2019 to 2020, primarily due to an increase in sales of our personal student tablets and smart classroom solutions in 2020, which generally had higher selling prices and gross profits than wearable products which accounted for a higher portion of our total sales in 2019. Both of our gross profit margin and net profit margin also increase over the same period, which was primarily due to the constant improvements in our product mix where the proportion of sales of products with relatively higher profit margin increased. Our net profit increased by 32.5% from RMB69.4 million in 2019 to RMB92.0 million in 2020 and our net profit margin increased from 10.4% in 2019 to 12.5% in 2020.

Due to (i) a decrease in gross profit caused by the increased raw material costs and (ii) the listing expenses of RMB21.5 million we incurred in connection with this Global Offering in 2021, our net profit decreased by 10.7% to RMB82.1 million in the year ended December 31, 2021, comparing with the corresponding period in 2020. Due to the same reasons, our net profit margin decreased from 12.5% to 10.1% and, as a result of a decrease in gross profit margin caused by the increased raw material costs, our adjusted net profit margin decreased from 12.5% to 9.5% over the same period. In response to increases in raw material costs, we have implemented various strategic measures, mainly including (i) having replaced suppliers for certain key raw materials, such as integrated circuits, from overseas suppliers to domestic suppliers who are able to provide quality raw materials at a relatively lower price, (ii) monitoring market condition for key raw materials and procuring reserves for raw materials at reasonable prices and (iii) identifying multiple suppliers for key raw materials to ensure our procurement enjoys market favorable prices.

Without considering the impact of the listing expenses and changes in fair value of financial liabilities at fair value through profit or loss which were in connection with the shares issued to our Pre-IPO Investors, our adjusted net profit, a non-HKFRS measure, would have decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021, and our adjusted net profit margin, a non-HKFRS measure, would be 12.5% and 9.5% in 2020 and 2021, respectively. See “Financial Information” for a more detailed discussion of our financial performance during the Track Record Period.

Revenue by Product Categories

The following table sets out a breakdown of our revenue by product categories, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Personal student tablets						
Devices ⁽¹⁾	448,321	66.9	550,702	75.0	571,626	70.3
Digital educational resources and services ⁽¹⁾	93,173	13.9	114,226	15.6	133,397	16.4

SUMMARY

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Sub-total	541,494	80.8	664,928	90.6	705,023	86.7
Smart classroom solutions						
Devices ⁽¹⁾	7,249	1.1	20,419	2.8	19,300	2.4
Digital educational resources and services ⁽¹⁾	914	0.1	1,874	0.3	4,279	0.5
Sub-total	8,163	1.2	22,293	3.1	23,579	2.9
Wearable products ⁽²⁾	111,778	16.7	31,664	4.3	53,695	6.6
Other products	5,987	0.9	2,144	0.2	17,918	2.2
Advertisement and content licensing ⁽³⁾	2,431	0.4	12,968	1.8	12,966	1.6
Total	669,853	100.0	733,997	100.0	813,181	100.0

Notes:

- (1) During the Track Record Period, we did not separately charge fees based on digital educational resources we have offered. Instead, we consider the value of our personal student tablets and the smart classroom solutions represent the aggregate value of the hardware devices, and the associated digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue derived from of the digital educational resources and services is recognized over the estimated user life on a straight-line basis.
- (2) During the Track Record Period, wearable products represented smartwatches.
- (3) During the Track Record Period, revenue from advertisement and content licensing represented our revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements. In 2019, 2020 and 2021, our revenue from content licensing was RMB9 thousand, RMB4.0 million and RMB4.9 million, respectively.

We place links to the APPs of the customers on the devices sold by us. We collect a fee based on the fixed price per click or download as agreed in the contract with the customers and number of clicks performed by the end users. Monthly statements are issued and agreed by both parties to confirm the volume of actual clicks or downloads and revenue amount.

We license pre-recorded video resources to third-party channels which place the digital educational resources on their platforms to sell to the end users. When the users purchase the digital educational resources from the platforms, we are entitled to a prescribed fixed percentage of gross proceeds collected by the channels. We view the channels as our customers as the channels control the digital educational resources and have the primary responsibility to sell the digital educational resources to the users. We recognize the net amount remitted from the channels as revenue based on the monthly statement issued and confirmed by the platforms.

SUMMARY

Personal student tablets constituted our major product category during the Track Record Period. The increase in revenue from sales of personal student tablets from 2019 to 2020 primarily due to the increase in total sales volumes, which was a combined result of the development of our distribution network as well as our increased brand recognition and market acceptance of our smart learning devices and the associated digital educational resources, which in turn, due to the improvement of our product mix where the proportion of high-end product models with higher selling prices increased as we continued to upgrade the devices in response to the evolving market trend. The increase in revenue from 2020 to 2021 was primarily due to the improvement in product mix where the proportion of high-end product that with higher retail selling prices. During the same periods, the aggregate shipments of the personal student tablets were 456.9 thousand units, 484.6 thousand units and 458.8 thousand units, respectively, in 2019, 2020 and 2021. The decrease in total shipment from 2020 to 2021 was primarily due to the shortage in certain key materials, such as integrated circuits and display screens. The shortage was primarily caused by the COVID-19 outbreak since early 2020 which materially interrupted the production activities globally, in particular, in Taiwan, Japan, Korea and the United States where the major circuit manufacturers are located. On the other hand, market demands for laptops and desktop computers increased considerably during the COVID-19 pandemic, which further deteriorated the situation. To prevent future raw material shortage, we have carried out a number of measures, see “Business – Impacts of COVID-19 Outbreak” and “Risk Factors – Risks Relating to Our Industry and Business – Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs” for further information.

Revenue from sales of smart classroom solutions increased from 2019 to 2020, primarily as a result of the market acceptance of our smart learning devices and the associated digital educational resources, and also the result of the increase in sales volumes, reflecting the preferential educational regulations and policies promulgated by the local and central governments to promote digital education industry. The increase was also attributable to the expansion of our distribution network. The increase in revenue from 2020 to 2021 was primarily due to the improvement in product mix. During the Track Record Period, the total device shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. The decrease in total shipment from 2020 to 2021 was primarily because (i) in the fourth quarter of 2021, in progress of upgrading our strategy of smart classroom to smart campus, we allocated more resources to its research and development and less in marketing for our smart classroom solutions, and (ii) one major distributor of our smart classroom solutions shifted its business focus on assisting us in promoting smart homework systems and reducing its purchases from us as a result.

See “Financial Information” for a more detailed discussion of our revenue by product categories during the Track Record Period.

SUMMARY

Revenue Recognition for Sale of Personal Student Tablets

We provide the sale of devices that are bundled together with the provision of digital educational resources and services to the customer. Contracts for bundled sales of devices and digital educational resources and services comprised two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the personal student tablets is transferred to the customers. Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when such resources is activated online by the end users, i.e. the users are able to use and benefit from the digital educational resources and services, and other revenue recognition criteria are met.

See “Financial Information – Revenue Recognition – Revenue from Contracts with Customers – (a) Sale of Personal Student Tablets” for a more detailed discussion of our revenue recognition policy for sale of personal student tablet.

Revenue by Sales Channels

The following table sets forth a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage of our total revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Offline distributors	614,381	91.7	624,009	85.0	695,641	85.5
Self-operated online platforms	11,693	1.7	21,619	2.9	29,937	3.7
Online distributors	41,307	6.2	75,401	10.3	74,637	9.2
Others	2,472	0.4	12,968	1.8	12,966	1.6
Total	669,853	100.0	733,997	100.0	813,181	100.0

SUMMARY

During the Track Record Period, revenue generated from sales from our offline distributors increased by 1.6% from 2019 to 2020, and further increased by approximately by 11.5% from 2020 to 2021. Such increases were mainly due to the continuous expansion and upgrade of our offline distribution network and the continuous improvements in our product mix, where the proportion of high-end product models with higher selling prices increased.

See “Financial Information” for a more detailed discussion of our revenue by sales channels during the Track Record Period.

Gross Profit and Gross Profit Margin by Product Categories

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

	Year Ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Personal student tablets						
Devices	94,433	21.1	108,642	19.7	51,353	9.0
Digital educational resources and services	<u>58,193</u>	62.5	<u>74,326</u>	65.1	<u>89,320</u>	67.0
Sub-total	152,626	28.2	182,968	27.5	140,673	20.0
Smart classroom solutions						
Devices	1,844	25.4	2,883	14.1	1,809	9.4
Digital educational resources and services	<u>571</u>	62.5	<u>1,219</u>	65.0	<u>2,853</u>	66.7
Sub-total	2,415	29.6	4,102	18.4	4,662	19.8
Wearable products	15,877	14.2	3,446	10.9	7,884	14.7
Other products	1,393	23.3	3	0.1	5,432	30.3
Advertisement and content licensing	<u>2,072</u>	85.2	<u>11,193</u>	86.3	<u>10,521</u>	81.1
Total	<u><u>174,383</u></u>	26.0	<u><u>201,712</u></u>	27.5	<u><u>169,172</u></u>	20.8

SUMMARY

Gross profit of our personal student tablets increased by approximately 19.9% from 2019 to 2020, which was primarily due to the increase in total sales. Gross profit of our personal student tablets decreased in 2021, primarily due to the continued unstable supply of certain raw materials, which caused by an increase in raw material costs. Gross profit margin of personal student tablets in 2019 was relatively higher as the proportion of sales of high-end product models increased that typically carried a relatively higher selling price and profit margin. Gross profit margin of personal student tablets slightly decreased in 2020, which was mainly a result of the increase in raw material costs in 2020, in part resulting from the temporary global shortage of certain key raw materials. In response to such raw material shortage, we have implemented various strategic measures, mainly including (i) having secured additional alternative suppliers for integrated circuits, (ii) increasing the versatility of raw materials to be used across different product models and (iii) identifying alternative raw materials and expanding our bills of materials.

Gross profit of our smart classroom solutions increased by approximately 69.9% from 2019 to 2020. Such increase was primarily due to the increased sales resulting from our efforts in promoting and marketing our smart classroom solutions. Gross profit margin of smart classroom solutions decreased from 29.6% in 2019 to 18.4% in 2020, mainly due to our enhanced promotional activities, such as preferential pricing policies in favor of the distributors, so as to expand the market coverage. Gross profit of smart classroom solutions increased by 13.7% from 2020 to 2021, and gross profit margin of smart classroom solutions slightly increased from 18.4% in 2020 to 19.8% in 2021, primarily due to the increase in the proportion of upgraded product models which generally carried a higher selling price and a higher gross profit margin, partially offset the adverse impact of the increase in raw material costs. To further increase our market share, in 2021, we strengthened the marketing incentives for distributors, including but not limited to offer free trial products to schools in order to secure potential business opportunities. We believe such marketing approach is effective and the gross profit margin of our smart classroom solutions will improve in the future as the sales increase.

See “Financial Information” for a more detailed discussion of our gross profit and gross profit margin by product categories during the Track Record Period.

SUMMARY

Gross Profit and Gross Profit Margin by Sales Channels

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

	Year Ended December 31,					
	2019		2020		2021	
	Gross Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Offline distributors	158,744	25.8	161,313	25.9	126,393	18.2
Self-operated online platforms	6,561	56.1	12,300	56.9	16,545	55.3
Online distributors	6,965	16.9	16,906	22.4	15,713	21.1
Others	2,113	85.5	11,193	86.3	10,521	81.1
Total	174,383	26.0	201,712	27.5	169,172	20.8

Gross profit of offline distributors increased by approximately 1.6% from 2019 to 2020, primarily due to the continuous increase in sales resulting from the expansion and upgrade of our offline distribution network. Gross profit margin of offline distributors remained relatively stable in 2019 and 2020. Gross profit of offline distributors decreased by approximately 21.6% from 2020 to 2021. Gross profit margin of offline distributors also decreased in the relevant periods. Such decreases were primarily due to a general increase in raw materials costs. In 2021, the decrease in gross profit margin of offline distributors outpaced that of self-operated online platforms, which was primarily because the average unit gross profit of self-operated online platform was generally higher than that of offline distributors due to the relevant sales were directly made to the end users, and therefore the impact of increased raw material costs in 2021 accounted to a fewer proportion of the gross profit of self-operated online platform than that of offline distributors. In 2021, we started to make all of our product offerings available to both online distributors and offline distributors. In consideration of the higher operation cost bear by our offline distributors, for same products, we generally offer relatively lower selling prices to offline distributors than online distributors. As a result, the average unit gross profit of offline distributors was generally lower than that of online distributors, and therefore the impact of increased raw material costs during the year accounted to a higher proportion of the offline distributors than that of online distributors. Accordingly, the decrease in gross profit margin of offline distributors outpaced that of online distributors in 2021.

See “Financial Information” for a more detailed discussion of our gross profit and gross profit margin by sales channels during the Track Record Period.

SUMMARY

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	117,992	116,352	105,637
Property, plant and equipment	51,993	50,394	48,453
Investment properties	14,378	13,992	13,606
Deferred tax assets	18,761	22,131	32,548
Current assets	391,120	523,860	707,265
Inventories	219,409	198,766	258,219
Trade receivables	16,965	23,566	47,551
Cash and cash equivalents	133,366	253,318	333,340
Current liabilities	248,256	424,141	391,944
Trade and bills payables	85,101	97,206	68,299
Other payables, accruals and contract liabilities	145,419	190,525	197,748
Amounts due to shareholders	–	128,000	117,561
Net current assets	142,864	99,719	315,321
Total assets less current liabilities	260,856	216,071	420,958
Non-current liabilities	32,392	38,284	162,020
Financial liabilities at fair value through profit or loss	–	–	120,365
Net assets	228,464	177,787	258,938

Our net current assets decreased from RMB142.9 million as of December 31, 2019 to RMB99.7 million as of December 31, 2020, primarily due to the amounts due to shareholders in connection with the dividends declared in November 2020. Net current assets increased to RMB315.3 million as of December 31, 2021 from RMB99.7 million as of December 31, 2020, primarily due to an increase of RMB80.0 million in cash and cash equivalents as well as an increase of RMB59.5 million in inventories.

Our net assets decreased from December 31, 2019 to December 31, 2020, primarily due to the dividends declared in November 2020 which amounted to RMB160.0 million, partially offset by our profit and total comprehensive income of RMB92.0 million in 2020. Net assets further increased to RMB258.9 million as of December 31, 2021, primarily due to our profit and total comprehensive income of RMB82.1 million in the year ended December 31, 2021.

As of December 31, 2021, we recorded financial liabilities at fair value through profit or loss of RMB120.4 million, which were in connection with the issue of redeemable shares to certain Pre-IPO Investors. The repurchase right granted to the Pre-IPO Investors would terminate upon the Listing and all the redeemable shares would be converted to our ordinary shares, on a one for one basis, upon the Listing and the completion of the Global Offering.

SUMMARY

Summary Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements			
in working capital	88,160	104,632	59,313
Movements in working capital	4,152	23,743	(102,186)
Interest received	1,096	3,167	3,335
Income tax paid	(3,317)	(13,602)	(916)
Net cash flows generated from/(used in)			
operating activities	90,091	117,940	(40,454)
Net cash flows used in investing			
activities	(29,104)	(4,454)	(11,432)
Net cash flows generated from			
financing activities	3,442	6,466	133,722
Net increase in cash and cash			
equivalents	64,429	119,952	81,836
Cash and cash equivalents at the			
beginning of the year	68,937	133,366	253,318
Effect of foreign exchange rate changes,			
net	–	–	(1,814)
Cash and cash equivalents at the			
end of the year	133,366	253,318	333,340

Despite the operating cash inflow before movements in working capital of RMB59.3 million, which mainly resulted from profit before tax of RMB72.0 million, partially offset by changes in fair value of financial liabilities at fair value through profit or loss, we recorded net cash flow used in operating activities of RMB40.5 million for year ended December 31, 2021. Our movement in working capital primarily reflected (i) an increase of RMB60.6 million in inventories as we increased raw material procurement in the anticipation of the rising market demand for such raw material and our products, (ii) a decrease of RMB28.9 million in trade and bills payables, and (iii) an increase of RMB24.4 million in trade receivables. Given that the listing expenses are in connection with this Global Offering and that our raw material procurement is expected become normalized to previous level, we believe that the net cash flows used in operating activities in the year ended December 31, 2021 is temporary and we are able to improve our cash flow during the ordinary course of business in the subsequent period.

SUMMARY

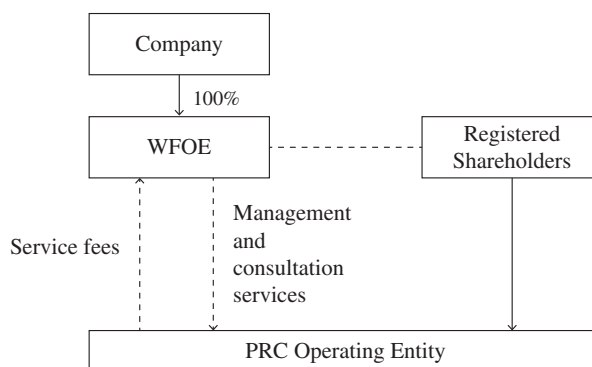
Going forward, we plan to improve our net operating cash flow position by (a) continuing to upgrade our products and expand product and service offerings so as to increase our revenue from sales of existing and new smart learning devices products and new services, (b) continuing to monitor and enhance management over our trade and bills receivables collection and expedite the cycle of recovering trade and bills receivables, in particular, for distributors who have credit terms, we apply credit limits based on their operational performance, willingness to pay and credit worthiness; in normal circumstances, in the event that any distributor fails to make payments in accordance with its credit terms or has fully utilized its credit limits, we will suspend our shipments and actively communicate with such distributor to ensure the collection of trade and bills receivables, (c) enhancing our inventory management, optimizing our inventory levels based on production and sales forecasts and further shortening inventory turnover period to accelerate cash realization rate, in particular, we formulate raw material procurement plans based on production and sales forecasts and designate our procurement team to accelerate the turnover of raw materials with long inventory turnover period based on the assessment of their potential use and quality with reference to our production plan, (d) continuing to review and implement comprehensive measures to optimize our cost structure and control our costs and expenses, in particular, we conduct cost structure review on a monthly basis to monitor the changes in our costs; in the situation that there are fluctuations in selling prices of raw materials, we will timely communicate with our suppliers to secure a stable price and/or quantity; in addition, we will continue to seek credit terms of 30 days or a longer period for payments to our suppliers to avoid unnecessary cash outflow; furthermore, we will enhance our sales and marketing efficiency, conduct frequent evaluations of business performance and make prompt adjustments to sales and marketing plans, and (e) maximizing the value of our surplus cash through investments at low risk.

CONTRACTUAL ARRANGEMENTS

We currently conduct our smart learning device service business through Zhuhai Readboy in the PRC. Our digital educational resources production and sales business, comprising the production of short-form animation courseware and offering of pre-recorded video resources held by us through our online platform and mobile APPs, and making available access to online free educational resources provided by third parties on our smart learning devices, is considered as value-added telecommunications services in the PRC. PRC laws and regulations generally restrict foreign ownership in value-added telecommunications services in the PRC and also impose qualification requirements on the foreign owners. Given that our business falls within the scope of “value-added telecommunications” which requires an ICP License to operate in the PRC, we cannot hold a direct controlling interest in Zhuhai Readboy, which holds the licenses and permits required for its business operations. Instead, we maintain effective control over Zhuhai Readboy and its business operations through Contractual Arrangements. For more details, please refer to the section headed “Contractual Arrangements” in this prospectus.

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from Zhuhai Readboy to our Group stipulated under the Contractual Arrangements:



Notes:

“ — ” denotes direct legal and beneficial ownership in the equity interest

“ -.- ” denotes contractual relationship

“ .-. ” denotes the control by WFOE over the Registered Shareholders through (1) powers of attorney to exercise all Registered Shareholders rights in Zhuhai Readboy, (2) exclusive options to acquire all or part of the equity interests in Zhuhai Readboy held by the Registered Shareholders, (3) equity pledge over the interest in Zhuhai Readboy, and (4) the Individual Shareholder Spouse Undertakings.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will be together interested in approximately 62.3058% of the issued share capital of the Company. Sky Focus is entirely held by Kimlan Limited which is in turn entirely held by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust. Joywish Family Trust is a discretionary trust established by Mr. Chen as the settlor, and the beneficiaries of which include Mr. Chen and his family members. Trade Honour is a wholly-owned company of Mr. Qin. As Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will continue to control more than 30% of the issued share capital of the Company, and by virtue of the Concert Parties Confirmatory Deed, they will be regarded as a group of Controlling Shareholders under the Listing Rules. For more details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

PRE-IPO INVESTORS

On March 22, 2021, Glorious Achievement, Golden Genius and Mr. Cheng entered into a share purchase agreement with Mr. Chen, Sky Focus, Mr. Qin, Trade Honour, Readboy Education Group, Readboy Education HK, Readboy Technology, Zhuhai Readboy and the Company, pursuant to which the Company agreed to allot 44,403, 18,308 and 4,577 Shares to Glorious Achievement, Golden Genius and Mr. Cheng respectively at a consideration of US\$15,000,000, US\$6,184,674.38 and US\$1,546,168.59 respectively.

SUMMARY

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), Glorious Achievement, Golden Genius and Mr. Cheng will hold approximately 3.55%, 1.46% and 0.37% of the issued Shares. For more details, see the paragraph headed “History, Reorganization and Corporate Structure – Pre-IPO Investments” of this prospectus.

LISTING EXPENSES INCURRED AND TO BE INCURRED

We expect to incur listing expenses of approximately RMB49.0 million, accounting for approximately 12.5% of total gross proceeds from the Global offering, including underwriting-related expenses of approximately RMB10.8 million, excluding any discretionary incentive fee which may be payable by us, and non-underwriting related expenses of approximately RMB38.2 million, which consist of fees and expenses of legal advisors and accountants of approximately RMB25.2 million and other fees and expenses of approximately RMB13.0 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$8.80 (being the mid-point of our Offer Price range of HK\$7.60 to HK\$10.00 per Offer Share). During the Track Record Period, we incurred RMB28.1 million as listing expense, of which approximately RMB21.5 million had been recognized as administrative expenses and approximately RMB6.6 million will be recognized as a deduction in equity directly upon the Listing. We expect to incur additional listing expenses of RMB20.9 million for the year ending December 31, 2022, of which approximately RMB7.7 million is expected to be recognized as administrative expenses for the year ending December 31, 2022 and approximately RMB13.2 million is expected to be recognized as a deduction in equity directly upon the Listing.

OFFERING STATISTICS

Offer size:	Initially 14.8% of the enlarged issued share capital of our Company
Offering structure:	Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK\$7.60 to HK\$10.00 per Offer Share

SUMMARY

	Based on an Offer Price of HK\$7.60 per Offer Share	Based on an Offer Price of HK\$10.00 per Offer Share
Our Company's market capitalization upon completion of the Global Offering ⁽¹⁾⁽²⁾	HK\$2,675.2 million	HK\$3,520 million
Unaudited pro forma adjusted net tangible asset per Share ⁽³⁾⁽⁴⁾	HK\$2.27	HK\$2.62

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 352,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (3) Upon the Listing and the completion of the Global Offering, the redemption right granted to our Pre-IPO Investors will be lapsed and the redeemable shares will be re-classified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB120.4 million, being the carrying amount of the redeemable shares as of December 31, 2021.
- (4) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" in this prospectus and on the basis of 352,000,000 Shares in issue at the respective offer price of HK\$7.60 and HK\$10.00, assuming that the Shares issued pursuant to the Global Offering were issued on December 31, 2021.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Assuming an Offer Price of HK\$8.80 per Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$425.5 million	HK\$492.4 million

SUMMARY

We intend to use the net proceeds of HK\$425.5 million of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$8.80 per Offer Share (being the mid-point of the indicative Offer Price Range) and assuming the Over-allotment Option is not exercised:

- approximately 35% of our estimated net proceeds, representing approximately HK\$148.9 million, will be used to deepen the reform of our distribution network and strengthen its geographic expansion and penetration;
- approximately 25% of our estimated net proceeds, representing approximately HK\$106.4 million, will be used for the research and development of our information technologies and infrastructure to enhance our overall technical advantages in delivering smart learning devices with digital educational resources;
- approximately 20% of our estimated net proceeds, representing approximately HK\$85.1 million, will be used for the investments in optimizing our product and service offerings to further enhance our competitiveness;
- approximately 10% of our estimated net proceeds, representing approximately HK\$42.6 million, will be used to enhance our educational material development capability and further diversify our digital educational resources; and
- approximately 10% of our estimated net proceeds, representing approximately HK\$42.5 million, will be used as our working capital and for general corporate purposes.

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

DIVIDEND

Our PRC subsidiaries declared dividends of RMB160.0 million to our Shareholders in November 2020. We expect to use our cash at hand from operations to settle all these dividend distributions prior to the Listing.

We may distribute dividends by way of cash, stock or other means that we consider appropriate. We may from time to time reevaluate our dividend policy in the future and the amount of dividends to be distributed to our Shareholders, if any, will depend upon our earnings, financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Subject to the Companies Act and other applicable laws and regulations and our future investment plans, including but not limited to any material investment or acquisition, after the Listing, our Board intends to recommend at the relevant shareholders meetings an annual dividend of no less than 20% of our profits available for distribution generated in each financial year. A decision to declare and pay any dividends would require the approval of the Shareholders’ meeting. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by contracts or agreements that we may enter into in the future.

SUMMARY

As of December 31, 2019, 2020 and 2021, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of our subsidiaries established in China. In the opinion of the Directors, our earnings will be retained in China for the expansion of our operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. In addition, given that no less than 20% of our profits is expected to be available for distribution generated in each financial year after the Listing, no deferred tax liabilities have been recognized for withholding tax. As of December 31, 2019, 2020 and 2021, the aggregate amounts of temporary differences associated with the unremitted earnings of subsidiaries in the PRC for which deferred tax liabilities have not been recognized were approximately RMB99.5 million, RMB22.0 million and RMB81.8 million, respectively.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to our contractual arrangements, (iii) risks relating to doing business in the PRC, and (iv) risks relating to the Global Offering. We believe that the most significant risks we face include the following: we are subject to risks and uncertainties in connection with the changes of the PRC education regulations and policies; our business depends heavily on the strength of our brand awareness and reputation and end users' recognition and their trust in our products and digital educational resources; we face intense competition which could divert students to our competitors, lead to pricing pressure and loss of market shares; we may not be able to launch and diversify new products and educational resources to adapt to changing customer demands in a timely manner; our development strategies may not achieve the expected goals in the near term, or at all; we may not be able to successfully expand and strengthen our distribution network; and we may not be able to effectively control and monitor the third-party distributors' operations or maintain our current relationship with them. A detailed discussion of all the risk factors involved are set forth in "Risk Factors" and you should read the whole section carefully before you decide whether to invest in the Shares.

RECENT DEVELOPMENTS

Business and Financial Highlights

Our industry and our business operations have been facing the uncertainties from the release of the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the "Opinions") (《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》) in July 2021, see "Recent Regulatory Changes" below for a detailed discussion.

SUMMARY

Set forth below are certain material developments on our business and results of operations after December 31, 2021, and up to the Latest Practicable Date:

- by May 2022, our average MAU amounted to over 1.4 million in the past 12 months, and our MAU also remained at over 1.4 million in each of the months from August to December 2021, which increased to 1.5 million in each of the months from January to May 2022, indicating the unchanged popularity of our smart learning devices;
- The table below sets forth our monthly shipment of personal student tablets since August 2021, the time when the Opinions were released, and up to May 2022 and corresponding periods in previous years for reference purpose:

	Year ended December 31,				
	2018	2019	2020	2021	2022
	<i>(units, in thousands)</i>				
January	46.4	48.5	57.8	51.1	19.1
February	18.5	29.6	33.3	38.8	12.5
March	26.6	27.1	51.4	43.9	23.4
April	17.5	13.1	25.9	12.5	18.2
May	19.2	9.0	13.2	29.3	24.0
August	45.0	54.0	74.8	36.7	N/A
September	66.5	82.5	59.9	61.7	N/A
October	23.7	23.4	29.7	23.5	N/A
November	23.4	35.9	32.2	11.3	N/A
December	33.5	21.6	28.5	54.0	N/A

The total shipment of personal student tablets for the period from January 2022 to May 2022 was relatively lower than that for the same period in 2021, primarily due to (i) the intensified pandemic control restrictions in response to the resurgences of COVID-19 outbreak, which resulted in the delays in the transportation of certain of raw materials, the slowdown in our production and the delays in the delivery schedule of our products to distributors and (ii) the temporary closure of points of sales operated by our distributors and the resultant more conservative order placing from distributors under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak; as a result, based on our unaudited management accounts, we recorded a decrease in revenue for the five-month period ended May 31, 2022, as compared to the corresponding period in 2021;

SUMMARY

The monthly shipment of personal student tablet was generally higher in August and September than that in other months in the same year, primarily because we generally record higher sales in summer vacation and at the beginning of the new school year as students generally increase their spending on smart learning devices at the beginning of a school year; the monthly shipment of personal student tablet in August 2021 was relatively lower than that in the same month in previous years, primarily due to the conservative order placing strategy adopted by our offline distributors in response to the uncertain market and regulatory environment immediately after the release of the Opinions in July 2021; the monthly shipment of personal student tablets was high in December 2021, primarily because our distributors increased their purchases with an earlier schedule in preparation for the upcoming Chinese New Year, which was in early February 2022, as the longer shipping time would be required under the intensified COVID-19 pandemic control restrictions and most logistic services would typically be suspended during such holidays; the monthly shipment of personal student tablets was low in January and February 2022, primarily due to (i) the relatively high inventory level of our distributors subsequent to their purchases made in December 2021, (ii) the relatively low sales in the Chinese New Year holiday and (iii) the uncertain market environment due to the resurgence of COVID-19 outbreak across the nation; the monthly shipment of personal student tablet was generally lower in April than that in March, primarily because less students choose to purchase smart learning devices during the spring semester; the relatively high monthly shipment of personal student tablet in April 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home;

As of December 31, 2019, 2020 and 2021 and May 31, 2022, our offline distributors recorded unsold personal student tablet of 75.5 thousand units, 66.6 thousand units, 75.3 thousand units, and 40.2 thousand units, respectively; the relatively lower inventory level of unsold personal student tablet as of December 31, 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home and an increase in sales of our offline distributors in 2020; the number of unsold personal student tablet held by our offline distributors decreased from December 31, 2021 to May 31, 2022, primarily because the inventories of offline distributors purchased in December 2021 were gradually sold to users and our offline distributors were more conservative in order placing under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak during the period; to ensure the healthy inventory level of our distributions, we leverage our information management system to manage the inventory level of our distributors through review of their monthly sales reports and regular communication with the responsible personnel; for distributors who have a relatively high level of inventories, we will assess their operational performance and require them to sell unsold inventories and reduce their inventory level to a required level within a given period; we require such distributors to submit their subsequent sales plan for unsold inventories and

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confirmations on sales progress for unsold inventories; in the event that such distributors fail to achieve their subsequent sales plan and reduce their inventory level to our required level within a given period, we may suspend our shipment to such distributors;

Compared to the three months periods from December to February in 2019, 2020 and 2021, respectively, the monthly shipment of personal student tablets was relatively higher in December 2021 and lower in January and February 2022, such different pattern was primarily because (i) the Chinese New Year of 2019 was in early February of the year, when the logistic services were not impacted by the COVID-19 pandemic, (ii) the Chinese New Year of 2020 was in late January of the year, when the logistic services were not impacted by the COVID-19 pandemic and (iii) the Chinese New Year of 2021 was in mid-February of the year, which respectively encouraged our distributors to generally arranged their purchases in preparation for the Chinese New Year in January of the corresponding year; The total shipment of personal student tablets for the period from January 2022 to May 2022 was relatively lower than that for the same period in 2021, primarily due to (i) the intensified pandemic control restrictions in response to the resurgences of COVID-19 outbreak, which resulted in the delays in the transportation of certain of raw materials, the slowdown in our production and the delays in the delivery schedule of our products to distributors and (ii) the temporary closure of points of sales operated by our distributors and the resultant more conservative order placing from distributors under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak; as a result, we recorded a decrease in sales amounts recognized from personal student tablets for the five months ended May 31, 2022 as compared to the same period in 2021; the monthly shipment of personal student tablet was generally lower in April than that in March, primarily because less students choose to purchase smart learning devices during the spring semester; the relatively high monthly shipment of personal student tablet in April 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home;

- during the period from January 1, 2022 and up to the Latest Practicable Date, the total shipments of our personal student tablets, smart classroom solutions and wearable products amounted to approximately 120.9 thousand units, 1.9 thousand units and 42.4 thousand units, respectively;
- since the end of the Track Record Period, we have continuously developed our distribution network; during the period from January 1, 2022 and up to the Latest Practicable Date, we newly contracted 24 offline distributors and terminated business with 18 offline distributors and the total number of points of sales increased to 4,608 controlled by 129 offline distributors as of the Latest Practicable Date; and

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- Our gross profit margin decreased from 27.5% in 2020 to 20.8% in 2021, primarily due to an increase in raw material costs. During the same period, our net profit margin decreased from 12.5% to 10.1%, mainly resulting from the decrease in gross profit margin. In addition, our gross profit margin of personal student tablets decreased from 27.5% in 2020 to 20.0% in 2021 as a result of the unstable supply of certain raw materials in 2021 which caused an increase in raw material costs.

For more details about our recent business and financial developments, please also refer to “Business – Recent Developments – Business and Financial Highlights.”

Developments in Product Offering

In response to the new regulatory regime, subsequent to the Track Record Period, we closely reviewed our product offerings with a view to establishing a Readboy smart education environment. Readboy smart education environment is a student-centered smart learning environment powered by various advanced technologies, including AI, big data and 5G, which consists of smart learning device product and service offerings and smart school solutions. To further build up the smart learning device product and service offerings, we intend to develop more accessory products that deliver a pleasant and efficient learning experience, such as smart desk sets, smart audio books and so on. We also in the process developing more education content, and have placed more focus on our smart school solutions, which support school with smart solutions on staff and campus management, teaching, facility operation and logistics management. Since October 1, 2021 and up to the Latest Practicable Date, we have launched a series new products. Please refer to “Business – Recent Developments – Developments in Product Offering” for a more detailed introduction of our recent new products.

After the release of the Opinions, we had promptly discontinued the offering of our self-developed live-streaming classes. In addition to the existing pre-recorded video resources and courseware, to the extent permitted by the relevant laws and regulations, we have been actively identifying additional educational resources from third parties that can be accessed from our smart learning devices. We were advised by our PRC Legal Advisor that, pursuant to the Opinions, (i) live-streaming classes for academic subjects are not completely prohibited; provision of live-streaming classes is allowed as long as the following requirements are met: (a) providers shall be registered as non-profit organizations by competent governmental authorities; (b) providers shall obtain the permit to commence (辦學許可證) and/or other requisite approvals; (c) other requirements provided by competent governmental authorities, such as such classes cannot be provided in holidays and time slot after 9 PM during the working days. On the other hand, the Opinions also encourages provision of free online educational resources to students. Therefore, after the implementation of the Opinions, the central government of the PRC has established official online free educational resources platforms, such as the National Cloud Learning Platform for Primary and Secondary Students. There are also other qualified non-profit organizations with the permit to commence and other necessary approvals providing online free educational resources, including live-streaming

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resources. Since the discontinuity of our self-developed live-streaming resources and up to the Latest Practicable Date, in addition to the pre-recorded video resources prepared by ourselves, we also have made available access to such additional online free educational resources on our smart learning devices.

In order to prudently comply with the Opinions and other newly released policies, we sought advice from our PRC legal advisor and conducted thorough due diligence on the relevant third party providing the online free educational resources to ensure such third party is qualified to provide the educational resource in accordance with the Opinions and other relevant policies. In particular, a designated team under our Readboy Institute of Education Technology selected and approved the third parties to offer online free educational resources on our smart learning devices on conditions that (i) such third parties hold valid permits to commence (non-profit) (辦學許可證(非營利性)) and (ii) such third parties and the relevant educational resources have been duly registered with on the National After-school Tutoring Regulatory and Service Platform (全國校外教育培訓監管與服務綜合平台).

Our PRC legal advisor is of the view that the provision of online free educational resources on our smart learning devices by qualified non-profit organizations with the permit to commence and other necessary approvals is not in violation of the application laws and regulations, on the basis that (i) the relevant third parties providing the online free educational resources with qualifications of non-profit organizations, the permit to commence and other necessary approvals comply with the requirements under the Opinions; and (ii) the online free educational resources do not constitute the restrictive content as stipulated in the Provisional Administrative Provisions on the Pre-installation and Distribution of Mobile Smart Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》).

As of the Latest Practicable Date, we have not been found in violation of any relevant laws and regulations in connection with the provision of online free educational resources on our smart learning devices by qualified non-profit organizations. Such additional online free educational resources may be accessed by our smart learning devices through third-party mobile apps or websites and the end users are at their discretion to install or uninstall such mobile app or to visit the relevant websites on the smart learning device. We currently do not pay fees for such free online educational resources and the end users are not separately charged fees either. We will continue to adopt the prudent approach when identifying more third parties for the provision of educational resources. Please also refer to “Risk Factors – Risks Relating to Our Business and Industry – Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, distributors, suppliers or other third parties may have a material adverse effect on our business” for more details. We will also explore new formats of collaboration that are permitted by the relevant laws and regulations.

For more details about our recent business and financial developments, please also refer to “Business – Recent Developments – Developments in Product Offering.”

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Expected Performance for the Year Ending December 31, 2022

For the five months ended May 31, 2022, the total shipment of our personal student tablet and our operations were negatively impacted by various factors, mainly including (i) the resurgence of COVID-19 outbreak and (ii) the relatively high level of inventory maintained by our distributors subsequent to their purchases made in December 2021, resulting from their orders made in preparation for the Chinese New Year in response to the longer shipping time under the intensified COVID-19 pandemic control restrictions. As the situation of COVID-19 outbreak has been gradually improved since May 2022, we expect that our total shipment of personal student tablets and our revenue for the year ending December 31, 2022 will remain relatively stable as compared to that in the year ended December 31, 2021, respectively.

Based on our unaudited management accounts, we recorded a decrease of approximately 41.0% in revenue for the five-month period ended May 31, 2022, as compared to the corresponding period in 2021. We also recorded a net loss for the five-month period ended May 31, 2022, primarily because (i) our revenue during the period was relatively low due to the resurgences of COVID-19 outbreak and (ii) our marketing expenses and research and development expenses were relatively high as we increased our efforts in market promotion and research and development. We expect to achieve net profit for the year ending December 31, 2022 through (i) further developing our offline distribution network to reach new local markets and additional end users, (ii) increasing our efforts in research and development to introduce new products and enhance the competitiveness of our products and (iii) implementing cost control measures with respect to our raw material procurement in order to mitigate the impact of changes in raw material prices. In addition, we expect that our net profit for the year ending December 31, 2022 will be significantly lower than that for the year ended December 31, 2021, primarily due to (i) the estimated income tax expenses to be incurred in the year ending December 31, 2022, while we recorded tax credits in the year ended December 31, 2021 as a result of preferential tax reduction for one subsidiary and tax losses incurred by certain subsidiaries resulting from operating loss or deferred tax losses, (ii) an increase in marketing expenses, mainly because we plan to further improve our marketing performance and introduce marketing activities to promote our service and products in the year ending December 31, 2022, (iii) an increase in research and development expenses, mainly due to our increased efforts in developing new smart learning products in the year ending December 31, 2022, and (iv) a decrease in gains recognized from changes in fair value of financial liabilities at fair value through profit or loss, mainly due to a decrease in the value of our equity which was measured based on the valuation techniques determined by the independent and qualified valuer; we recorded a gain in fair value of financial liabilities at fair value through profit or loss of RMB26.6 million in the year ended December 31, 2021, which were in connection with the issue of redeemable shares to certain Pre-IPO Investors.

Our adjusted net profit, a non-HKFRS measure, decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021. Due to the expected decrease in net profit, we estimate that our adjusted net profit for the year ending December 31, 2022 will be significantly lower than that for the year ended December 31, 2021.

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Save for the above, our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2021, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus.

RECENT REGULATORY CHANGES

Education Related Regulations and Policies

It is noticed that local and central governments have issued a number of policies recently, promoting the healthy growth of after-school tutoring market, including but not limited to the restriction on class hours of after-school tutoring sessions, qualification of relevant teaching crew, requirements for operating online educational content and education APPs, regulating the pricing of online and offline courses and punishing false advertisements. In particular, in July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions, which reaffirmed the government's political strategies to promote the quality of compulsory in-school education and increase the diversity of educational services provided by schools, and indicated the government's initiatives to strengthen the offering of free online education content and encourage students to utilize such education content. According to the Opinions, after-school tutoring industry will be subject to more stringent regulatory restrictions while in-school education will play a more significant role for China's primary and secondary school students. A number of follow-up new policies were released after the Opinions, but it is uncertain at current stage whether the central and local education authorities will introduce additional and more stringent regulations to govern the after-school tutoring market, and when and how those detailed rules will be implemented, and how they still affect our industry and our business operations. Please refer to "Regulatory Overview – Recent changes to PRC education regulatory regime" and "Risk Factors – Risks Relating to Our Industry and Business – We are subject to a wide variety of regulations and are required to obtain and maintain various licenses and permits, any failure of which may have a material adverse effect on us" for more details.

As confirmed by the relevant governmental authority and our PRC Legal Advisor detailed in the following paragraphs, we are not an after-school tutoring service provider whose operations are directly regulated by the Opinions. See "– Recent Communications with Regulatory Authorities" below for further details.

Business Adjustments

Our smart learning devices are designed to encourage students' learning interests and cultivate their learning habits, and the embedded digital education resources do not require compulsory attendance and are not intended to set up any specific learning goal. Regardless of the above, we took a prudent approach and with an eye on better complying with the government policies, we had reviewed our business operations and had discontinued to offer any live streaming classes since August 2021. We have thoroughly reviewed our online platform and mobile APPs to remove the access to any live streaming classes and we have

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terminated any application process for such classes. To continue to fulfill the relevant learning needs, we have been producing pre-recorded video resources for those educational resources and the users are notified and redirected to explore our pre-recorded video resources for the content they are interested in.

We believe the discontinuity of live streaming classes will not have a material adverse impact on our business and financial performance, on the basis that (i) historically we did not separately charge fees based on digital educational resources we have offered, and (ii) leveraging our strong educational resource development capability and experience, we are able to maintain the quality and diversity of the content offerings on our smart learning devices by improving other forms allowed by the new regulatory regime, such as courseware and pre-recorded video resources. Such belief is supported by an online survey research conducted by Frost & Sullivan in January 2022 with 1,000 students and parents across the country. Please refer to “Business – Production and Assembly – Our Digital Educational Resource Offerings – Recent Regulatory Changes and The Impacts on Education Resources” for more details about the findings of this survey. Monthly total views of our pre-recorded video resources from August 2021 to May 2022 were generally higher than the corresponding periods in the previous year. Total views increased by approximately 40.9% in the eight-month period from January to August 2021, comparing with the corresponding period in 2020, indicating an increasing popularity of our online education resources. As such, we believe that the popularity and the customer demand for smart learning devices in China remain strong which are not materially adversely affected by the release of the Opinions and the discontinuity of the live streaming classes available on the smart learning devices, if any.

Moreover, we believe our business growth in the past several years has been attributable to a number of factors, including but not limited to, (i) the continuous improvements in the quality and functionality of our smart learning devices by adopting the latest technologies, (ii) the quality and the increasing amount of education resources, which were provided in the format of pre-recorded video resources, courseware, and live-streaming classes (prior to its discontinuity), (iii) the expansion of our distribution network which facilitates the distribution and sales of the smart learning devices, (iv) other various marketing efforts we have made over years, and (v) the established reputation and brand recognition. In addition, we also believe that our business growth has been a result of the gradual accumulation of these factors over time, which could not be achieved instantly by an occurrence of any isolated event, i.e. the launch of the self-developed live streaming classes. To maintain the variety and quality of our education resources after the discontinuity of the live streaming classes, we have been producing and uploading pre-recorded video resources for those educational resources previously provided by the live streaming classes. We did not directly convert live-streaming classes to pre-recorded video format and upload online. Instead, we summarize the key points based on the compulsory education curriculum and syllabus frameworks and produce video content that organize and present the key points in a way that the students could understand better.

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We have also terminated the business plan in connection with selected paid courses. We believe that it will not have a material adverse impact on our overall business and financial performance because (i) historically we did not separately charge fees based on digital educational resources we have offered; (ii) paid courses were planned to be a supplement to our current business operations and our main revenue stream remains to be from the sales of smart learning devices, and (iii) the decision of not offering paid courses will not constitute any difficulty in implementing our other business plans. In addition, under the recent new regulatory regime which, among other things, targets to enhance the quality of compulsory education and to improve the online educational methods of schools, we believe our smart classroom solutions will become a significant strategic focus and advantage, as they are recognized by more schools as an effective teaching tool during their process of developing a digital education environment.

We have also reassessed and optimized our human resources to accommodate these adjustments to our business operations. In particular, we reviewed our full-time educational resource research and development crew who were primarily responsible for live-streaming classes, and reallocated them to content research and development, visual design, animation development and other teams, based on their respective skills and qualification.

We believe the smart learning device service market in China remains to be broadly imbalanced and underserved, given that (i) according to the Frost & Sullivan Report, total K-12 students, our target users, in China was approximately 232.2 million in 2021 while our registered users were over 5.5 million as of the Latest Practicable Date and by May 2022, our average MAU amounted to over 1.4 million in the past 12 months, (ii) there are over 3,100 county level cities or above in China while our offline distributor network currently only covers 344 county level cities, (iii) there are over 220,000 primary and secondary schools in China while the number of schools to which we supplied our smart classroom solutions was approximately 320 as of the Latest Practicable Date; and (iv) under the recent new education regulatory regime, schools are highly encouraged to carry out digital transformation which creates intensified needs for sophisticated smart classroom solutions; all of the above indicate that our current penetrations, in terms of geographic coverage, student population or school coverage, are generally low and there remain huge market demands and opportunities for us. Despite the above adjustments we made, we believe our smart learning devices remain attractive and popular, regardless of abundant free online education resources and other mobile tablets on the market that are not specially designed for students. Our smart learning devices possess a number of competitive advantages, please refer to “Business – Information Technologies and Infrastructure” in this prospectus for more details. Moreover, we are one of the first movers in China to develop and offer smart classroom solutions, which business has experienced a rapid growth in the Track Record Period, and is expect to continue to develop, especially in the third- and lower-tier cities, riding on recent favorable policies to promote digital equity and improve balanced education opportunities across the country.

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Recent Communications with Regulatory Authorities

To better understand and to properly comply with these new policies, we, together with the representatives of our PRC Legal Advisor and the PRC Legal Advisor to the Joint Sponsors, participated in a series of interviews with the local and central education authorities.

On August 11, 2021, we participated in an interview with a responsible officer from the After-school Tutoring Supervision Division, formerly known as the Education Supervision Division, under the Department of Education of Guangdong Province. We were advised, among other things, that (i) we are not an after-school tutoring service provider whose operations are directly regulated by the Opinions, therefore, according to the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC (the “Non-state Education Promotion Regulation”) (《中華人民共和國民辦教育促進法實施條例》), the Opinion on the Regulation of the Development of After-school Training Institutions (the “Opinion on the Development of After-school Training Institutions”) (《國務院辦公廳關於規範校外培訓機構發展的意見》) and the Opinions, our businesses are not required to obtain the permit to commence (辦學許可); (ii) the provision of digital educational resources in the form of pre-recorded video does not constitute a form of after-school tutoring business strictly regulated by the Opinions and is permitted under current regulatory requirements; and the provision of online educational resources with quality without separately charging fees and the promotion of the development in educational resources and education equality are encouraged by the Opinions; and (iii) for the live-streaming classes provided during the Track Record Period prior to the issuance of the Opinions, we have completed the requisite filing procedures for its operations, including obtaining the Certificate of After-school Online Tutoring (《廣東省校外線上培訓備案證明》) issued by the Department of Education of Guangdong Province.

In light of new follow-up new policies, on October 9, 2021, we participated another interview with the same responsible officer from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province. We were advised, among other things, that (i) as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; (ii) we are considered as an education technology company after our business adjustments and not as an after-school tutoring service provider and it is not directly subject to the Opinions and the follow-up policies; (iii) after our business adjustments, our main business is the sale of smart learning devices and the provision of digital educational resources in the form of pre-recorded video through such smart learning devices; such business does not constitute a form of after-school tutoring business strictly regulated by the Opinions and the follow-up policies; and (iv) based on the principle of non-retroactivity of laws and regulations, the Opinions and the follow-up new policies do not have a retrospective effect on our provision of live-streaming classes prior to the release of the Opinions.

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On November 1, 2021, we participated an interview with the director of the general office under the Department for Supervision of After-School Tutoring Institutions of the Ministry of Education. We were advised, among other things, that (i) as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province (with which we conducted the previous interviews on August 11 and October 9, 2021) is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; and (ii) we shall follow the advice and confirmations obtained from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in the previous interviews when conducting its business operations, and (iii) we shall seek advice from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in connection with the Opinions and other related policies in the future.

Based on the third interview conducted on November 1, 2021, we believe, and the Joint Sponsors concur, that the confirmations we received from the responsible officer during the interviews on August 11 and October 9, 2021, respectively, are valid, sufficient and properly authorized, and could be relied on to guide our business operations going forward. For more details about recent interviews with regulatory authorities, please refer to “Business – Recent Developments – Recent Communications with Regulatory Authorities.”

Our PRC legal advisor and our Directors are of the view, and the Joint Sponsors concur, that the likelihood of those confirmations being challenged by a higher level authority is relatively low. In addition, based on these interviews, we were also advised by our PRC Legal Advisor that (i) our sale of smart learning devices and the provision of pre-recorded video resources through such smart learning devices do not constitute a form of after-school tutoring business strictly regulated by the Opinions and the follow-up policies and hence would not be regarded as an indirect circumvention of the Opinions as confirmed by the interviews, (ii) the Company’s current businesses are not considered as the online tutoring operations strictly regulated by the Opinions, and it is not required to obtain additional permits or licenses for the Company’s existing operations going forward, and (iii) in terms of the previous business operations during the Track Record Period and prior to the promulgation of the Opinions, it has not been found in violation of the relevant laws and regulations.

According to our PRC Legal Advisor, pursuant to the Opinions, authorities at provincial level shall screen and evaluate registered online curriculum tutoring institutions and re-issue approvals in accordance with the new standards. Besides, based on the information regarding to the responsibilities and functions of the Department of Education of Guangdong Province set forth on the official websites of the Ministry of Education and the Department of Education of Guangdong Province, (i) the Department of Education of Guangdong Province is responsible for enforcing and implementing education laws, regulations, guidelines and policies within Guangdong provincial area, thus the Department of Education of Guangdong Province is a competent authority to implement the relevant national rules, regulations and policies, including the Opinions, and the responsible officer is in charge of after-school tutoring matters and is authorized to give such confirmations, and (ii) based on the facts that (a) the Department

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of Education of Guangdong Province is the competent authority in responsible for the administrative management of after-school tutoring matters, (b) the Department of Education of Guangdong Province is the actual enforcement entity of the China's education laws and regulations, and (c) the confirmations provided by the responsible officer do not contradict with other policies, laws and regulations, including the Opinions, that have been released to the public so far, the likelihood that the confirmations provided by the responsible officer to be challenged by a higher level authority, including the provincial education department (i.e. the Department of Education of Guangdong Province) and/or other national authority, is low. In addition, based on the interviews, our PRC Legal Advisor is of the opinions, upon the adjustments to our business operations as described above, that (i) the provision of digital educational resources in the form of pre-recorded video would not be regarded as an indirect circumvention of the Opinions, (ii) we are not considered as engaging in the online tutoring operations strictly regulated by the Opinions, and we are not required to obtain additional permits or licenses for our existing operations going forward, and (iii) in terms of our previous business operations during the Track Record Period and prior to the promulgation of the Opinions, we have not been found in violation of the relevant laws and regulations.

For more details about the recent regulatory change, our responses, as well as more details about advices from our PRC Legal Advisor on related matters please refer to “Regulatory Overview” and “Business – Recent Developments – Recent Communications with Regulatory Authorities” sections. Please also refer to “Risk Factors – Risks Relating to Our Industry and Business – PRC education industry is currently subject to evolving regulatory and policy changes. Uncertainties with respect to the PRC legal system, especially the education related laws and regulations, could have a material adverse effect on us and limit the legal protection available to investors.”

Rules Relating to Cybersecurity

On December 28, 2021, 13 PRC regulatory agencies including the Cyberspace Administration of China (the “CAC”) published the Cybersecurity Review Measures (《網絡安全審查辦法》(2021)) (the “**Cybersecurity Review Measures (2021)**”), which became effective on February 15, 2022 and supersede the Measures for Cybersecurity Review (《網絡安全審查辦法》) promulgated on April 13, 2020. The Cybersecurity Review Measures (2021) provides that a critical information infrastructure operator (the “CIIO”) purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Cybersecurity Review Measures (2021) also provides that a network platform operator with more than one million users’ personal information aiming to list abroad must apply for cybersecurity review. As of the date of the Latest Practicable Date, no relevant authority has published any detailed rules for identification of the critical information infrastructures, and to our best knowledge, we had not received any notification from the Protection Authorities about being identified as a CIIO.

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On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “**Draft Data Security Regulations**”, together with the Cybersecurity Review Measures (2021), the “**Cybersecurity Regulations**”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. The Draft Data Security Regulations also provides that a data processor who processes more than one million users’ personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security.”

As of the date of this Prospectus, we had not been involved in any investigation on cybersecurity review made by the CAC, neither had we received any inquiry, notice, warning, or sanction in such respect. And we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us, and according to the consultation to competent authority, we are not required to apply for cybersecurity review for the proposed listing. Please refer to “Regulatory Overview – Laws and regulations relating to cyber security, data security and personal information protection” for more details.

Rules Relating to 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**”), which are open for public comments until January 23, 2022.

The Draft Overseas Listing Administration Provisions, if adopted in its current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the draft regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft Overseas Listing Administration Provisions also stipulate certain circumstances where overseas listing should not be allowed. In particular, overseas offerings and listings that are prohibited by

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specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden.

As of the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions regarding this listing or our corporate structure from CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime. To our best knowledge, none of the circumstances that would prohibit PRC domestic companies from conducting overseas listing and offering under the Draft Regulations on Listing exists for us. Please refer to “Regulatory Overview – Laws and regulations relating to overseas listing” for more details.

Rules Relating to Foreign Investment Restrictions

On May 1, 2022, the State Council amended the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “**2022 FITE Regulations**”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations. The 2022 FITE Regulations prescribes that 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 that a foreign-invested enterprise must be approved by the MIIT to engage in value-added telecommunications business. As of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided a clear guidance or interpretation regarding the foregoing amendment in the 2022 FITE Regulations and the interpretation and enforcement of the foregoing amendment in the 2022 FITE Regulations remains uncertain in practice. We will closely monitor relevant regulatory development in connection with the 2022 FITE Regulations.

On June 16, 2022, with the assistance of our PRC legal advisor, we conducted a phone inquiry with the MIIT through service hotline (the “**June 16 Interview**”) and relevant MIIT staff confirmed that, which our PRC legal advisor concurs, based on the current regulatory review practice, (i) while the 2022 FITE Regulations have come into effect, which no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operation, the foreign investors are still prohibited from holding more than 50% of the equity interests of a company engaged in value-added telecommunications business, and thus the wholly-owned foreign investment entity would still not be granted an ICP License, (ii) there is no detailed explanation or guidelines on the 2022 FITE Regulations available for the foreign-invested enterprises without prior experience in operating value-added telecommunications businesses and a proven track record of business operation and in which foreign investor holds 50% or less equity interests

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(the “**New Applicant**”) to apply an ICP License at current stage and (iii) the application by a New Applicant for ICP Licenses is still subject to thorough examination and discretion by the MIIT and will not be approved in practice until detailed explanation or guidelines are issued.

Based on the confirmation from the June 16 Interview and the facts that, (i) the above confirmation from the June 16 Interview is consistent with the confirmation we received from the interview with the MIIT on April 13, 2021, (ii) as of the Latest Practicable Date, we had already obtained the value-added telecommunication business operating license, (iii) the 2022 FITE Regulations does not raise any additional requirements or restrictions on enterprises who have already obtained the value-added telecommunication business operating license before such amendment and (iv) as of the date of this Prospectus, we have not received any inquiry, notice, sanction or other concern from any authorities regarding the Contractual Arrangements and VIE structure, and save for the uncertainties regarding interpretation and implementation of the 2022 FITE Regulations as disclosed in this prospectus, our PRC Legal Advisor is of the view that the above changes in laws and regulations in relation to value-added telecommunication services will not affect the validity and the legality of our value-added telecommunication business operating license and will not have a material adverse effect on our operations in the PRC in effect as of the Latest Practicable Date. Based on the foregoing analysis, our Directors, with the advice of our PRC Legal Advisor, are of the view that the 2022 FITE Regulations will not have a material adverse effect on our business and operations. Please refer to “Risk Factors – Risks Relating to Contractual Arrangements – Our current corporate structure and business operations may be affected by the Foreign Investment Law” and “Regulatory Overview – Laws and regulations relating to foreign investment – Regulations relating to foreign investment restrictions” for more details.

Industry Developments

According to Frost & Sullivan, it is noticed that almost all after-school tutoring service providers who previously offered live-streaming classes had discontinued such business shortly after the Opinions were released. Nevertheless, the needs of students and parents for high-quality after-school education content remain strong. Encouraged by recent government’s initiatives to strengthen the offering of free online education content, it is expected that there will be more education content provided in the form of pre-recorded video resources or other new forms or new content distribution channels available in the market for the students in the near future. It is more likely that these entities may seek collaboration with existing hardware manufacturers, instead of relying on their in-house research and development efforts, to offer educational resource in the forms permitted by the relevant laws and regulations in the future. On the other hand, many existing hardware manufacturers lack the experience and expertise in developing educational resources by themselves, who usually source educational content from third parties, including us. As such, we believe our competitive advantages in developing high quality smart learning devices with digital educational resources have well positioned us to capture the market opportunities in the new education regulatory regime.

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Based on (i) the anticipated new competitive landscape as mentioned in the previous paragraph, (ii) the above-mentioned industry data in relation to China's smart learning device service market which is proved to be broadly imbalanced and underserved, (iii) the above-stated analysis that there is no material adverse impacts on our business and financial performance due to the discontinuity of live-streaming classes, and (iv) the fact that our operations have been stable after the Opinions were released, our Directors are of the view that the market demands and popularity of our smart learning devices will remain stable going forward.

IMPACTS OF THE COVID-19 OUTBREAK

In late 2019, an outbreak of respiratory illness caused by a novel coronavirus, or COVID-19, was quickly spreading around the world, including in China. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat.

Due to the COVID-19 outbreak and the government's relevant control measures, we temporarily suspended our production and assembly facility for a period of ten days from February 2, 2020 to February 11, 2020. We had fully resumed our production and assembly activities as of February 12, 2020. In order to prevent and control the outbreak, we adjusted our business operations and set up specific plans for resumption of work, our health and safety management system and emergency plans.

Moreover, subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistic services to deliver our products to customers were temporarily compromised in February and March 2020, especially in cities that were severely affected by the pandemic, such as Wuhan. The logistic services all been resumed to normal in the third quarter of 2020. To help our distributors to fight against the pandemic, we temporarily launched a number of policies in favor of our distributors, including extending the period for repair and maintenance services for a period of one to three months, and giving away free gifts to motivate purchasers. Total monetary value of the free gifts was less than RMB28,100, which we believe is insignificant and had no material impact on our financial performance.

On the other hand, despite the short-term lock down measures implemented in certain cities during the COVID-19 outbreak, the overall sales of our offline distributors were not materially adversely affected, which was primarily due to the surging market demands as a result of the home-based online education policy promoted by central and local governments. In addition, our offline distributors also actively deployed various marketing measures on social media and other online platforms and collaborated with local logistic service providers to offer door-to-door delivery service.

We estimated that we incurred anti-pandemic related expenses of approximately RMB365.0 thousand, which were primarily recorded in the first half of 2020 and mainly in connection with the purchases of medical and safety supplies for our employees. We believe such amount was insignificant and other than this, we did not incur other material anti-pandemic expenses during the Track Record Period.

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In addition, in 2021, we have experienced a temporary global shortage of certain key raw materials, such as integrated circuits and display screens. The shortage was primarily caused by the COVID-19 outbreak since early 2020 which materially interrupted the production activities globally, in particular, in Taiwan, Japan, Korea and the United States where the major circuit manufacturers are located. On other hand, market demands for laptops and desktop computers increased considerably during the COVID-19 pandemic, which further deteriorated the situation. Such temporary shortage caused an increase in raw material costs, which in turn, affected our net profit in the relevant periods. During the period from January 1, 2022 to the Latest Practicable Date, there were resurgences of COVID-19 outbreak, including the COVID-19 Delta and Omicron variant cases, from time to time in multiple cities in China, and the local governments intensified certain quarantine, import clearance and other restrictive measures. As a result, we experienced a slowdown in production and certain delays in the transportation of our raw materials from January 2022 to April 2022. As certain suppliers are located in Shenzhen, Dongguan and areas outside China, the production and logistics arrangements of our raw materials, such as integrated circuits, display screens and metal shells, were halted by various measures implemented by the local governments to alleviate the spread of the outbreaks. As of the Latest Practicable Date, the supply of our raw materials and our manufacturing operations have resumed to normal and we have implemented strategic measures to minimize the impact by the resurgence, see “Business – Impacts of COVID-19 Outbreak” for more details. In addition, we also experienced certain delays in the transportation of our products and witnessed temporary closure of certain offline stores operated by our distributors in those affected areas due to the intensified COVID-19 pandemic control restrictions. As a result, the delivery schedule for certain orders were delayed, and some of our distributors discussed with us and delayed their orders during the period from January 2022 to April 2022. As of the Latest Practicable Date, the transportation and delivery of our products have resumed to normal. During the period from January 1, 2022 to the Latest Practicable Date, the pricing of our products was not impacted by the resurgences of COVID-19 outbreak.

During the period from August 2021 to December 2021 and the period from January 2022 to April 2022, we noticed that certain of our distributors cancelled purchase orders from us. The aggregate amount, either in terms of device unit or the gross sales amount, is insignificant and would not have an adverse impact on our overall business and financial performance. To our best knowledge and after due inquiry, such cancellation was mainly due to the temporary delay in delivering certain models of the smart learning devices resulting from the shortage of certain raw materials, which caused the changes in customer demands and the relevant distributors decided to amend their purchases to meet the changing needs. Please also refer to “Business – Impacts of COVID-19 Outbreak” and “Risk Factors – Risks Relating to Our Business and Industry – Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs” for more details.

The abovementioned analysis is for illustrative purpose only and actual impact caused by the COVID-19 outbreak will depend on its subsequent development. Our Directors will continue to assess the impacts of the COVID-19 on the business and financial performance of our Group and will closely monitor the risks and uncertainties arising thereof. See “Business – Impacts of COVID-19 Outbreak” for a more detailed discussion of the impacts of the COVID-19 on us.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), conditionally adopted on June 21, 2022 with effect from the Listing Date, a summary of which is set out in Appendix IV
“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
“Capitalization Issue”	the issue of 298,932,712 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Statutory and General Information – A. Further Information About our Group – 4. Written Resolutions of the Shareholders Passed on June 21, 2022” in Appendix V to this prospectus
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“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

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“Chance High”	Chance High Developments Limited, a company incorporated in the BVI with limited liability on November 10, 2020 and is one of our Shareholders, which is wholly-owned by Mr. Shen Jianfei
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented 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 or supplemented from time to time
“Company”, “our Company”, “we” or “us”	Readboy Education Holding Company Limited (讀書郎教育控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 8, 2021
“Concert Parties Confirmatory Deed”	the confirmatory deed dated April 1, 2021, entered into by Mr. Chen and Mr. Qin to acknowledge and confirm, amongst other things, that they were parties acting in concert in respect of each of the members of the Group, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Acting in Concert Arrangement” in this prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into by and among WFOE, Zhuhai Readboy and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements”
“Controlling Shareholders”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour, and a Controlling Shareholder shall mean each or any one of them
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

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“Deed of Indemnity”	a deed of indemnity dated June 21, 2022 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries) to provide certain indemnities, particulars of which are set out in “E. Other information – 1. Estate duty, tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	a deed of non-competition dated June 21, 2022 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in “Relationship with our Controlling Shareholders – Deed of Non-Competition”
“Director(s)”	the director(s) of our Company
“Driving Force”	Driving Force Global Limited, a company incorporated in the BVI with limited liability on November 13, 2020 and for holding certain Shares reserved for any future grant of RSUs under the Post-IPO RSU Scheme, which is wholly-owned by Ms. Liu Zhilan, who is in turn acting as the RSU Trustee
“EIT Law”	the PRC Enterprise Income Tax Law * (中華人民共和國企業所得稅法), as amended or supplemented from time to time
“ESG Committee”	the environmental, social and governance committee of the Board
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“Eminent Future”	Eminent Future Holdings Limited, a company incorporated in the BVI with limited liability on November 16, 2020 and is one of our Shareholders, which is wholly-owned by Ms. Liu Zhilan
“Equity Pledge Agreement”	the equity pledge agreement dated March 23, 2021, entered into by WFOE, Zhuhai Readboy and the Registered Shareholders

DEFINITIONS

“Excellent Zone”	Excellent Zone Holdings Limited, a company incorporated in the BVI with limited liability on November 2, 2020 and is one of our Shareholders, which is wholly-owned by Mr. Chen Jiafeng
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement dated March 23, 2021, entered into by WFOE and Zhuhai Readboy
“Exclusive Call Option Agreement”	the exclusive call option agreement dated March 23, 2021, entered into by WFOE, Zhuhai Readboy and the Registered Shareholders
“FY” or “financial year”	financial year of our Company ended or ending December 31
“Founder”	Mr. Chen Zhiyong
“Frost & Sullivan Report”	the industry report issued by Frost & Sullivan
“FRC”	Financial Reporting Council (財務匯報局)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Glorious Achievement”	Glorious Achievement Investments Limited, a company incorporated in the BVI with limited liability on September 1, 2020 and is one of the Pre-IPO Investors. It is ultimately controlled by Mr. Wong Kun Kau, an independent third party
“Golden Genius”	Golden Genius International Limited, a company incorporated in the BVI with limited liability on March 26, 2019 and is one of our Shareholders. It is wholly owned by Ms. Qian Chen, who is an independent third party
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company, our subsidiaries and our PRC Operating Entity or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 5,200,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 28, 2022, relating to the Hong Kong Public Offering and entered into by our Company, China Securities (International) Corporate Finance Company Limited, Macquarie Capital Limited, the Hong Kong Underwriters, Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour as further described in the section headed “Underwriting – Underwriting Agreement and Expenses” in this prospectus
“Hui Tong”	Zhongshan Huitong Enterprise Investment Management Center* (中山市匯通企業投資管理中心), a limited partnership established in the PRC on December 25, 2015 and one of our Shareholders, which is owned as to 80% by Mr. Qin and 20% by Ms. Liu Zhilan
“ICP”	Internet content provider
“ICP License”	Internet content provider license, a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information service
“independent third party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company as defined under the Listing Rules
“Individual Shareholder Spouse Undertaking(s)”	collectively, the spouse undertakings dated March 23, 2021 respectively signed by Ms. Xie Lin who is the spouse of Mr. Qin, being one of our Controlling Shareholders and our executive Director, and Ms. Cai Ke who is the spouse of Mr. Shen Jianfei, being one of our Registered Shareholders of Zhuhai Readboy and our non-executive Director
“International Offer Shares”	the 46,800,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters, led by the Joint Representatives, that is 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 our Company, China Securities (International) Corporate Finance Company Limited, Macquarie Capital Limited, the Hong Kong Underwriters, Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour on or about July 5, 2022, as further described in the section headed “Underwriting – The International Offering” in this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	China Securities (International) Corporate Finance Company Limited, Macquarie Capital Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited, Eddid Securities and Futures Limited and China Merchants Securities (HK) Co., Limited
“Joint Representatives”	China Securities (International) Corporate Finance Company Limited and Macquarie Capital Limited (in alphabetical order)
“Joint Sponsors” or “Joint Global Coordinators”	China Securities (International) Corporate Finance Company Limited and Macquarie Capital Limited (in alphabetical order)

DEFINITIONS

“Kimlan Limited”	Kimlan Limited, a company established in the BVI with limited liability and one of the Controlling Shareholders being wholly-owned by Maples Trustee Services (Cayman) Limited
“Latest Practicable Date”	June 21, 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 Tuesday, July 12, 2022, 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
“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
“M&A Rules”	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by MOFCOM, SASAC, SAT, CSRC, SAIC and SAFE on August 8, 2006, effective on September 8, 2006 and further amended on June 22, 2009 by the MOFCOM
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Member of the Group”	the Company and/or any subsidiary or associated company of the Company
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on June 21, 2022, a summary of which is set out in Appendix IV to this prospectus

DEFINITIONS

“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)
“Mr. Chen”	Mr. Chen Zhiyong, founder of our Group, a non-executive Director and one of our Controlling Shareholders
“Mr. Qin”	Mr. Qin Shuguang, chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission (中華人民共和國發展和改革委員會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) of not more than HK\$10.00 and expected to be not less than HK\$7.60, at which Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 7,800,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this Prospectus
“PBOC”	People’s Bank of China (中國人民銀行)
“Post-IPO RSU”	a restricted share unit to be granted under the Post-IPO RSU Scheme
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Company on June 21, 2022, the principal terms of which are summarized under the paragraph headed “Statutory and General Information – D. Share Incentive Schemes” in Appendix V to this prospectus
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme of the Company approved and adopted by our Board on June 21, 2022, the principal terms of which are set out in the paragraph headed “Statutory and General Information – D. Share Incentive Scheme – Summary of the Post-IPO RSU Scheme” in Appendix V to this prospectus
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 as amended, supplemented or otherwise modified from time to time
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them

DEFINITIONS

“PRC Legal Advisor”	Jingtian & Gongcheng, the legal advisor to our Company as the laws of the PRC
“PRC Operating Entity”	the entity which we control through the Contractual Arrangements, namely, Zhuhai Readboy
“PRC Subsidiaries”	our wholly-owned subsidiaries in the PRC, namely Readboy Technology Zhongshan, Readboy Technology, Zhongshan Dream, Zhuhai Technology, as defined in this prospectus, and our PRC Operating Entity
“Pre-IPO Investment(s)”	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in “History, Reorganization and Corporate Structure – Pre-IPO Investments”
“Pre-IPO Investor(s)”	Glorious Achievement, Golden Genius and Mr. Cheng Yangshi (程洋滢先生), whose background are set out in “History, Reorganization and Corporate Structure – Pre-IPO Investments – Information about the Pre-IPO Investors” in this Prospectus
“Price Determination Agreement”	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about July 5, 2022, on which the Offer Price will be determined, or such later time as the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event, not later than Friday, July 8, 2022
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Rapid Gains”	Rapid Gains Developments Limited, a company established in the BVI with limited liability on November 13, 2020 and is one of our Shareholders, which is wholly-owned by Ms. Zhong Xiangling

DEFINITIONS

“Readboy Education Group”	Readboy Education Group Limited, a company incorporated in the BVI with limited liability on February 23, 2021 and a direct wholly-owned subsidiary of the Company
“Readboy Education HK”	Readboy Education (HK) Limited (讀書郎教育(香港)有限公司), a company incorporated in Hong Kong with limited liability on March 5, 2021 and an indirect wholly-owned subsidiary of the Company
“Readboy New Media Hangzhou”	Readboy New Media Technology (Hangzhou) Co., Ltd (讀書郎新媒體技術(杭州)有限公司), a company established in the PRC with limited liability on December 6, 2021 and an indirect wholly-owned subsidiary of the Company
“Readboy Technology”	Readboy Educational Technology Co., Ltd* (讀書郎教育科技有限公司) (formerly known as Zhongshan Readboy Electronics Co., Ltd.* (中山市讀書郎電子有限公司)), a company established in the PRC with limited liability on May 28, 1999 and an indirect wholly-owned subsidiary of the Company
“Readboy Technology Zhongshan”/“WFOE”	Readboy Technology (Zhongshan) Co., Ltd* (讀書郎科技(中山)有限公司), a limited liability company established in the PRC on March 22, 2021 and an indirect wholly-owned subsidiary of the Company
“RSU(s)”	restricted share unit(s)
“RSU Trustee”	Ms. Liu Zhilan, the trustee of the Post-IPO RSU Scheme
“Registered Shareholders”	Mr. Shen Jianfei and Mr. Qin
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Robbinsville”	Robbinsville Limited, a company incorporated in the BVI with limited liability on November 16, 2020 and one of our Shareholders, which is wholly-owned by Mr. Wu Jianhua, who is an independent third party
“R&D”	research and development
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 37”	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局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》) promulgated by SAFE with effect from July 4, 2014
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the State Administration for Market Regulation (國家市場監督管理總局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Shareholders’ Powers of Attorney”	the powers of attorney all dated March 23, 2021, entered into by each of the Registered Shareholders in favor of WFOE, all dated March 23, 2021
“Shareholders’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement dated March 23, 2021, entered into by WFOE, Zhuhai Readboy and the Registered Shareholders
“Shares”	ordinary shares in the share capital of our Company with par value of HK\$0.001 each
“Sky Focus”	Sky Focus Holdings Limited, a company incorporated in the BVI with limited liability on November 9, 2020 and one of the Controlling Shareholders, being wholly-owned by Kimlan Limited
“Stabilizing Manager”	China Securities (International) Corporate Finance Company Limited
“State Council”	the PRC State Council (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	the three years ended December 31, 2019, 2020 and 2021
“Trade Honour”	Trade Honour Holdings Limited, a company established in the BVI with limited liability on November 13, 2020 and is wholly-owned by Mr. Qin
“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
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“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 White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zhongshan Dream”	Dream Exploration Technology (Zhongshan) Co., Ltd* (夢想探索技術(中山)有限公司), previously known as Zhongshan Dream Intelligent Terminal Co., Ltd* (中山追夢智能終端有限公司), a company established in the PRC with limited liability on June 22, 2020 and an indirect wholly-owned subsidiary of our Company
“Zhongshan Selection”	Zhongshan Lang Selection Technology Co., Ltd* (中山市郎甄選科技有限公司), a company established in the PRC with limited liability on January 13, 2022 and an indirect non-wholly owned subsidiary of our Company which is owned as to 55% by Readboy Technology and 45% by Hainan Zhenpin Selection Technology Co., Ltd.* (海南省臻品甄選科技有限公司), an independent third party save for its shareholding in Zhongshan Selection
“Zhongshan Reader”	Zhongshan Reader Technology Co., Ltd* (中山讀書者科技有限公司), a company established in the PRC with limited liability on December 27, 2021 and an indirect non-wholly owned subsidiary of our Company which is owned as to 55% by Readboy Technology and 45% by Zhongshan Chengtian Technology Co., Ltd* (中山市誠天科技有限公司), an independent third party save for its shareholding in Zhongshan Reader
“Zhuhai Readboy”	Zhuhai Readboy Network Education Co., Ltd* (珠海讀書郎網絡教育有限公司), a limited liability company established in the PRC on November 24, 2017 and is our PRC Operating Entity controlled via Contractual Arrangements after the Reorganization

GLOSSARY

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

“4S experience stores”	a type of the points of sales controlled by our offline distributors named by us which typically have an independent physical storefront and provide a suite of upgraded and customized services; “4S” refers to sales, services, support and survey
“APP”	applications on smart mobile devices
“CAGR”	compound annual growth rate
“device shipment”	the units of device sales to our distributors for which revenue is recognized
“ERP system”	enterprise resource planning system
“first-tier cities”	in this prospectus, Beijing, Shanghai, Guangzhou and Shenzhen
“MAU”	monthly active users, referring to the aggregate number of registered users that have logged on to our user platform at least once within a calendar month
“registered users”	the end users who register with and log on to our user platform for online services through their smart education devices, our official website or our mobile APP as of a relevant date; in addition, our smart learning devices may be logged on and used by more than one registered user
“second-tier cities”	in this prospectus, Chengdu, Hangzhou, Wuhan, Chongqing, Nanjing, Tianjin, Suzhou, Xi’an, Changsha, Shenyang, Qingdao, Zhengzhou, Dalian, Dongguan, Ningbo, Xiamen, Fuzhou, Wuxi, Hefei, Kunming, Harbin, Jinan, Foshan, Changchun, Wenzhou, Shijiazhuang, Nanning, Changzhou, Quanzhou, Nanchang, Guiyang, Taiyuan, Yantai, Jiaxing, Nantong, Jinhua, Zhuhai, Huizhou, Xuzhou, Haikou, Urumchi, Shaoxing, Zhongshan, Taizhou, Lanzhou

GLOSSARY

“sq.m.”	square meters
“STEAM”	science, technology, engineering, art and mathematics
“third- and lower-tier cities”	in this prospectus, cities other than first- and second-tier cities in China
“%”	percentage

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

PRC education industry is currently subject to evolving regulatory and policy changes. Uncertainties with respect to the PRC legal system, especially the education related laws and regulations, could have a material adverse effect on us and limit the legal protection available to investors.

Our business and operations are primarily conducted in China and are governed by PRC laws and regulations. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited weight as precedents. The PRC legal system continues to evolve rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies.

In addition, in recent years, the PRC government announced a series of new policies which imposed stricter standards with respect to online and offline education and tutoring businesses, mainly for the purpose of regulating the operations of after-school online and offline tutoring entities and further implementing the “quality education.” In particular, it is noticed that local and central governments have issued a number of policies recently, promoting the healthy growth of after-school tutoring market, including but not limited to the restriction on class hours of after-school tutoring sessions, qualification of relevant teaching crew, requirements for operating online educational content and education APPs, regulating the pricing of online and offline courses and punishing false advertisements. On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the “Opinions”) (《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》). The Opinions aim to further regulate after-school tutoring activities (including both online and offline tutoring) and effectively ease the burden of excessive homework and after-school tutoring for students at compulsory education stage. The Opinions provides a number of restrictive measures regulating the institutions engaging in online and offline tutoring business. Please refer to the section headed “Regulatory Overview” for details.

RISK FACTORS

In response to the recent regulatory changes, we have reviewed our business operations and discontinued to offer any live streaming classes and terminated the business plan in connection with selected paid courses. Although we assess such adjustments do not have a material adverse impact on our business and financial performance, we cannot assure you that it will be the same case if the education regulation regime in China continues to evolve significantly.

Moreover, it is uncertain at current stage whether the central and local education authorities will introduce additional and more stringent regulations to govern the after-school tutoring market, when and how those detailed rules will be implemented, and how such new regulations will affect our industry and our business. If the PRC government continues to impose stricter regulations on areas we are involved in, we could face higher costs in order to comply with those regulations, which could impact our profitability. Please also refer to “– Risks Relating to Our Business and Industry – Our development strategies may not achieve the expected goals in the near term, or at all.”

Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. For example, it was recently reported that the PRC government may consider to propose a data tax on technology companies. It is substantially uncertain at current stage whether and when such data tax law will be published, and how the data tax may be structured, if any, including the possible tax rates, the scope of its application, and the entities to be subject to the data tax. As such, it is also impossible at current stage to estimate the impacts on us brought by the potential data tax law. Further, the PRC legal system is based partly on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

Our business depends heavily on the strength of our brand awareness and reputation, and end users’ recognition and their trust in our smart learning devices may be materially and adversely affected if we fail to maintain and enhance our brand and reputation.

Brand image is a key factor in purchase decisions. We believe our success depends substantially on the popularity of our “Readboy” brand that we use for marketing and promotion, as well as on our reputation in connection with our product offerings. Our Readboy brand was recognized as a reputable technology-powered education brand in China, including the Parents’ Most Trusted Education Brand for Kids in 2018 and the Technical Leading Education Brand in 2018 both recognized by Tencent News Annual Education Event, the Most Trusted Education Brand in 2019 awarded by Xinhua Net Education Forum. Therefore, maintaining and enhancing the recognition and image of our brand is critical to our ability to differentiate our services and products to compete effectively. Our brand and reputation may be harmed by product defects, ineffective customer services, product liability claims, consumer

RISK FACTORS

complaints, intellectual property infringement or negative publicity or media reports. Any negative claim against us, even if meritless or unsuccessful, may divert our management's attention and other resources from day-to-day business operation, which may adversely affect our business, results of operations and financial condition. Negative media coverage regarding the safety, price-level or quality of our products, and the resulting negative publicity, may materially and adversely affect the level of consumer recognition of, and trust in, us and our products. In addition, adverse publicity about any regulatory or legal action against us may damage our reputation and brand image, undermine our end users' confidence in us and reduce long-term demand for our services or products, even if the regulatory or legal action is unfounded or immaterial to our operations.

Furthermore, as we continue to grow in size, expand our product offerings, extend the geographic reach of our distribution network, maintaining product quality and consistency may be more difficult and we cannot assure you that we can maintain the end users' confidence in our brand name. If end users perceive or experience a reduction in the quality of our products, or consider in any way that we fail to deliver a consistently high quality products, our brand value could suffer, which could have a material and adverse effect on our business.

We have registered the Chinese and English characters as well as the logos of our Readboy trademark under several classes in China. However, we may from time to time be involved in lawsuits brought against us by third parties for trademark infringement. We may have to incur significant expenses and divert substantial management time and resources to respond to those cases. Such legal proceedings may materially and adversely affect our brand image and damage our brand value, regardless of their merits. We consider our trademarks and brand name to be material to our business. If we are unable to adequately protect these intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

Moreover, under our agreements with our offline and online distributors, we authorized these parties to display our brand name or trademarks when marketing our products. Despite the scope of authorization as detailed in the agreements, there is no assurance that our distributors will not infringe our trademarks or any other intellectual property rights. Any unauthorized use of our intellectual property rights will materially and adversely harm our reputation and brand image, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. See “– We may not be able to adequately protect our intellectual property, which could adversely affect our business and operations” below.

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

The smart learning device service market in China is intensely competitive, and we expect competition in this sector to persist and intensify. Some of our current or future competitors may have longer operating histories, a larger group of educational resource development crew, greater brand recognition, or greater financial, technical or marketing resources than we do. We compete with these smart learning device service providers across a range of factors, including, among others, product quality, scope of digital educational resources, technology infrastructure and data analytics capabilities, students' learning experience, brand recognition and scope of the device offerings. Moreover, as the demand for smart learning device services increases, we expect more new comers will participate in the industry, resulting in more intense competition. These competitors may adopt similar product and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. We believe one of our current competitive advantages is successful applications of advanced technologies and strong AI, big-data and cloud related capabilities in our product research and development processes. However, such technologies are subject to rapid evolution and commoditization. The constant and rapid technological developments and advancements may render our product models in the common forms and with the common functionalities that are generally available today outdated or obsolete, and merging products with new functions may substitute existing product models or products quickly. If we are not able to catch up with the latest and the most advanced technologies in a timely manner while maintaining sufficient and competent technical staff, we may lose our existing technological competitiveness to our competitors and the attractiveness of our products will be materially reduced. In addition, we believe we are facing a changing competitive landscape after the Opinions were released. According to Frost & Sullivan, it is noticed that almost all after-school tutoring service providers who previously offered live-streaming classes had discontinued such business shortly after the Opinions were released. Encouraged by recent government's initiatives to strengthen the offering of free online education content, it is expected that there will be more education content, such as pre-recorded video resources, available in the market for the students in the future. It is more likely that the tutoring service providers may seek collaboration with existing hardware manufacturers, instead of relying on their in-house research and development efforts, to offer educational resource in the forms permitted by the relevant laws and regulations in the future. On the other hand, many existing hardware manufacturers lack the experience and expertise in developing educational resources, who usually source educational content from third parties, including us. We cannot assure you that we will maintain our competitive advantages in developing high quality smart learning devices with digital educational resources and compete effectively with new or existing market players in both device manufacturing and education resource development, respectively. Lastly, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their services and respond more quickly than we can to the changes in student preferences, market needs or new technologies. If we reduce selling prices or increase spending in response to competition in order to retain or attract students and high quality educational resource development crew, or pursue new market opportunities, our net revenue may decrease and our

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costs and expenses may increase as a result of such actions which may adversely affect our operating margins. If we are unable to successfully compete for students, maintain or increase our selling prices, attract and retain competent educational resource development crew or other key research and technology personnel, maintain our competitiveness in terms of the quality of our smart learning devices in a cost-effective manner, our results of operations may be materially and adversely affected.

We may not be able to launch and diversify new products and educational resources to adapt to changing customer demands in a timely manner.

We have consistently devoted our efforts to developing new products in order to not only adapt to evolving learning needs and preferences, but also influence market trends with innovation. We may develop new brands to explore more market opportunities. In light of the highly competitive and volatile environment, our future growth depends on our ability to continue to introduce product and brand portfolio that are welcomed by the market.

Introducing new products or developing new digital educational resources involve significant development and research costs on one hand, and inherent risks on the other, such as over-estimated market demand, unsatisfied product quality, unsuccessful pricing strategy. Failure to successfully diversify and expand our product and brand portfolio to adapt to the constantly changing learning needs and preferences and market trends may cause our results of operations to decrease as we will not be able to recoup the associated costs, may jeopardize our competitive advantage and market share, and may result in continued reliance on our existing products and brands. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

We depend on our dedicated and capable educational resource research and development crew and other research staff, and if we are not able to continue to hire, train and retain such qualified staff, we may not be able to maintain consistent quality of our courseware, pre-recorded video resources and other digital educational resources. As such, our brand, business and operating results may be materially and adversely affected.

Our educational resource research and development crew and other research staff, are critical to maintaining the quality of our courseware, pre-recorded video resources and other digital educational resources, which in turn, is essential for maintaining our brand and reputation.

It is critical for us to continue to attract and retain qualified educational resource research and development crew and other research staff who have a strong command of the subject areas and meet our qualification. The number of such personnel in China with the necessary experience and proficiency in developing digital educational resources that meet our needs and standards is limited and we must provide competitive compensation packages to attract and retain such qualified personnel. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, in particular as we continue to expand and acquire educational resource research and development crew to further complete and upgrade

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our content offering. We must also provide continuous training to them so that they can stay up to date with changes in student demands, admissions and assessment tests, admissions standards, curriculum, and other key trends necessary to effectively proceed with the development of their respective courses. We may not be able to hire, train and retain enough qualified educational resource research and development crew to keep pace with our anticipated growth while maintaining consistent quality across our services in different geographic locations. In addition, PRC laws and regulations require teachers in kindergartens and primary and secondary schools to obtain the teaching qualification. The Opinion on the Regulation of the Development of After-school Training Institutions (《國務院辦公廳關於規範校外培訓機構發展的意見》), or the State Council Circular 80 and the Implementation Opinion on Regulating Online After-school Tutoring Activities (《關於規範校外線上培訓的實施意見》), or the Online Tutoring Opinion further require teachers in after-school training schools to apply for teaching qualifications corresponding to the academic subjects they teach, if they teach certain academic subjects in the primary and secondary education stage. Under the new PRC educational regime, we have discontinued to offer, and will not offer in the future, any live streaming classes or other forms of courses that may be deemed as after-school tutoring operations, and as such, our educational research and development crew will not engage in any after-school teaching activities and are not required to obtain the requisite teaching qualification. However, there is no assurance in the future that any of our crew may be required to apply for and obtain permits or licenses due to the change of laws and regulations or other reasons beyond our control. The failure of us and/or any of the relevant staff may subject us to administrative penalties, such as rectification of such non-compliance promptly. Shortages of qualified educational resource development crew or decreases in the quality of our instruction, whether actual or perceived, in one or more of our markets may have a material and adverse effect on our business. Moreover, despite our continuous efforts in developing pre-recorded video resources and other formats of various educational resources, we cannot assure you that the formats in which we digitalize our educational resources will always be accepted by the students and our products would remain popular among them. If the students find other formats of digital educational resources provided by our competitors are more appealing, we may lose our market position and market share as a result. See “Regulatory Overview – PRC Regulatory Overview – Laws and regulations relating to employment” for more information.

Moreover, we rely on our Readboy Institute of Education Technology to continually research, develop and upgrade our digital educational resources. National standard curriculum textbooks, admissions and assessment tests undergo continuous change in China, in terms of the focuses of subjects and questions tested, the format of the tests and the manner in which the tests are administered. These changes require our Readboy Institute of Education Technology to continually update and enhance our digital educational resources. If we fail to acquire or attract high quality research staff, or such staff fail to track and respond to the changing market trends in a timely and cost-effective manner, our digital educational resource offering will become less attractive, which may materially and adversely affect our reputation and ability to continue to attract end users.

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Our development strategies may not achieve the expected goals in the near term, or at all.

We focus on the long-term development and interests of us and the participants in our product and service offerings. We from time to time develop and adjust our business strategies in order to adapt into the competitive industry and maintain our market position. However, our strategies may not achieve the expected goals as planned. For example, we will make strategic investments or acquisitions which we believe are supplementary to our existing operations, and/or enable us to better access and control the downstream or upstream of our value chain. However, our newly invested businesses may have lower or negative margins, and are in the early stages of exploring, establishing and optimizing their business models. We believe these investments and initiatives are crucial to our success and future growth, but they may have an effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over a prolonged period. Acquired businesses that are loss-making may continue to sustain losses and may not become profitable in the near future or at all. The performance of our current and future equity investees and investment areas may also adversely affect our net income. There can be no assurance that we will be able to grow our acquired or invested businesses, or realize returns, benefits of synergies and growth opportunities we expect in connection with these investments and acquisitions.

In addition, we may consider to explore new business initiatives from time to time, the development of which may not always achieve our initial expectations. For example, we used to contemplate to launch selected paid courses as a supplement to our business operations. Nevertheless, considering that after-school tutoring operations are expected to be subject to more stringent regulations resulting from the recent change in the PRC education regulatory regime, we determined to terminate the business plan in connection with selected paid courses. Although such decision does not have a material adverse impact on our business and financial performance, we cannot assure you that we may not encounter similar situations in the future when we are in the process of developing other new business initiatives. Even if we are able to launch a new business initiative in the future, there is no assurance that it will be accepted by the market and achieve our initial expectations, such as driving additional revenue streams or attract more end users. Moreover, to support our future development, we plan to newly recruit a significant number of IT technical staff and educational resource development crew in the near future, which may, in a short term, increase our operating costs and expenses significantly. For more details about our recruitment plans and the estimated salaries we expect to incur, see “Future Plans and Use of Proceeds.” However, we cannot assure you that we are always able to identify and hire the desired competent IT staff and/or educational resource development crew on commercially reasonable terms as we are facing intense competition in our industry. If we cannot execute our recruitment plans as scheduled, we may fail to launch new and upgraded smart learning devices with high quality digital educational resources, and may lose attractiveness to end users, experience operating inefficiency and incur high operating costs and expenses. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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We may not be able to successfully expand and strengthen our distribution network.

Our growth has been largely attributable to our ability to establish and maintain a nationwide offline distribution network, operations of which have been a critical factor in driving our business growth and achieving strong results. As of the Latest Practicable Date, our offline distribution network comprised of 4,608 points of sales located in 344 county level or above cities covering 31 provinces and autonomous administrative regions, including municipalities, across China. Our offline distributors not only market and sell our products, but also deliver customer services and communications. Currently, we also primarily rely on our offline distributors to approach potential school customers for the sales of our smart classroom solutions. To further increase our market share, we expect to continue to expand our geographic coverage and deepen our market penetration. To this end, we intend to further strengthen the offline distribution network by retaining exiting distributors that possess strong local resources and marketing and sales capacity. We may also identify and engage more quality offline distributors, when appropriate candidate is available, to increase the number of our points of sales. We are also in the process of reforming our offline distribution network to achieve the optimal single-layer model at prefecture-level cities, see “Business – Our Distribution Network – Offline Distribution Network Summary” for more details. Moreover, we also engage a limited number of online distributors to facilitate our online sales. We expect to the number of our online distributors to increase as our online operations continue to develop.

However, we cannot assure you that we will be able to successfully contract new offline distributors or open new points of sales as scheduled or new online distributors with online resources. We may not be able to contract distributors with industrial experience and managerial skills, or to educate and train our distributors and their staff. Furthermore, if we are unable to properly plan our network expansion, an increasing number of points of sales in one certain region may cause cannibalization and unhealthy competition. In addition, our distribution network structural reform requires the cooperation from our offline distributors, whose designated distribution regions may be subject to re-allocation. If we fail to fully communicate with them or they refuse to collaborate, we will not be able to enhance our offline distribution network as scheduled and we may lose potential market opportunities, thus, our future growth and profitability could be materially and adversely affected.

In addition, the further expansion of our distribution network will impose increasing pressure on our managerial, manufacturing, logistics, financial, operational and other resources. We may not be able to effectively integrate any new offline or online stores into our existing operations. If we are unable to effectively manage our expansion or control rising costs associated with our expansion, our growth potential and profitability could be materially and adversely affected.

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Our nationwide offline distribution network consists primarily of points of sales that are controlled by independent third-party distributors. Our results of operations are significantly subject to the performance of such points of sales. We may not be able to effectively control and monitor their operations or maintain our current relationship with the distributors.

As of December 31, 2019, 2020 and 2021, we had maintained 58, 86 and 123 third-party offline distributors, respectively, who controlled 2,905, 3,386 and 4,302 points of sales. During the Track Record Period, revenue derived from these offline distributors represented approximately 91.7%, 85.0% and 85.5% of total revenue in 2019, 2020 and 2021, respectively. As of the Latest Practicable Date, we had maintained 129 third-party offline distributors who controlled a total of 4,608 points of sales. Therefore, our results of operations are significantly subject to the performance of the points of sales operated by our distributors, which in turn, reflects the marketing ability and management skills of our distributors. Poor performing points of sales, if the total number of which is significant, will materially and adversely affect our revenue and profitability. In addition, points of sales operated by our distributor may be temporarily closed from time to time as a result of the implementation of COVID-19 pandemic control restrictions by the local governments. Such temporary closure of points of sales, if the total number of which is significant, will materially and adversely affect our revenue and profitability. Under extreme circumstances, we may consider to terminate the distribution arrangements if it fails to meet the performance targets for a prolonged period of time. If one of our distributors goes bankrupt, there may be negative impact on whether we are able to recover our receivables, and closure of points of sales may also have negative impact on our brand image.

On the other hand, our offline distributors independently manage their business, which includes the monitoring on the performance of daily operation of the points of sales controlled by themselves and their respective sub-distributors. Therefore, the success and quality of such points of sales are ultimately dependent on the offline distributors themselves. We are unable to completely control the action of our offline distributors. Our contractual rights and remedies under the relevant agreements are considerably limited, and obtaining such remedies or filing a lawsuit may be costly. Although we have developed a robust management system to train, supervise and manage our offline distributors, we cannot assure you that our monitoring may be effective. For example, there is no assurance that our offline distributors will always follow our protocols and standards when delivering the services and products to end users. If the services or products delivered by our offline distributors fail to meet the standards anticipated by the end users, our reputation, business and results of operations may be adversely affected. If our current measures to monitor and manage our offline distributors are not adequate and effective enough for us to identify any non-compliance of our offline distributors in a timely manner, our reputation may be adversely affected. We also rely on offline distributors to implement our strategic initiatives and marketing programs. If any of such distributors does not comply with our policies or operating procedures, such as unilaterally engaging in promotions and discounts without our consent, or offering inferior consumer services, our reputation and brand image may be negatively affected. Furthermore, we currently use our information management middle-platform, which includes the ERP system, end-to-end service system, material management system, order management and other modules, to track and monitor the sales data of each points of sales. Although we have endeavored to enhance the accuracy and security of our IT systems, the effectiveness of our data collection and monitoring may be compromised if our distributors knowingly or mistakenly tamper with their data inputs.

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There may be a series of litigation risks relating to our offline distributors, including but not limited to consumer complaints, personal injuries, litigations initiated by employees due to improper termination of contracts, and so on. Although we do not directly undertake costs incurred in each of the above types of proceedings, these complaints may increase the costs of such distributors, have a negative impact on their profitability, and limit the funds available for their business operations, or affect their ability to renew the arrangements with us, which will further adversely affect our business operations and results of operations, and may negatively impact our brand image.

Although we have maintained stable relationships with the majority of our distributors, we cannot assure you that all of them will maintain their business relationships with us by renewing the existing agreements upon their expiry on terms acceptable to us, or at all. If any of our distributors terminates or does not renew its agreement with us, we may not be able to replace such distributors with a new third party in a timely manner, on terms acceptable to us, or at all. Further, we cannot assure you that our distributors will continue to purchase from us at historical levels in the future. In the event that a significant number of our distributors substantially reduce their volume of purchases or fail to fulfill their obligations under the relevant arrangements, or if we lose a significant number of our distributors and are unable to effectively replace them in a timely fashion, our business, financial condition and results of operations could be materially and adversely affected.

Our future prospect is subject to the development of population structure in China.

The development of China's education industry is highly dependent on the primary and secondary school population, which in turn, is affected by the total population of China and the population structure. Despite the fact that the proportion of aging population over total population in China continued to increase in the past decade, the total primary and secondary school population remains relatively high in China. According to the Frost & Sullivan Report, in 2021, total K-12 students in China was approximately 232.2 million persons, of which 169.5 million, or 73%, were located in all third- and lower-tier cities. It is expected to be 224.3 million K-12 students in China by 2026, of which 161.5 million, or 72%, are located in third- and lower-tier cities. Despite a mild decrease in the absolute number, the overall education market is still underserved mainly due to the limited number of industry players and presents remarkable opportunities. In addition, the continuous implementation of the "two-child policy" in 2016 and the recently announced "three-child policy" in 2021 by the central government would also boost the long-term population growth and improve the country's population structure. As such, we believe our current business operations and prospects will remain promising. However, in 2021, China's birth rate remained at a relatively low level. If the K-12 student population does not meet the expectation and experiences a significant decrease in the future, our business operations may be materially adversely affected.

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Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs.

We currently operate one production and assembly facility located in Zhongshan, Guangdong Province. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other unexpected interruptions, including prolonged power or water suspension, may cause significant damage or delay to our production and assembly facility or that of third party manufacturer we engage, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production and assembly facility becomes available and operational.

Additionally, we rely on the timely supply of various raw material in order to carry out our production and assembly facility as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to deliver an adequate number of products to the market, causing us to lose business opportunities. Moreover, we may encounter disputes with our suppliers from time to time, including but not limited to the disagreement on quality, quantity or other matters. Such disputes, if cannot be solved in a sound and timely manner, may cause a delay in the supply of the relevant raw materials, or, in severe situation, a termination of the relevant agreement. Any of the above-mentioned natural or man-made disasters or other unanticipated events could also disrupt the operations of our suppliers, or delay the relevant transportation, which in turn, may further impede our ability to manufacture and deliver our products in a timely manner. For instance, we experienced an increase in raw material costs in 2020 resulting from the temporary shortage of certain key raw materials during the COVID-19 outbreak. Although we have not experienced any major production disruptions during the Track Record Period and as of the Latest Practicable Date, any similar events in the future could have an adverse impact on our ability to produce sufficient quantities of products. For another instance, regional or global trade wars, such as the Sino-U.S. trade war, will further cast uncertainties on the availability and the prices of the raw materials originated from overseas. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Inadequate production capacity could hinder our capabilities to satisfy market demand and growth prospect.

We currently operate one production and assembly facility located in Zhongshan, Guangdong Province. During the Track Record Period, the utilization rate of our facilities for personal student tablets maintained at approximately 88.5%, 88.6% and 87.9% in 2019, 2020 and 2021, respectively. It was in line with the growing sales of such products and reflected the gradual market acceptance of our personal student tablets embedded with high quality digital educational resources. The utilization rate of our facilities for smartwatches declined, on the other hand, decreased from 76.7% in 2019 to 16.4% in 2020. The declines were primarily due to decreased orders, particularly from two major customers of such products who shifted their

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distribution strategies with respect to such products. The utilization rate of our facilities for smartwatches increased to 30.8% in 2021, primarily due to the improvement in our sales volume resulting from the clearance sales of our old product models and the acceptance of our upgraded smartwatch models.

Currently, we are able to quickly set up two to three additional production and assembly lines without incurring significant investments in equipment and space. Although we have not experienced any material inadequate production capacity in the past, we cannot assure you that our production capacity will always be adequate to meet the market demand for our products, especially during certain period when we experience high demand of particular product models. In addition, as our business grows, we may need to expand our production capacity by various measures including addition of production and assembly lines or construction of new premises. We cannot assure you that our new production and assembly lines or new premises will be ready in time or our production capacity will otherwise be successfully expanded. Failure to expand our production capacity could hinder our capacity to satisfy market demand and growth prospect. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of new premises and maintenance of expanded production capacity. The delay or cancelation of our expansion could also subject us to disputes with various counterparties, including but not limited to, general contractors and sub-contractors, equipment suppliers, financiers and relevant governmental authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is critical to our financial health. As of December 31, 2019, 2020 and 2021, the balance of our inventory accounted for approximately 56.1%, 37.9% and 36.5%, respectively, of our total current assets. In 2019, 2020 and 2021, our inventory turnover days were 137 days, 143 days and 130 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and preferences and launches of competing products. Moreover, for stocking purposes, we generally forecast demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, which in turn may materially and adversely affect our financial condition and results of operations. We assess impairment to inventories at each period end during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become out-of-season or are damaged or their prices went down and their net realizable value is lower than the costs of the inventories. During the Track Record Period, we did not record any material write-offs against inventories. However, we cannot assure you that we will not experience material write-offs in the future. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

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Any discontinuation, reduction or delay of any preferential tax treatments and government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

We have benefited from preferential tax treatments from the government and government grants during the Track Record Period. One of our subsidiaries, Readboy Technology, is qualified as a high and new technology enterprise and thus was entitled to a preferential tax rate of 15% throughout the Track Record Period. Zhuhai Technology is entitled to an exemption from corporate income tax for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the corporate income tax rate for the following three years. Therefore, Zhuhai Technology was entitled to the income tax exemption in 2021. As a result of such preferential tax treatments, we enjoyed a tax reduction of RMB8.7 million, RMB12.0 million and RMB23.6 million for 2019, 2020 and 2021, respectively. In addition, we received government grants of RMB11.7 million, RMB4.7 million and RMB7.3 million in 2019, 2020 and 2021, respectively. Such government grants mainly referred to local government subsidies for the purpose of supporting our research and development activities, which are discretionary and non-recurring in nature.

We cannot assure you that we are able to meet the relevant requirements and be re-granted the preferential tax treatments and government grants upon their expiration, or to apply for other preferential tax treatments or government grants. The policies regarding the preferential tax treatments and government grants are subject to change and termination. The government authorities may decide to reduce, eliminate or cancel our tax preferences at any time. Therefore, we cannot assure you of the continued availability of such tax preferences or government grants which we currently enjoy. The discontinuation, reduction or delay of the preferential tax treatments and government grants could adversely affect our financial condition and results of operations.

Our business operations are subject to seasonality.

Our results of operations are affected by seasonal fluctuations in demand for our products, primarily in line with the school opening seasons and the changes in students' purchasing pattern. We typically record year-round highest sales of our smart learning devices during the summer and winter vacations, which run from July to September and January to February of each year, respectively. A significant number of students tend to acquire new learning devices with suitable digital educational resources to get prepared for the upcoming new semesters. In addition, we may also experience seasonal higher sales due to the online promotional events, such as the 11.11 and 618 online shopping festivals led by mainstream e-commerce platforms. Our procurement and manufacturing plans are also budgeted based on such seasonal fluctuations. Accordingly, various aspects of our operations, including sales, production capacity and utilization, working capital and operating cash flow, are exposed to the risks associated with these seasonal fluctuations, and our quarterly or half year results may not reflect our full year results.

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If we fail to manage this growth effectively, the success of our business model will be compromised.

Our revenue increased by 9.6% from RMB669.9 million in 2019 to RMB734.0 million in 2020. Over the same period, our net profit increased by 32.5% from RMB69.4 million in 2019 to RMB92.0 million in 2020. Our revenue further increased by 10.8% from RMB734.0 million in 2020 to RMB813.2 million in 2021, while net profit decreased by 10.7% from RMB92.0 million in 2020 to RMB82.1 million in 2021. Without considering the impact of the listing expenses and changes in fair value of financial liabilities at fair value through profit or loss in connection with the shares we issued to our Pre-IPO Investors, our adjusted net profit, a non-HKFRS measure, would have decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021. Our growth in the past has placed, and will continue to place, a significant strain on our demand for more manufacturing staff, educational resource research and development crew, IT support staff, administrative and operating infrastructure, sales and marketing capacities, facilities and other resources. To achieve and maintain our growth, we need to continue to scale up our product offerings, increase our educational resource development professionals and employees of other functions, expand our distribution network, as well as strengthen our technology and infrastructure. We will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage this expansion of our business, our costs and expenses may increase more than we plan and we may not successfully attract a sufficient number of educational resource research and development crew in a cost-effective manner, respond to competitive challenges, or otherwise execute our business strategies.

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: (i) effectively recruit, train, retain and motivate a large number of new employees, particularly our IT support staff and educational resource research and development professionals; (ii) continue to improve our operational, financial and management controls and efficiencies; (iii) successfully implement enhancements and improvements to the systems and infrastructures; (iv) improve product design and the quality of the digital educational resources embedded to make them appealing to existing and prospective students; (v) improve our sales and marketing efficiency; (vi) protect and further develop our intellectual property rights; and (vii) make sound business decisions in light of the scrutiny associated with operating as a public company. These activities require significant capital expenditures and investment of valuable management and financial resources, and our growth will continue to place significant demands on our management. There are no guarantees that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. 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 negatively impacted.

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Our IT systems and infrastructure may experience unexpected system failures, interruptions, inadequacies or security breaches.

Our business relies on the proper functioning of our IT systems and network infrastructure to effectively manage our procurement, inventory, sales activities and other business processes. Our continuing growth is also dependent on our big-data capacities, which in turn, relies on our IT ability to collect and analyze a huge amount of industry insights and experience, student data, including complex students' learning behavior and performance data, and extensive data on developing educational resources. As such, any damage or failure of our IT systems or network infrastructure that causes an interruption to our operations could have a material and adverse effect on our business and results of operations. Our IT systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. We also need to constantly upgrade and improve our IT systems to keep up with the continuous growth of our operations and business. Although we did not experience any material IT system breakdown during the Track Record Period, we cannot assure you that our IT systems will always operate without interruption in the future. Moreover, our end users rely on local telecommunication operators to supply internet network service in their regions, the quality of which is beyond our control. If the local internet network service experiences unexpected interruption, our end users may not be able to connect online to obtain cloud-based digital educational resources in a timely manner, which may significantly and adversely affect the user experience. In addition, the roll-out of the 5G infrastructure in China is largely subject to the development agenda of the central government and the execution of local governments, progress of which may vary significantly from place to place. As such, not all of our end user, especially those located in remote areas, are able to take advantage of our latest product models powered by 5G technologies in a timely manner. Lack of 5G network coverage does not compromise any material functionality of our smart learning devices, nor does it necessarily prevent the users from using our devices. But it may cause unsatisfying user experience, such as lower data speed and slower response time. According to the Frost & Sullivan Report, in 2021, total K-12 students in China was approximately 232.2 million persons, of which 169.5 million, or 73%, were located in third- and lower-tier cities. It is expected to be 224.3 million K-12 students in China by 2026, of which 161.5 million, or 72%, are located in third- and lower-tier cities. Despite a mild decrease in the absolute number of population, the overall smart learning device market is still under served and presents remarkable opportunities.

Moreover, our business generates and processes a large quantity of user behavioral, transaction and demographic data. We face risks inherent in handling and protecting large volumes of data. We cannot guarantee that the information security measures we currently maintain are adequate or that our IT systems can withstand intrusions from or prevent improper usage by third parties. We utilize our IT systems to collect and archive information of users. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may subject to negative publicity and lose users as a result of a loss of their confidence in us, and may also become subject to litigation or other proceedings brought by relevant consumers and financial institutions. Any such proceedings could divert management attention and our other resources from our business and

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cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations. In addition, PRC government has been implementing more stringent regulations and policies relating to data collection, storage, transfer, disclosure and privacy protection, which may subject us to additional potential risks and further increase our compliance costs by enhancing our IT systems or improving our information security measures.

Our business is subject to complex and evolving laws and regulation regarding data security and privacy.

PRC regulatory authorities have implemented and are considering further legislative and regulatory proposals with more stringent requirements concerning data security and privacy. In addition, the interpretation and application of data security and privacy laws in the PRC may be uncertain and in flux. Existing or newly-introduced laws and regulations, or their interpretation, application or enforcement, could require us to change our data security and privacy practices and other business activities, including but not limited to data collection, storage, transmission and exchange or other data usage activities.

Compliance with the data security and privacy related laws and regulations as well as additional or amended laws and regulations that PRC regulatory bodies may enact in the future, may result in additional expenses to us. Although we have not received any penalty due to breach of data privacy as of the Latest Practicable Date, we cannot assure you that we are able to manage these risks in the future. If we fail to be in full comply with any data security and privacy laws and regulations and become subject to administrative penalties and negative publicity, our reputation and results of operations could be materially and adversely affected.

The CAC, jointly with the other 12 governmental authorities, issued the Measures for Cyber Security Reviews (2021) (《網絡安全審查辦法》(2021)), or the Cybersecurity Review Measures (2021) on December 28, 2021, which became effective on February 15, 2022 and repeal the Measures simultaneously. According to the Cybersecurity Review Measures (2021), an application for cybersecurity review shall be made to the Office of Cybersecurity Review in the following circumstances: (i) critical information infrastructure operators, or the CIIO, which purchase network products or services, shall pre-judge any possible risks to national security after such products or services are put into use; and they shall apply for cybersecurity review of the Office of Cybersecurity Review when such actions affect or may affect national security; and (ii) network platform operators who handle personal information of more than 1 million users shall apply for cybersecurity review of the Office of Cybersecurity Review when they intend to go listed in a foreign country. The CAC also publicly solicited comments, on 14 November 2021, on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. The Draft Data Security Regulations also provides that a data processor who processes more than one million users' personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant

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to relevant rules and regulations. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security”. The PRC government authorities may have broad discretion in the interpretation of “affect or may affect national security” under the Cybersecurity Review Measures (2021) and the Draft Cyber Data Security Regulation. If any internet products, services or data processing activities of us are deemed to “affect or may affect national security” or if we were deemed as a data processor that “affect or may affect national security” by the PRC government authorities under its broad discretion, we may be subject to cyber security review. Given the complex and uncertain regulatory environment, we cannot assure you that we will be able to take timely and effective measures to meet all the updated legal and regulatory requirements. Any failure or delay in the completion of the cyber security review procedures or to comply with these laws, regulations or policies may result in, fines or other penalties, or inquiries and other proceedings or actions against us by governmental authorities or others, as well as negative publicity and damage to our reputation and brand, each of which could cause our business operations to be adversely affected.

Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, distributors, suppliers or other third parties may have a material adverse effect on our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, distributors, suppliers or other third parties, such as outsourced manufacturers, that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. For example, currently we have made available access to certain online free educational resources on our smart learning devices which are provided by qualified non-profit organizations with the permit to commence and other necessary approvals. If we fail to identify the such third-party content to be illegal or restrictive as stipulated by applicable laws and regulations, we may be required to rectify or be imposed administrative penalty and our reputation may be adversely affected.

Although we have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, distributors, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, distributors, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

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Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules, and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Please refer to the section headed “Business – Risk Management and Internal Control” for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees or other related third parties, such as our distributors, are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to a wide variety of regulations and are required to obtain and maintain various licenses and permits, any failure of which may have a material adverse effect on us.

We are required to comply with applicable education related regulations, production safety standards and a variety of other laws and regulations in relation to our operation and production process. Please refer to the section headed “Business – Licenses, Approvals and Permits” for details. Considering the complexity and magnitude of the laws and regulations, compliance with them may be burdensome or require a significant amount of labor, financial or other resources. These laws and regulations change from time to time and thus we cannot assure you that the relevant PRC government authorities will not impose any additional or more stringent laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to end users. Failure to comply with the licensing or other regulatory requirements may lead to termination of production and sale of our products, confiscation of the associated income, withdrawal of business license, or potentially criminal liabilities, which will materially and adversely affect our reputation, as well as our business, financial condition, results of operations and prospects.

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The education related policies, laws and regulations in China are evolving, and their interpretation and enforcement involve significant uncertainty and ambiguity. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to the PRC governmental regulations of the Internet industry include, but are not limited to, the following:

The production, editing, transmission to the public through our online platform or mobile APP of our learning materials and audio-visual content, may be deemed as providing audio-video programs or Internet publishing services under relevant PRC Laws. Thus, our PRC Operating Entity may be required to obtain the License for Online Transmission of Audio Visual Programs (信息網絡傳播視聽節目許可證) or the License for Online Publishing Service (網絡出版服務許可證) as currently there is no further official or publicly available interpretation of whether such content/services would be deemed as “Audio-Visual programs” or “online publishing services.” Based on the confirmations from (i) the online reply on official website of the Radio and Television Administration of Guangdong Province (廣東省廣播電視局) and (ii) the officer of the Bureau of Press and Publication of Guangdong Province (廣東省新聞出版局) (through the bureau’s official enquiry line accessed through, and published on, its official website), each being an authorized and competent person to provide their respective confirmations as advised by our PRC Legal Advisor, our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, we are not explicitly required to obtain those licenses under current regulations and regulatory policies. However, we cannot assure that the competent PRC government authorities will not subsequently take a contrary view, especially in light of new regulatory developments. If the government authorities determine that any of our current operations falls within the scope of business operations that require the above-mentioned licenses or other licenses or permits, we may not be able to obtain such licenses or permits on reasonable terms or in a timely manner or at all, and failure to obtain such licenses or permits may subject us to fines, legal sanctions or an order to suspend our business operations.

Moreover, on April 7, 2021, the State Council promulgated the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC (the “Non-state Education Promotion Regulation”) (《中華人民共和國民辦教育促進法實施條例》) which will come into effect on September 1, 2021. The Non-state Education Promotion Regulation further tightens the regulation and supervision on the investments in and operation of the private education industry in China. Among others, the Non-state Education Promotion Regulation provides the requirements and administrative procedures for various private education institutions. Moreover, following the release of the Opinions in July 2021, education and other related authorities have issued a number of detailed follow-up new policies, including (i) several notices issued by the MOE and other related authorities, which are policies advising detailed procedures with respect to the implementation of the Opinions, such as clarification on the scope of academic and non-academic subjects of after-school tutoring, approval and registration requirements and procedures for online after-school tutoring service providers (academic subjects), and regulations on managing the human resource and curriculums of the after-school tutoring service providers, (ii) a notice issued by the National Development and Reform Commission, the MOE and the State Administration of Market Supervision regulating

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the tuition fees charged by after-school tutoring service providers (academic subjects), and (iii) other notices issued by the education authorities at the provincial and city level, which mainly reaffirmed the policies in the Opinions and stipulated detailed procedural requirements with respect to the implementation of the Opinions within their respective jurisdiction (including one notice issued by the Department of Education of Guangdong Province, which is the competent authority to implement the relevant national rules, regulations and policies, including the Opinions, in Guangdong Province where the Group located in) (collectively, the “detailed follow-up new policies”). For example, on July 28, 2021, the Ministry of Education released the “Notice of General Office of the Ministry of Education on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-school Tutoring in Compulsory Education”, which provided that, when providing after-school tutoring services, the following subjects, namely ethics and rule of law, Chinese, history, geography, mathematics, foreign languages (English, Japanese, Russian), physics, chemistry and biology, are considered as academic subjects and are regulated in accordance with respective subject curriculum standards. Digital educational resources embedded in our smart learning devices involve certain content in connection with the nine academic subjects mentioned in the notice. On September 3, 2021, the Ministry of Education also released the “Notice of General Office of the Ministry of Education on Resolutely Investigating and Handling the Problem of Covertly Carrying Out Academic After-school Tutoring in Violation of the Regulations” (together with the July 28 notice, the “**MOE Notices**”), which specified certain cases of circumvention against the Opinion and the detailed administrative measures.

To better understand and to properly comply with the Opinions and the follow-up new policies, we, together with the representatives of our PRC Legal Advisor and the PRC Legal Advisor to the Joint Sponsors, participated in a series of interviews with the local and central education authorities on August 11, October 9 and November 1, 2021. During two interviews with a responsible officer from the After-school Tutoring Supervision Division, formerly known as the Education Supervision Division, under the Department of Education of Guangdong Province, we were advised, among other things, that (i) the provision of digital educational resources in the form of pre-recorded video does not constitute a form of after-school tutoring business strictly regulated by the Opinions and is permitted under current regulatory requirements; and the provision of online educational resources with quality without separately charging fees and the promotion of the development in educational resources and education equality are encouraged by the Opinions, (ii) we are considered as an education technology company after our business adjustments and not as an after-school tutoring service provider and it is not directly subject to the Opinions and the follow-up policies, and (iii) based on the principle of non-retroactivity of laws and regulations, the Opinions and the follow-up new policies do not have a retrospective effect on our provision of live-streaming classes prior to the release of the Opinions. For more detailed description of such interviews and the confirmations we obtained from the interviews with education authorities, please refer to “Summary – Recent Regulatory Changes” and “Business – Our Digital Educational Resource Offerings – Recent Regulatory Changes.” Furthermore, supported by the opinions from our PRC Legal Advisor, we believe that we and our current practice are not subject to the restrictions provided by the detailed follow-up new policies including the MOE Notices, on the basis that: (i) as confirmed in the follow-up interview on October 9, 2021 by the responsible

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officer from the Department of Education of Guangdong Province, the detailed follow-up new policies are mainly policies further providing more specific and practical requirements with respect to the implementation of the Opinions, which do not provide additional regulatory restrictions outside the scope of the Opinions, as such, the detailed follow-up new policies target to regulate the after-school tutoring service providers as the Opinions does, while we are not an after-school tutoring service provider upon the completion of the adjustment to our operations; (ii) the provision of digital educational resources in the form of pre-recorded video would not be regarded as an indirect circumvention of the Opinions, and our digital educational resources, including the pre-recorded video resources, are different from the video classes provided by after-school tutoring service providers, in that our smart learning devices are designed to encourage students' learning interests and cultivate their learning habits, and the embedded digital education resources do not require compulsory attendance and are not intended to set up any specific learning goal, and we do not separately charge fees based on digital educational resources; and (iii) the responsible officer we interviewed also confirmed that the provision of digital educational resources in the form of pre-recorded video by us does not constitute a form of after-school tutoring business strictly regulated by the Opinions and is permitted under current regulatory requirements, and based on the interview, our PRC Legal Advisor is of the opinion that the production and sales of smart learning devices embedded with digital educational resources by us is in compliance with the applicable laws, regulations and policies. As such, we concluded that we are not directly regulated by the detailed follow-up new policies including the MOE Notices.

However, we cannot assure you that the competent PRC government authorities will not release new laws, regulations or policies to further regulate the education industry which may impact our business operations in one way or another. We may not be able to make adjustments to our business operations in a timely manner to comply with such new laws regulations or policies, nor can we ensure that our products can remain popular after such adjustments. In addition, we also cannot assure you that the competent PRC government authorities will not subsequently provide additional requirements or establish complicated administrative procedures and require us to obtain other permits or certificates. We may not be able to obtain such permit or certificate on reasonable terms or in a timely manner or at all, and failure to obtain such permit or certificate may subject us to fines, legal sanctions or an order to suspend our business operations.

We recorded negative operating cash flows during the Track Record Period.

We had negative cash flow from operating activities of approximately RMB40.5 million for the year ended December 31, 2021, which was primarily the result of (i) an increase of RMB60.6 million in inventories as we increased raw material procurement in the anticipation of the rising market demand for such raw material and our products, (ii) a decrease of RMB28.9 million in trade and bills payables, and (iii) an increase of RMB24.4 million in trade receivables, partially offset by profit before tax of RMB72.0 million. For further information, see “Financial Information – Current Assets and Liabilities” and “Financial Information – Liquidity and Capital Resources – Cash Flows Analysis.” Although we believe that the negative cash flow from operating activities in the year ended December 31, 2021 is temporary

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and we are able to improve our cash flow during the ordinary course of business in the subsequent period, given that the listing expenses are in connection with this Global Offering and that our raw material procurement is expected become normalized to previous level, we cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

We are exposed to credit risks related to our trade receivables.

We are subject to credit risks and during the Track Record Period, our credit risks were primarily attributable to our trade receivables. We enter into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. During the Track Record Period, we generally required advanced payment from most of our distributors, upon or prior to delivery of our products. For certain distributors, we granted credit terms of 30 days, or a longer period at their request but subject to our discretion, after the issue of invoice to certain of our customers that had good credit records or made relatively large purchases from us. As of December 31, 2019, 2020 and 2021, our trade receivables amounted to RMB17.0 million, RMB23.6 million and RMB47.6 million, respectively. Our trade receivables turnover days were 18 days, 10 days and 16 days in 2019, 2020 and 2021. In addition, during the Track Record Period, we made general impairment in respect of the outstanding trade receivables in the amount of RMB84 thousand, RMB0.4 million and RMB0.8 million as of December 31, 2019, 2020 and 2021, respectively. See “Financial Information – Analysis of Selected Consolidated Statements of Financial Position Balance Sheet Items – Trade Receivables” for further details.

Our senior management regularly reviews the recoverability of the balances of our trade receivables, and no impairment is necessary in respect of the remaining unsettled balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We assess the credit worthiness of our customers through inquiries into their credit profiles and reputation in the industry and by collection and reviewing materials regarding their operating history, sales performance, relationship history with us, past credit problems and financial conditions. However, as there is limited accurate financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we may be exposed to risks if a material number of our counterparties fail to fulfil their obligations to us under our contracts in the future.

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The realization of our deferred tax assets is subject to accounting uncertainties.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. As of December 31, 2019, 2020 and 2021, we recognized deferred tax assets of RMB18.8 million, RMB22.1 million and RMB32.5 million, respectively. Based on our accounting policies, deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized. The realization of a deferred tax asset mainly depends on our estimate as to whether sufficient future profits will be available in the future. If sufficient future taxable profits are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise.

Our results of operations and financial condition may be affected by our financial liabilities at fair value through profit or loss, which is subject to uncertainties in accounting estimation.

As of December 31, 2019, 2020 and 2021, we had financial liabilities at fair value through profit or loss in the amount of nil, nil and RMB120.4 million, respectively. In 2019, 2020 and 2021, changes in fair value of financial liabilities at fair value through profit or loss were nil, nil and RMB26.6 million. Such financial liabilities at fair value through profit or loss were in connection with the issue of redeemable shares to certain Pre-IPO Investors. The repurchase right granted to the Pre-IPO Investors would terminate upon the Listing and all the redeemable shares would be converted to our ordinary shares, on a one for one basis, upon the Listing. The relevant estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain, see “Financial Information – Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income – Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss” for more details. As such, the valuation of the financial liabilities has been, and will continue to be, at least for the period till the Listing or the other point of time as provided in the share purchase agreements, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial liabilities and result in significant fluctuations in our results of operations and financial condition for the relevant period.

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Our investments in wealth management products may be subject to certain counterparty risks and market risks

During the Track Record Period, to better manage our cash at hand, we invested in certain wealth management products, mainly structured deposits. These investments are generally only purchased short-term low-risk wealth management products from reputable commercial banks in the China. We commenced to invest in structured deposits from 2020 and as of December 31, 2020 and 2021, there was no outstanding balance of the structured deposits. In 2020 and 2021, investment income from structured deposits was RMB1.2 million and RMB2.3 million, respectively. We plan to continue to invest in structured deposits after the Listing and may consider other wealth management products when we believe that we have sufficient cash and the potential investment returns are reasonable.

We are subject to the risks that any of our counterparties, such as the licensed banks that issued the structured deposits, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the structured deposits we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered impaired, and an impairment loss would be recognized in accordance with accounting policies and charged to our consolidated statements of profits or loss and other comprehensive income for the relevant period. Accordingly, any material decline in the fair value of these investments may have a material adverse effect on our results of operations.

We have put in place certain internal control procedures for reducing risks in relation to these investments. However, we cannot assure you that these procedures will be effective and adequate. We cannot assure you that we will not experience losses with respect to these investments in the future or that such losses or other potentially negative impact will not have a material adverse effect on our business and financial condition.

Our future acquisitions may not be successful

We may acquire or invest in other companies to expand our business. Our ability to generate profits and cash flow from these acquisitions will depend on our ability to integrate their business into our Group, which may be affected by a variety of factors not within our control, such as the complexity and size of their business operations, their limited experience in managing certain types of properties and businesses, the risks of operating in new markets, unfamiliarity in corporate cultures, the inability to retain key personnel, as well as additional hidden costs associated with the acquisitions and business integration. If we fail to successfully integrate and manage the new businesses, we may not be able to expand as originally planned.

We will continue to selectively pursue potential acquisitions of businesses, brands, hardware product and/or educational resource providers in our upstream or downstream sectors that are in line with our growth strategy and are complementary to our existing operations. However, we cannot assure you that we will be able to identify such opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on

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terms favorable or acceptable to us or in a timely manner. The inability to identify suitable acquisition targets or complete the acquisitions could materially and adversely affect our competitiveness and growth prospects.

We plan to use part of our net proceeds from the Global Offering to pursue strategic acquisition and investment opportunities. No acquisition targets were identified as of the Latest Practicable Date. If we fail to identify suitable acquisition opportunities or our future acquisitions fail to consummate for reasons beyond our control, the net proceeds may not be effectively utilized to sustain our growth.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

During the Track Record Period, our contract liabilities mainly represented revenue to be recognized primarily in connection with the digital educational resources. To a lesser extent, it also included the prepayments from customers who purchased our products which had not been delivered. As of December 31, 2019, 2020 and 2021, we had revenue-related contract liabilities of RMB128.4 million, RMB156.3 million and RMB159.0 million, respectively.

If we fail to honor our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our reputation and the relationship with such customers, which may in turn affect our results of operations in the future.

We may incur significant costs in connection with our branding and marketing efforts, and some marketing campaigns may not be effective in attracting or retaining end users.

We continuously invest in our brand to further raise brand recognition and acceptance and engage in various marketing campaigns to promote our products and services. We rely on different marketing efforts tailored for our target end user groups to increase brand awareness and boost our sales. We market our brand and products across a wide variety of media, ranging from traditional to Internet and other new media channels. Moreover, as we continue to build our online presence, we expect our marketing expenses relating to cooperation with online channels to continue to increase. For the years ended December 31, 2019, 2020 and 2021, our selling and distribution expenses amounted to RMB63.5 million, RMB74.2 million and RMB73.1 million, respectively, representing approximately 9.5%, 10.1% and 9.0%, respectively, of total revenue over the same periods. However, we cannot guarantee that our marketing efforts will be well-received by target end users and result in higher levels of sales. In addition, marketing trends and approaches in our industry are evolving, which requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and user preferences. Failure to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

Our financial performance for the year ending December 31, 2022 will be affected by certain non-recurring expenses incurred by us in relation to the Listing.

Our financial results for the year ending December 31, 2022 will be affected by certain non-recurring expenses incurred by us in relation to the Listing. Our estimated listing expenses primarily consist of underwriting-related expenses, excluding any discretionary incentive fee which may be payable by us, and non-underwriting related expenses, including fees and

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expenses of legal advisors and accountants. Assuming (i) the Over-allotment Option is not exercised and (ii) an Offer Price of HK\$8.80 per Offer Share (being the mid-point of our Offer Price range of HK\$7.60 to HK\$10.00 per Offer Share), the total listing expenses will be RMB49.0 million. During the Track Record Period, we incurred RMB28.1 million as listing expense, of which approximately RMB21.5 million had been recognized as administrative expenses and approximately RMB6.6 million will be recognized as a deduction in equity directly upon the Listing. We expect to incur additional listing expenses of RMB20.9 million for the year ending December 31, 2022, of which approximately RMB7.7 million is expected to be recognized as administrative expenses for the year ending December 31, 2022 and approximately RMB13.2 million is expected to be recognized as a deduction in equity directly upon the Listing. In addition, at the sole and absolute discretion of our Company, the Underwriters may also receive an incentive fee in respect of all Offer Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option). See “Underwriting – Underwriting Agreement and Expenses – Underwriting Commissions and Listing Expenses” in this prospectus. The actual amount may differ from this estimate. The estimated expenses in relation to the Listing are subject to adjustments based on the actual amount incurred or to be incurred. Such expenses in relation to the Listing will adversely affect our financial results for the financial year ending December 31, 2022.

We may not be able to adequately protect our intellectual property, which could adversely affect our business and operations.

We rely on a combination of copyrights, including our various educational resources, trademarks, trade secrets and other intellectual property as well as confidentiality agreements with our senior management team and key research and development team members to protect our trademarks, copyrights, trade secrets and other intellectual property rights. In particular, when researching and developing our digital educational resources, we have accumulated a variety of trade secrets and know-hows in connection with skills and methods achieving learning efficiency. Such trade secrets and know-hows are one of our key competitive advantages that is extremely valuable for us to attain our current market position. Details of our intellectual property rights are set out in “Business – Intellectual Property” and “Appendix V Statutory and General Information – B. Further Information About our Business – 2. Intellectual Property Rights.” However, such trade secrets and know-hows are usually not patented, either because they do not meet the patentability criteria or because we intentionally do not apply for patent registration to avoid the possibility of disclosing material information to the public in complying with the patent registration procedures. The level of protection available to trade secrets and know-hows is generally weaker than that of registered patents in the PRC. As such, we cannot assure you that our current protection measures are adequately to prevent third parties from accessing and using our trade secrets and know-hows without authorization. It is also likely that other third parties may develop the same or similar trade secrets and know-hows and seek for protection from patent registrations in the PRC. Under such circumstances, our ability to continue to adopt such intellectual property rights may be materially limited.

As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, copyrights, trade secrets or any other intellectual property rights.

We cannot ensure that third parties will not infringe our intellectual property rights. We may, from time to time, have to initiate litigation, arbitration or other legal proceedings to protect our intellectual property rights. Regardless of the judgment, such process would be lengthy and costly, would divert management’s time and attention, and would seriously harm our business, financial conditions and results of operations.

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We have been, and will continue to be, involved in claims brought against us by third parties for infringements of their trademarks, copyrights, trade secrets or any other intellectual property rights. Such claims, if successfully established, may restrain our right to use the relevant intellectual property rights, and our reputation, business and results of operations may be materially and adversely affected.

In our ordinary course of business, we have been, and may continue to be, subject to claims by various third parties, including but not limited to educational institutions and organizations, educational resource providers and publishers, our competitors and others right owners, on the ground of intellectual property rights infringement, defamation, negligence or other legal theories based on the content of the materials that we use or distribute. For example, during the Track Record Period, we were involved in two lawsuits brought by publishers, claiming that we had violated the copyrights relating to certain content owned by them by duplicating and distributing such content without their authorization. The lawsuits were subsequently settled by mediation and case withdrawal by the plaintiff. We agreed to pay the settlement fee in the aggregate amount of approximately RMB0.6 million, which had been fully paid by the end of 2020 we believe is insignificant. In addition, we were also involved in a lawsuit brought by a third party against us, claiming that one of our smartwatch product model had infringed its design patent and requested us, among others, to rectify the infringement and pay a compensation. In November 2021, we received a court decision after our appeal in favor of the plaintiff. We were ordered to make a compensation in the amount of RMB0.3 million which had been fully paid as of the Latest Practicable Date.

We have endeavored to comply with the applicable PRC laws and regulations relating to intellectual property and we have improved our internal policies and procedures to prohibit our employees and other relevant third parties from engaging in any copyright, trademark or trade name infringing activities. However, we cannot assure you that such policies are adequate or each of our employees and relevant third parties will strictly comply with these policies. In addition, despite our efforts in complying with the relevant laws and regulation, there remain uncertainties in the interpretation and application of intellectual property laws and regulations. As such, disputes may arise where we and a third party have different understanding about certain interpretation and application of such laws and regulations. We may be found by the local courts in infringement of the third party's intellectual property right, and may be subject to monetary or other penalties.

In order to develop and improve our digital educational resources, we cooperate with various education content providers and are required to obtain licenses from others from time to time. With access to such high-quality education content, we further develop localized content that better serve the needs of target students. There can be no assurance that we will be able to continue to obtain licenses on commercially reasonable terms, or at all, or that rights granted under any licenses will be valid and enforceable.

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Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management's which could result in increased expenses, loss in revenues and adverse publicity, and damage to our brand and reputation. If a lawsuit against us is successful, we may be required to pay substantial damages and/or enter into royalty or license agreements that may not be based upon commercially reasonable terms, or we may be unable to enter into such agreements at all. We may also lose, or be limited in, the rights to offer some of our digital educational resources or be required to make changes to such content. As a result, the scope of our digital educational resources could be compromised, which could adversely affect the effectiveness of our digital educational resources, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial position. We will also incur additional expenses in connection with identifying and obtaining additional educational resources that suits us from other third parties, which may be time consuming and costly.

We have limited insurance to cover our potential losses and claims.

We maintained limited statutory insurance, which we believe is customary for businesses of our size and type and in line with the standard commercial practice in our industry. See “Business – Insurance” for more details on our insurance policies. If we were held liable for uninsured losses, our business and results of operations may be materially and adversely affected.

In addition, we are not insured against product liability or business interruptions resulting from natural disasters such as droughts, floods, earthquakes or severe weather conditions, any suspension or cessation in the supply of utilities or other calamities. Any liability claim for damages relating to our products, interruption to our operations, and the resulting losses or damages, could materially and adversely affect our business, results of operations and financial condition.

We may be required to make additional social insurance fund and housing provident fund contributions, as well as pay outstanding contributions and fines imposed by relevant governmental authorities.

Under the Social Insurance Law of the People's Republic of China and the Regulations on the Management of Housing Provident Fund, we are required to make social insurance fund and housing provident fund contributions to our employees. Certain subsidiaries of us in China were unable to make full social insurance fund and housing provident fund contributions. In 2019, 2020 and 2021, the shortfall was estimated at RMB5.2 million, RMB2.0 million and RMB5.4 million, respectively. As of December 31, 2019, 2020 and 2021, the carrying amount of our provisions for social insurance premiums and housing provident funds amounted to RMB11.7 million, RMB7.2 million and RMB7.5 million, respectively. We are not aware of any complaints or requests from the employees in relation to the payment of such contributions. According to the opinions of our PRC Legal Advisor, the relevant PRC authorities may require us to pay the outstanding social insurance fund by the due date and make daily overdue payment equivalent to 0.05% of the unpaid amount from the due date. If we fail to pay our

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unpaid social insurance contributions within a designated term, we may be subject to a fine of one to three times of the unpaid social insurance fund. If we fail to timely pay or underpay the housing provident fund, the housing provident fund management center will order us to pay the fund within a designated term. Applications may be made to the People's Court for compulsory enforcement if the overdue payment is not made. See "Business – Non-compliance Incidents" for further information.

We may be subject to fines for failure to register some of our lease agreements.

As of the Latest Practicable Date, we entered into three lease agreements as the tenant and six lease agreements as the landlord in China, all of which had yet to be registered with the relevant government authorities in accordance with PRC laws and regulations. As advised by our PRC Legal Advisor, the lack of registration of a lease will not affect the validity of the lease agreement. However, we may be subject to a maximum penalty of RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority within a designated term, which may have an adverse effect on our business, financial condition, results of operations and prospects. Please refer to the section headed "Business – Properties, Plants and Equipment – Leased Properties" for details.

Failure to comply with environmental laws and regulations, may subject us to fines or penalties or incur costs that could materially adversely affect the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the Environmental Protection Law, the Environment Impact Assessment Law. Please see "Regulatory Overview" for details.

Failure to comply with environmental laws may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations.

Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

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We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proved to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues. See “– We have been, and will continue to be, involved in claims brought against us by third parties for infringements of their trademarks, copyrights, trade secrets or any other intellectual property rights. Such claims, if successfully established, may restrain our right to use the relevant intellectual property rights, and our reputation, business and results of operations may be materially and adversely affected.” For another example, in 2020, mainly due to the disagreement on the quality of services provided, an independent individual brought a lawsuit against us with local people’s court, claiming that we delayed in making the payment under a technology services contract. The lawsuit had been settled in late 2020 and we made the payment of service fee and related interest in an aggregate amount of RMB0.5 million. We believe the aggregate amount we incurred in connection with the settlement of lawsuits during the Track Record Period is insignificant. If we do not succeed in defending against any product liability claims or other claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

We may be required to complete the filing with the CSRC for the Listing and subject to additional regulatory requirements if certain new draft regulations relating to overseas listing are implemented in China.

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”), which are open for public comments until January 23, 2022. The Draft Regulations on Listing require, among others, that PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days

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after its application for overseas listing is submitted. See “Regulatory Overview – Laws and regulations relating to overseas listing” for more details. As of the Latest Practicable Date, the Draft Regulations on Listing were released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty.

In addition, according to the “Reply to the Reporters’ Question by the CSRC Responsible Officers” (證監會有關負責人答記者問) dated 24 December 2021, the CSRC clarified that it adheres to the principle of non-retroactivity of the law, and the CSRC would start with the incremental enterprises (增量企業), i.e., impose filing procedures on incremental enterprises as well as stock enterprises (存量企業) with refinancing requests, while filing by other stock enterprises will be arranged separately so as to give them a sufficient transitional period. However, the CSRC Responsible Officers did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of this Listing, is an “incremental enterprise (增量企業)” or a “stock enterprise (存量企業)” is subject to further explanation by the CSRC.

We cannot guarantee that we will be categorized as a “stock enterprise (存量企業)” by the CSRC. If we are categorized as an “incremental enterprise (增量企業)”, we may have to incur significant time, costs and resources to comply with these regulatory requirements and have to complete the filing procedures with the CSRC with respect to this Listing. Further, even if we are categorized as a “stock enterprise (存量企業)”, we may still face more stringent regulatory requirements as compared to its current status. As such, our business operations may be materially and adversely affected. In addition, uncertainties exist regarding the final form of these regulations in relation to overseas listing as well as the interpretation and implementation thereof after promulgation. Any failure to comply with the rules and regulations relating to overseas listing may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the Listing.

If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.

Foreign ownership in entities that provide Internet and other related businesses, including the businesses involving certain education services, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available. We are a company incorporated in the Cayman Islands and our PRC Subsidiaries except for our PRC Operating Entity are considered foreign-invested enterprises. Accordingly, we and our PRC Subsidiaries except for our PRC Operating Entity are not eligible to provide Internet information services and other value-added telecommunication business subject to foreign ownership restriction under PRC laws. To ensure compliance with the PRC laws and regulations, we conduct our business in China through the PRC Operating Entity. We have entered into contractual arrangements with the PRC Operating Entity and its shareholders, through which we obtain effective control over

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the PRC Operating Entity and substantially all of the economic benefits arising from the PRC Operating Entity and are able to consolidate the financial results of the PRC Operating Entity in our results of operations. See “Contractual Arrangements.”

Our PRC Legal Advisor has advised us that subject to the risks as disclosed in the section headed “– Risks Relating to Our Contractual Arrangements” and “Contractual Arrangements,” (i) the contractual structures of our wholly-owned PRC subsidiary and the PRC Operating Entity and its respective equity holders in China, both currently and immediately after giving effect to the Global Offering, do not violate any applicable PRC law, regulations or rules currently in effect in any material respects, and each agreement of the Contractual Arrangements between our wholly-owned PRC subsidiaries, the PRC Operating Entity and its respective equity holders governed by PRC law is valid, binding and does not violate any mandatory PRC law currently in effect in any material respects. Our PRC Legal Advisor has also advised that there are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of Jingtian & Gongcheng, our PRC Legal Advisor. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements among our wholly-owned PRC subsidiaries, the PRC Operating Entity and its respective equity holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke our business and operating licenses;
- require us to discontinue or restrict operations;
- restrict our right to collect revenue;
- restrict or prohibit our use of the proceeds from our public offering to fund our business and operations in China;
- shut down all or part of our websites or services;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;

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- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in the PRC Operating Entity, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct Internet-related businesses. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of the PRC Operating Entity or the right to receive its economic benefits, we would no longer be able to consolidate the PRC Operating Entity into our financial statements, which could materially and adversely affect our financial condition and results of operations. In this case, we may also face the risk that the Stock Exchange may consider our Company to be no longer suitable for listing and consequently delist our Shares.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.

We operate a majority of our business in China through the PRC Operating Entity, in which we have no ownership interest and rely on the Contractual Arrangements with the PRC Operating Entity and its equity holders to control and operate these businesses. A majority of our revenue and cash flow from our business are attributed to the PRC Operating Entity. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over the PRC Operating Entity. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of the PRC Operating Entity, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if the PRC Operating Entity or its equity holders fail to perform their respective obligations under the Contractual Arrangements, we may have to (i) incur substantial costs, (ii) expend significant resources to enforce those arrangements, and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event 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 PRC Operating Entity and may lose control over the assets owned by the PRC Operating Entity. As a result, we may be unable to consolidate the PRC Operating Entity in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

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Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or the PRC Operating Entity or its equity holders owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties, such as the Contractual Arrangements with the PRC Operating Entity, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any Contractual Arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries and/or the PRC Operating Entity and/or equity holders of the PRC Operating Entity could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our profit may be materially reduced if our tax liabilities increase.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

The PRC Operating Entity structure through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (2019), and on December 31, 2019, the State Council promulgated the Implementing Rules of Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law (2019). The Foreign Investment Law (2019) and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. Since they are relatively new, uncertainties exist in relation to their interpretation and implementation. The Foreign Investment Law and the Implementing Rules do not explicitly classify whether the PRC Operating Entity that is controlled through contractual arrangements would be deemed as a foreign invested enterprise if it is ultimately "controlled" by foreign investors. However, the Foreign Investment Law has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains 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.

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The Foreign Investment Law (2019) grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access jointly promulgated by MOFCOM and the NDRC and took effect in January 2022. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operating in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. If our control over the PRC Operating Entity through Contractual Arrangements is deemed as foreign investment in the future, and any business of the PRC Operating Entity is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the Contractual Arrangements that allow us to have control over the PRC Operating Entity may be deemed as invalid and illegal, and we may be required to unwind such Contractual Arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

On May 1, 2022, the State Council amended the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “**2022 FITE Regulations**”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations. The 2022 FITE Regulations prescribes that 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 that a foreign-invested enterprise must be approved by the MIIT to engage in value-added telecommunications business. As of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided a clear guidance or interpretation regarding the foregoing amendment in the 2022 FITE Regulations and the interpretation and enforcement of the foregoing amendment in the 2022 FITE Regulations remains uncertain in practice. Therefore, our Contractual Arrangements and the business of the PRC Operating Entity are subject to the risks and uncertainties in connection with the interpretation and implementation of the 2022 FITE Regulations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to the Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

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Any failure by the PRC Operating Entity or its shareholders to perform their obligations under our Contractual Arrangements with them would have a material adverse effect on our business.

If the PRC Operating Entity or its shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the PRC Operating Entity were to refuse to transfer their equity interests in the PRC Operating Entity to us or our designee if we exercise the purchase option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. See “– Risks Relating to Doing Business in China – Uncertainties with respect to PRC legal system could have a material adverse effect on us and limit the legal protection available to investors.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated PRC Operating Entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such proceeding if legal action becomes necessary. In addition, under PRC law, although rulings by arbitrators are final, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only resort to PRC courts for enforcement of the arbitration awards through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce the Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the PRC Operating Entity, and our ability to conduct our business may be negatively affected.

In addition, the shareholders of the PRC Operating Entity may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in the PRC Operating Entity and the validity or enforceability of our Contractual Arrangements with the PRC Operating Entity and its shareholders. For example, in the event that any of the shareholders of the PRC Operating Entity divorces his spouse, the spouse may claim that the equity interest of the PRC Operating Entity held by such shareholder is part of their community property and should be divided between such shareholder and his spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse or another third party who is not subject to obligations under our Contractual Arrangements, which could result in a loss of the effective control over the PRC

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Operating Entity by us. Similarly, if any of the equity interests of the PRC Operating Entity is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over the PRC Operating Entity or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the PRC Operating Entity if the PRC Operating Entity declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The PRC Operating Entity and its subsidiaries contribute the majority of our revenues, and hold the majority of our operational assets and licenses, approvals and assets that are necessary for the operation of our business. The Contractual Arrangements contain terms that specifically obligate the equity holders of the PRC Operating Entity to ensure the valid existence of the PRC Operating Entity and restrict the disposition of material assets or any equity interest of the PRC Operating Entity. However, in the event the equity holders of the PRC Operating Entity breach the terms of the Contractual Arrangements and voluntarily liquidate the PRC Operating Entity, or the PRC Operating Entity declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our business or otherwise benefit from the assets held by the PRC Operating Entity, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if the PRC Operating Entity undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the PRC Operating Entity, thereby hindering our ability to operate our business as well as constraining our growth.

The shareholders of the PRC Operating Entity may have potential conflicts of interest with us.

The shareholders of the PRC Operating Entity may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the PRC Operating Entity to breach, or refuse to renew, the Contractual Arrangements we have with them and the PRC Operating Entity, which would have a material and adverse effect on our ability to effectively control the PRC Operating Entity and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the PRC Operating Entity to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in the PRC Operating Entity to a PRC entity or individual

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designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of the PRC Operating Entity have executed powers of attorney to appoint Readboy Technology Zhongshan or a person designated by Readboy Technology Zhongshan to vote on their behalf and exercise voting rights as shareholders of the PRC Operating Entity. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the PRC Operating Entity, 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.

RISKS RELATING TO DOING BUSINESS IN CHINA

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the adverse impact of COVID-19 on the Chinese and global economies in 2020 and 2021 is severe and is expected to continue for a few years. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our solutions and services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause reduced economic activity in China, which may adversely affect our business and results of operations.

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We rely to a significant extent on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our wholly-owned PRC subsidiaries and remittances from the PRC Operating Entity, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and service any debt we may incur. If our wholly-owned PRC subsidiaries or the PRC Operating Entity incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Our PRC subsidiaries may also allocate a portion of their respective after-tax profits based on PRC accounting standards to discretionary reserve funds. These reserve funds are not distributable as cash dividends. Any limitation on the ability of the PRC Operating Entity to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Restrictions on the remittance of RMB into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in RMB. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans

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denominated in foreign currencies. Pursuant to the SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into RMB on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, the SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the RMB funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to nonaffiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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It may be difficult to effect service of process upon us or our Directors or officers named in this document who reside in China or to enforce foreign court judgments against them in China.

Most of our assets are situated in China and most of our directors and officers named in this document reside in, and most of their respective assets are located in, China. As a result, it may be difficult to effect service of process outside China upon most of our directors and officers, including with respect to matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. Consequently, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from courts outside of China.

On July 14, 2006, Hong Kong and China entered into the Arrangement between the Courts of the Mainland and Courts of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters Where the Parties Involved Have an Choice of Court Agreement, or the Arrangement. Pursuant to the Arrangement, a final judgment on civil or commercial matters entered by Hong Kong courts can be recognized and enforced in China by application to a competent court of China if the judgment awards monetary payment and the parties thereto have agreed in writing to submit the matter exclusively to Hong Kong courts for resolution. Similarly, a final judgment entered by courts of China on civil or commercial matters are enforceable in Hong Kong if the judgment awards monetary payment and the parties thereto have agreed in writing to submit the matter exclusively to courts of China for resolution. In January 2019, Hong Kong and China entered into another arrangement on court judgment recognition and enforcement – 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, or the New Arrangement – which no longer limits recognizable judgments to those granting monetary awards and whose parties have written and exclusive choice of forum agreement. The New Arrangement has yet come into effect and how it will be implemented remains uncertain.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in Hong Kong or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or

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evidence collection activities within the territory of the PRC, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares prior to the Global Offering, and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performance of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and

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surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

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

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the smart learning device service market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The report prepared by Frost & Sullivan is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in its report are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

We strongly 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 document, there has 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 document, 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

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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 document, we disclaim responsibility for it and you should not rely on such information.

There will be a time gap of several business days between pricing and trading of our Shares offered in the Global Offering. Holders of our Shares are subject to the risk that trading prices 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 Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. 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 unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinary resident in Hong Kong.

Our Company's headquarters and our principal business operations are based outside of Hong Kong. All of our executive Directors spend the majority of their time supervising our Company's principal business operations out of Hong Kong and do not ordinary reside in Hong Kong. We consider that it would be more efficient and effective for our executive Directors and our management being based outside Hong Kong to supervise and management our daily business operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorized representatives are Ms. Liu Zhilan, our executive Director and Ms. So Shuk Yi, Betty, one of our joint company secretaries, who will readily be contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and business addresses) have been provided to the Stock Exchange.
- (b) We have retained the services of a compliance adviser, UOB Kay Hian (Hong Kong) Limited, in compliance with Rule 3A.19 of the Listing Rules. UOB Kay Hian (Hong Kong) Limited, in addition to our Company's authorized representatives, act as an additional channel of communication of our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange.
- (c) Each of our Directors, including the independent non-executive Directors, has provided their respective contact details (including office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the authorized representatives and the Stock Exchange. Our authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each of our Directors either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Company must be a person who has the requisite academic or professional qualifications or relevant experience, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Huang Qingzhong as one of our joint company secretaries. Mr. Huang Qingzhong does not possess the qualification as stipulated under Rule 3.28 of the Listing Rules, and therefore he does not meet all requirements under Rules 3.28 and 8.17 of the Listing Rules. We have appointed Ms. So Shuk Yi, Betty, who is a member of the Hong Kong Institute of Chartered Secretaries and possesses the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, to act as another company secretary to provide assistance to Mr. Huang Qingzhong for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. So Shuk Yi, Betty will work closely with Mr. Huang Qingzhong to jointly discharge duties and responsibilities as joint company secretaries and assist Mr. Huang Qingzhong to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, we will ensure Mr. Huang Qingzhong will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. We will further ensure that Mr. Huang Qingzhong has access to relevant training and support to familiarize himself with the Listing Rules and the duties required for a company secretary of a company listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the Listing Date on the following conditions:

- (a) Mr. Huang Qingzhong must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the aforesaid three-year period; and
- (b) the waiver can be revoked if there is any material breach of the Listing Rules by our Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Before the end of the expiry of the initial three-year period of Mr. Huang Qingzhong's term of appointment as the company secretary of our Company, we must liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Huang Qingzhong, having had the benefit of Ms. So Shuk Yi, Betty's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Connected Transactions – Non-exempt Continuing Connected Transactions" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND THE STOCK EXCHANGE'S CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the restriction on Eastland Limited (“**Eastland**”), being a close associate of an existing Shareholder, Mr. Cheng Yangshi (“**Mr. Cheng**”), to subscribe for Shares in the Global Offering as a cornerstone investor, subject to, among others, the following conditions:

- (a) Mr. Cheng is interested in less than 5% of the voting rights of the Company before the Listing;
- (b) Mr. Cheng is not a core connected person or a close associate person of the Company;
- (c) Mr. Cheng does not have the power to appoint directors of the Company or any other special rights;
- (d) Mr. Cheng does not have influence over the allocation of the Offer Shares or any representation at the board of the Company;
- (e) the allocation to Eastland will not affect the Company’s ability to satisfy the public float requirements of Rules 8.08(1) of the Listing Rules;
- (f) the Offer Shares to be subscribed by and allocated to Eastland under the Global Offering will be at the same Offer Price;
- (g) the Joint Sponsors, to the best of their knowledge and belief (and based on (i) discussions between the Company and the Joint Global Coordinators, and (ii) confirmation to be submitted to the Stock Exchange by the Company, and to the best of its knowledge and belief), confirms that (i) it has no reason to believe that Mr. Cheng or Eastland received any preferential treatment other than the assured entitlement under a cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13; and (ii) details of the allocation will be disclosed in the allotment results announcement of the Company; and
- (h) the Company confirms that (i) no preferential treatment has been, nor will be, given to Mr. Cheng or Eastland by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13; (ii) Eastland’s cornerstone investment agreement does not contain any material terms which are more favourable to Eastland than those in other cornerstone investment agreements; and (iii) details of the allocation will be disclosed in the allotment results announcement of the Company.

For further information including the background of Eastland and the terms of the corresponding cornerstone investment, please see section headed “Cornerstone Investors”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our 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.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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 sets 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 and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND 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.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFERS AND SALES OF 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 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE SHARES 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 the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Post-IPO Share Option Scheme.

No part of our equity or debt securities 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 in the near future.

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 the Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, July 12, 2022. The Shares will be traded in board lots of 400 Shares each. The stock code of the Shares will be 2385.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 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 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 advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers 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, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the *ad valorem* rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong dollars or U.S. dollars in this prospectus at the following exchange rates: RMB0.85585 : HK\$1.00 or RMB6.7182 : US\$1.00.

No representation is made that any amounts in RMB were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Founder and Non-executive Director</i>		
Mr. Chen Zhiyong (陳智勇)	Flat D, 26/F, Block 1 New Haven Tsuen Wan New Territories Hong Kong	Chinese
<i>Executive Directors</i>		
Mr. Qin Shuguang (秦曙光)	2-Bldg. 11, Yiqu Street Kaiyinhaoyuan Estate Jinguan Rd, East District Zhongshan City Guangdong Province PRC	Chinese
Ms. Liu Zhilan (劉志蘭)	Xiulihu Villa No. 18 Xiulihu Road 018 Fengxi 5th Street Changmingshui Village Wuguishanzhen Zhongshan City Guangdong Province PRC	Chinese
Mr. Chen Jiafeng (陳家峰)	Room 1901, Building 13 Hesheng Dijingyuan Torch District Zhongshan City Guangdong Province PRC	Chinese
Mr. Deng Denghui (鄧登輝)	Langxiao Holiday White Park Phase 5 Building 7 Block 2 1001 East District Zhongshan City Guangdong Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Non-executive Director</i>		
Mr. Shen Jianfei (沈劍飛)	Room 1801, Unit 2, Building 8 Tongren Chunjiang Times Changhe Street Binjiang District Hangzhou City Zhejiang Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Li Xinshou (李新首)	Building 58, Hengda Yayuan Kaifu District Changsha City Hunan Province PRC	Chinese
Ms. Kong Fanhua (孔繁華)	Room 0504, Building 30 North District South China Normal University 55 Zhongshan Avenue West Tianhe District Guangzhou City Guangdong Province PRC	Chinese
Prof. Li Renfa (李仁發)	A23, Shanshuiyinglun Hetangyuese Lei Feng Street Wangcheng District Changsha City Hunan Province PRC	Chinese

For detailed information of our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

(in alphabetical order)

China Securities (International)

Corporate Finance Company Limited

18/F, Two Exchange Square

8 Connaught Place

Central

Hong Kong

Macquarie Capital Limited

Level 22, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Joint Representatives

(in alphabetical order)

China Securities (International)

Corporate Finance Company Limited

18/F, Two Exchange Square

8 Connaught Place

Central

Hong Kong

Macquarie Capital Limited

Level 22, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Joint Global Coordinators

(in alphabetical order)

China Securities (International)

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18/F, Two Exchange Square

8 Connaught Place

Central

Hong Kong

Macquarie Capital Limited

Level 22, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers**

**China Securities (International)
Corporate Finance Company Limited**
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Macquarie Capital Limited
Level 22, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

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

**Guotai Junan Securities (Hong Kong)
Limited**
28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

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

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

Tiger Brokers (HK) Global Limited
18th Floor, Central 88
88 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Eddid Securities and Futures Limited

21/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

**China Merchants Securities (HK) Co.,
Limited**

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law

Jingtian & Gongcheng LLP

Suites 3203-3207
32/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Jingtian & Gongcheng

Suite 45/F
K.Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
PRC

As to Cayman Islands law

Conyers Dill & Pearman

29th Floor
One Exchange Square
8 Connaught Place Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Joint Sponsors
and the Underwriters**

As to Hong Kong law
Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
12-14th Floor
China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
PRC

Auditors and Reporting Accountants

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Property Valuer

**Jones Lang LaSalle Corporate Appraisal
and Advisory Limited**
7/F, One Taikoo Place
979 King's Road
Hong Kong

Industry Consultant

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

Compliance Adviser

UOB Kay Hian (Hong Kong) Limited
6/F Harcourt House
39 Gloucester Road
Hong Kong

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 38, Changyi Road Wuguishan Zhongshan City Guangdong Province PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's website	http://www.readboy.com/
Joint Company Secretaries	Mr. Huang Qingzhong (黃慶忠) Room 302, Building 3, No. 6, Hebo Sunwenzhong Road Shiqi District Zhongshan City Guangdong Province PRC Ms. So Shuk Yi Betty 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong <i>(a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i>

CORPORATE INFORMATION

Authorized Representatives

Ms. Liu Zhilan (劉志蘭)

Xiulihu Villa
No. 18 Xiulihu Road
018 Fengxi 5th Street
Changmingshui Village
Wuguishanzhen
Zhongshan City
Guangdong Province
PRC

Ms. So Shuk Yi Betty

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

Audit committee

Mr. Li Xinshou (*Chairman*)

Ms. Kong Fanhua
Mr. Chen Zhiyong

Remuneration committee

Ms. Kong Fanhua (*Chairlady*)

Mr. Li Xinshou
Mr. Chen Zhiyong

Nomination committee

Mr. Qin Shuguang (*Chairman*)

Prof. Li Renfa
Ms. Kong Fanhua

ESG Committee

Ms. Liu Zhilan (*Chairlady*)

Mr. Deng Denghui
Mr. Shen Jianfei

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

CORPORATE INFORMATION

**Cayman Islands Principal Share
Registrar and Transfer Office**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Bank

**Bank of Communications
(Zhongshan Shebao Sub-branch)**
No. 26 ZhongShan 3rd Road
East District
Zhongshan City
Guangdong Province
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and different official government publications and other publicly available publications. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. The information from government official sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and any of the Underwriters, any of their respective directors and advisors, or any other persons involved in the Global Offering and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the education market, and specifically the smart learning device service market in China. Frost & Sullivan is an independent global consulting company founded in 1961 in New York. It provides professional industry consulting services across multiple industries. Frost & Sullivan's services include, among others, industry market consulting services, commercial due diligence and strategic consulting. We have agreed to pay a fee of RMB750,000 to Frost & Sullivan for preparing the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research, which was conducted through discussion with leading industry participants and industry experts, and secondary research, which involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. The Frost & Sullivan Report contains a variety of market projections produced with the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like Chinese families' great attention to education and relaxation of "one-child policy" are likely to expand China's smart learning device market.

Based on and subject to the foregoing, our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

SMART LEARNING DEVICE SERVICE MARKET IN CHINA

Overview

China's smart learning device service plays an important role for students, including kindergarten, primary and middle school, and high school students, in a sense that various smart learning devices help them to learn more effectively and efficiently. Smart learning device service market refers the hardware device market aims to provide education service to students. The most important feature of smart leaning device is the application of smart technology during the delivery of education service, such as optical character recognition, or OCR, technology, artificial intelligence, or AI, application and 4G/5G information technology, to offer the students and their parents/teacher a more friendly education experience.

From the perspective of the application scenarios, the market could be classified into two main segments, namely (i) the To-C-based learning market which mainly serves personal end users, and (ii) the To-B-based learning market which mainly refers to digital in-school teaching solutions. The To-C-based learning market further includes two groups of players sorting by their core education value delivered, which are contents-oriented and tool-oriented. The critical difference between contents-oriented and tool-oriented is the independent delivery of systematic education or not. The content-oriented smart learning devices include education tablets, pre-school education boxes, point-reading suites, kids smart watches, smart lamps and smart education robotics. These products have the specific education resources to fulfill the students' education need and quality enhancement requirement. On the other hand, the tool-oriented smart learning devices mainly include translation suites and pocket printer. These products take the supplementary roles to enhance the education efficiency rather than contents delivery. The To-B-based learning market mainly refers the digital in-school teaching solutions, including the classroom-based interactive solution, school-based integrated teaching management platform and corresponding hardware set. The Company's smart classroom solution is a typical and current mainstream product in the To-B-based learning market. The To-B-based learning market also covers the smart education robotics market as well.

Market Drivers

The development of China's smart learning device service market is driven primarily by the following four factors:

Development of Digital Education Technologies. With the continuous development of digital education technologies, such as the continuous upgrading of intelligent hardware and the improvement of software services, education technologies have greatly promoted the development of education as well as the intelligent upgrading of traditional offline education market. Smart learning devices have played a profound and positive role in solving the imbalance of educational resources in China. Moreover, the continuously improved digital education technologies provide great learning experience with respect to smart education for more and more students, and also provide convenience in teaching for teachers and schools, including homework distribution and revision, intelligent classroom Q&A session, teacher-student interactions, and so on.

INDUSTRY OVERVIEW

Increasing Affluence. With the increase in disposable income of Chinese families and the improvement of living conditions in China, Chinese parents have become more willing to increase their spending on children's education, which sustains the growing demand for smart learning device services. The disposable income per capita in China has reached RMB35.1 thousand in 2021, representing the CAGR of 7.8% from 2017 to 2021.

Strong Awareness Towards Investment in Education. China has the long-standing social cultural value on education. Chinese people believe that education is an important way to improve personal value and promote personal career and social status. Many parents choose smart learning device services to help their children to better enhance their learning capabilities and understanding of the course content provided by formal school education.

Implementation of "Two-child Policy" and "Third-child Policy". Due to the low crude birth rates in the past consecutive years, China's total population has experienced a slow growth and the total population of K-12 students is expected to experience a slight decrease from 232.2 million in 2021 to 224.3 million persons in 2026. However, with the development of social economy and the growing demand of better education for children from the parents, more education efforts and investments are expected, which will offset the impact from the insignificant decrease in total K-12 student population and ensure the overall smart learning device service market's solid growth in the future. On the other hand, the continuous implementation of the "two-child policy" in 2016 and the recently announced "three-child policy" in 2021 by the central government would also boost the long-term population growth and improve the country's population structure. However, in 2021, China's birth rate remained at a relatively low level.

Favorable Policies

China Education Modernization 2035 (《中國教育現代化2035》). In 2019, the PRC government released the China Education Modernization 2035. The document requires that China speed up the educational reform under the informatization background, build smart campuses, and realize the goals of intelligent teaching, intelligent management and integration of intelligent services.

13th 5-Year-Plan in Education Industry (《教育產業十三五規劃》). In 2017, the 13th 5-Year-Plan in Education Industry has been issued, which has outlined the target and the guidance of development. The document emphasizes to promote and regulate the development of private education industry. It encourages social and private capitals to participate in education industry through various methods, so as to offer diverse educational products and services. It also promotes digital education, realizing the new business model of "Internet + education." In addition, education industry shall dedicate all efforts to emphasizing the communication and collaboration between Chinese and overseas educational institutions, optimizing the liberal education mechanism and participating in the global education governance.

INDUSTRY OVERVIEW

Opinions on Further Reducing the Burdens of Compulsory Education Students' Homework and After-school Training (《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》). China's public expenditure, i.e. the government's investments, on education increased from RMB3,420.8 billion in 2017 to RMB4,290.8 billion in 2020, representing a CAGR of 7.8%. Public expenditure on education is expected to reach RMB6,671.3 billion in 2026, representing a CAGR of 7.6% from 2020 to 2026. Chinese central government has shown a strong determination to promote the development of the education system. Going forward, it is expected that the government is likely to further strengthen its investment in education. In July 2021, the general office of the State Council issued the ***Opinions on Further Reducing the Burdens of Compulsory Education Students' Homework and After-school Tutoring***, which reaffirm the government's political strategies to promote the quality of compulsory in-school education and increase the diversity of educational services provided by schools. According to the Opinions, after-school tutoring industry will be subject to more stringent regulatory restrictions while in-school education will receive more investments and play a more significant role for China's primary and secondary school students.

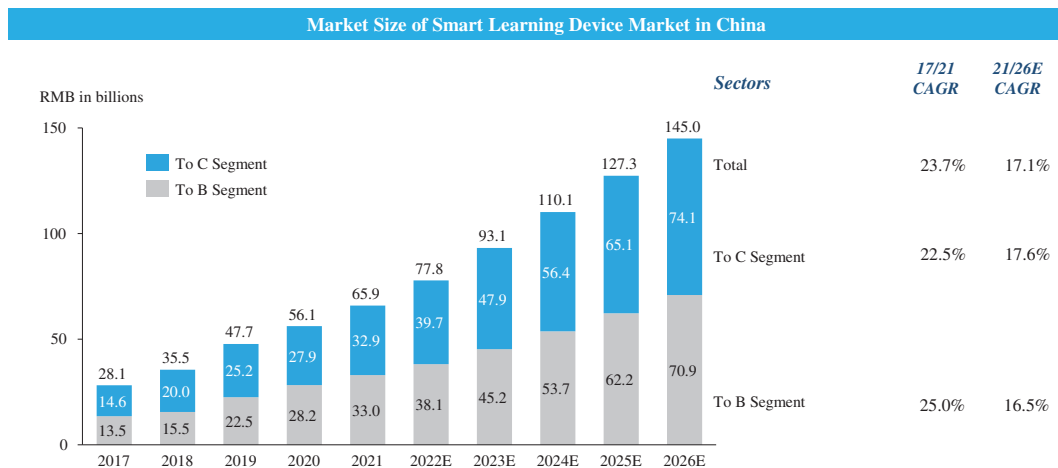
Guidance of the Ministry of Education on Strengthening the Application of "Three Classrooms" (《教育部關於加強“三個課堂”應用的指導意見》). In March 2020, the Ministry of Education released the ***Guidance on Strengthening the Application of "Three Classrooms"*** (the "Guidance") which emphasizes the practical needs for the promotion of fair education and the improvement the quality of education. The Guidance strengthens the application of "Three Classrooms," namely classrooms in remote regions, classrooms by famous teachers, and classrooms from famous schools. To be specific, the Guidance promotes to deliver high quality educational resources to remote regions where resources are limited by leveraging the internet, to increase the teaching expertise and skills by learning from famous teachers through the internet, and to meet the needs students for high quality education by promoting online classes given by famous schools. The Guidance requests to achieve the goal of "Three Classrooms" by 2022.

Subsequent to the release of a series of new policies on reducing the burdens of students' homework and after-school training, in January 2022, Frost & Sullivan conducted an online survey with 1,000 students and parents across the country. According to the survey, Frost & Sullivan concluded that, among others, (a) there are a number of factors the students and parents may consider when making the purchasing decision, and the variety and quality of question bank and pre-installed educational materials provided by the smart learning devices are among the top considerations, while the inclusion of live-streaming classes or not is not a major concern, (b) an overwhelming majority of students and parents who responded to the relevant questions expressed the willingness to continue to use smart learning devices which discontinue to offer live streaming classes, and (c) a majority of the students and parents who responded to the relevant questions selected smart learning devices with educational content over private tutoring as a supplementary education resource after the recent regulatory changes in 2021. As such, it is believed that the popularity and the customer demand for smart learning devices in China remain strong which are not materially adversely affected by the regulatory changes since late 2021 and the discontinuity of the form of live streaming classes available on the smart learning devices, if any.

INDUSTRY OVERVIEW

Market Size

The following diagram illustrates the market size of smart learning device service market of China:

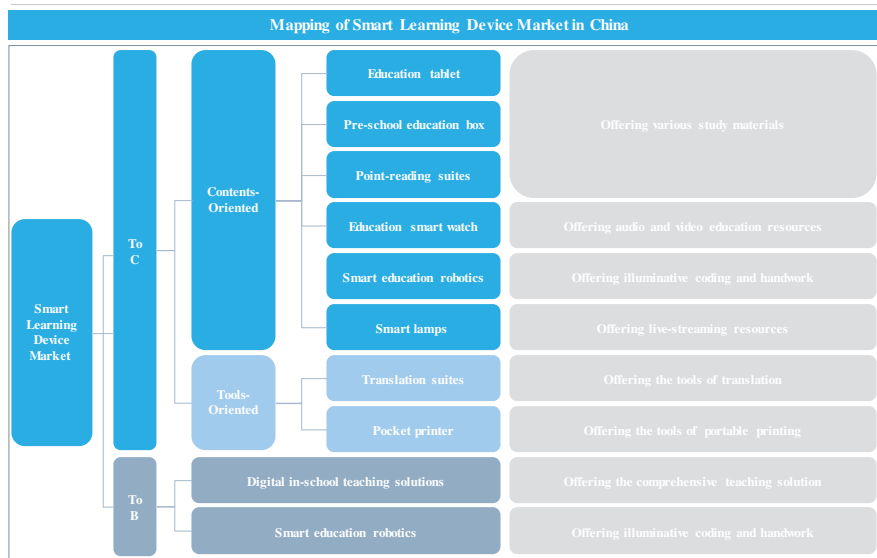


Source: Frost & Sullivan

The To-C-based learning market generally has the larger market size than the To-B-based learning market in China due to its large targeting population. In 2021, the total market size of smart learning device in China reaches RMB65.9 billion and the market size of the To-C-based segment amounted to RMB32.9 billion. During 2017 to 2021, the To-B-based segment experienced a higher growth due to government’s support to and investments in in-school digitization and smart classrooms upgrades. With the great and continuous supplementary education needs, the To-C-based segment would continue to have a more robust growth in the further. In 2026, the total market size of smart learning device in China would be RMB145.0 billion, representing a CAGR of 17.1% from 2021 to 2026, while the market size of the To-C-based segment would be RMB74.1 billion in 2026, representing a CAGR of 17.6% from 2021 to 2026.

INDUSTRY OVERVIEW

The following diagram illustrates the general mapping of the smart device service market in China:



Source: Frost & Sullivan

Development Trends

Increasing Investment in Intelligent Devices. Currently, education enterprises mainly consider the development and upgrades of software as their direction of development. Along with the increasing demand for learning experience of students in the future, pure software services will not be able to fully address the needs of students. Without the hardware devices, the functionality and using experience of the software have been challenged. Future education industry players shall increase their investments in the research and development of intelligent devices, which facilitates the realization of a greater innovation of digital education from the perspective of integration between software and hardware.

Immersive Learning Experience. With the development of virtual, augmented, and mixed reality, voice recognition and other technologies, learning devices with multi-sensory and more interactive functions are being designed for engaging experiences that maintain and increase student interest.

Health Management. Increasing usage of digital devices has resulted in more screen time, in particular, causing eye strain of students due to a large amount of reading. More health management related product designs have been introduced by education service providers. Health management would be another core trend for education technology industry.

INDUSTRY OVERVIEW

Coverage of STEAM. With the increasing understanding of the importance of STEAM (science, technology, engineering, arts, and mathematics), STEAM education will play a more significant role in the enlightenment education for children. In the future, the educational content surrounding STEAM will significantly improve the children's observation, logical thinking, abstract thinking, and practical ability.

IMPACTS OF COVID-19 ON THE SMART LEARNING DEVICE SERVICE MARKET

Generally speaking, the outbreak of COVID-19 in 2020 has brought the impressive market opportunities to the smart learning device service market. With respect to the education resources, the smart learning device service providers satisfy the students' education needs when offline activities being significantly restricted during COVID-19 outbreak in China. On the other hand, smart learning devices have become the essential learning tools to set up an active and engaging education environment serving various participants, including the students and their parents, teachers and the schools.

In long-run perspective, the prolonged impacts of the COVID-19 has cultivated the great public knowledge, education and acceptance of online study mode. More students and parents will get used to smart learning devices as they provide more convenient and flexible education schedules, compared to traditional offline in-school study mode. Moreover, more schools would also apply online classroom solutions as they could enable various innovative and interactive teaching scenarios, such as remote teaching and study, online grading and education contents distributions.

Major smart learning device service providers, such as Readboy, who have well developed device portfolio with digital educational resource offerings and established distribution channels, are expected to be better positioned to capture the growth opportunities. In addition, first movers who have established business relationships with primary and secondary schools are expected to take great advantage of the opportunities arising from the smart classroom solution market.

TO-C-BASED SEGMENT OF SMART LEARNING DEVICE SERVICE MARKET

Overview and market size

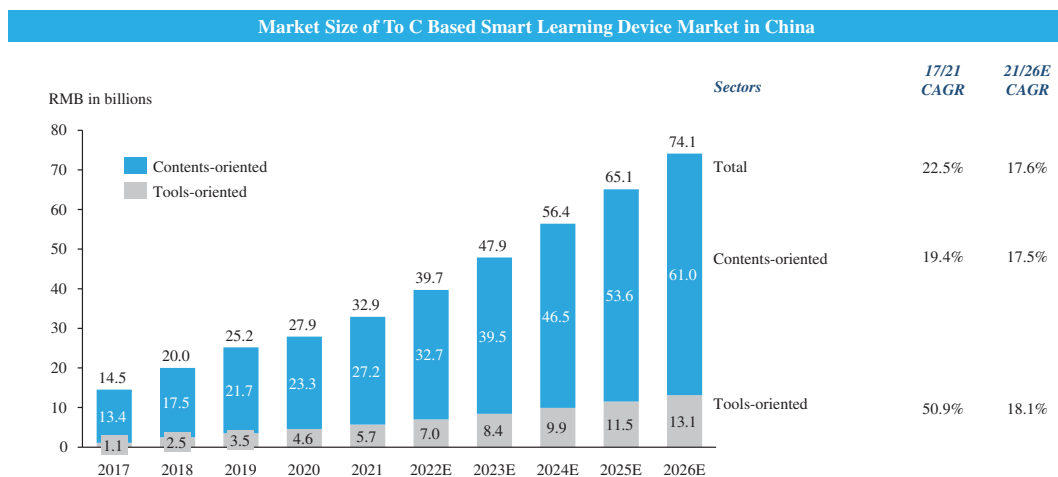
As an important sub-segment of smart learning device service market, the To-C-based segment mainly meets the enlightenment education needs of young students by providing education devices empowered by educational content. The To-C-based segment of smart learning device service providers inspire the interest and passion of young children by using scientific methods, which serves as a solid foundation for future education.

INDUSTRY OVERVIEW

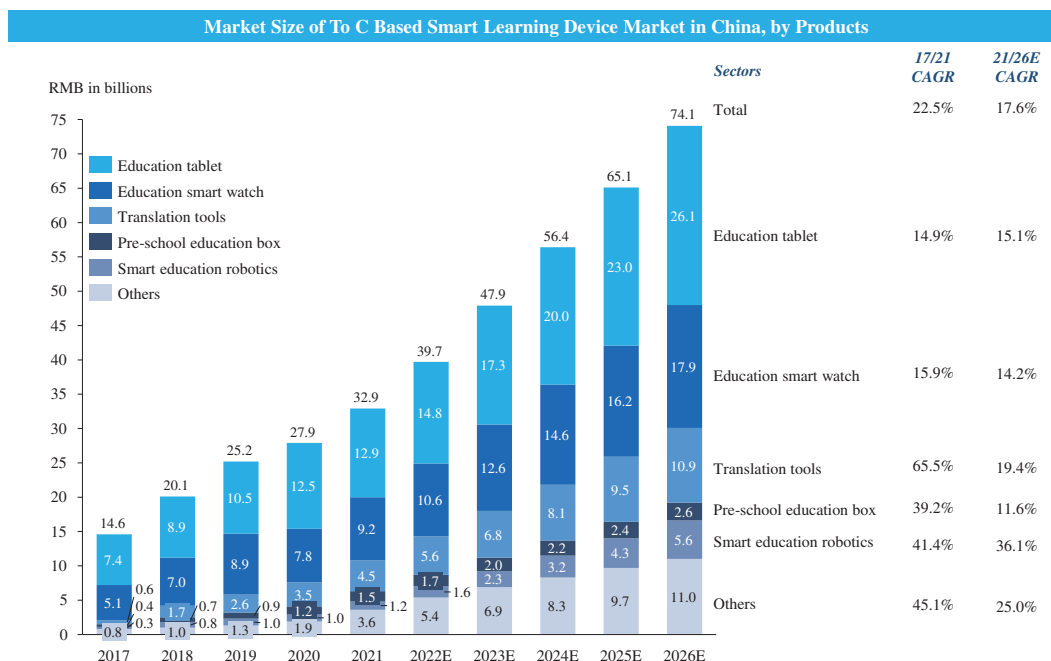
China's To-C-based segment of smart learning device service market has reached RMB32.9 billion in 2021, and education tablet is the largest category due to its comprehensive functions. With the continuous focus of Chinese parents onto their children's enlightenment education and the steady growth of the economy, China's To-C-based segment of smart learning device service market is expected to reach RMB74.1 billion in 2026, representing the CAGR of 17.6% from 2021 to 2026.

Compared with learning through educational APPs on general personal tablets, our personal student tablets offer a more personalized, comfortable and efficient study experience to students. In particular, leveraging our in-depth knowledge of student learning behavior and performance data, we developed AI systems that are able to identify each individual user's learning performance and learning progress, and generate personalized study reports and learning recommendation accordingly. For example, we developed AI tutor system based on expert system technology to monitor and collect an individual user's learning preferences and feedbacks, such as homework results, and provide personalized learning advices. In addition, different from general personal tablets, our personal student tablets focus on offering educational content, which exclude game apps from our app store and provide access to various pre-recorded video educational resources. Furthermore, our personal student tablets also have specialized functions designed for students that deliver a comfortable and efficient learning experience, such as eye-protection and parental control features, which allow the parents to conveniently track and review the students' learning progress.

The following diagrams illustrate the market size of the To-C-based segment of smart learning device service market by functions and by products, respectively:



INDUSTRY OVERVIEW



Source: Frost & Sullivan

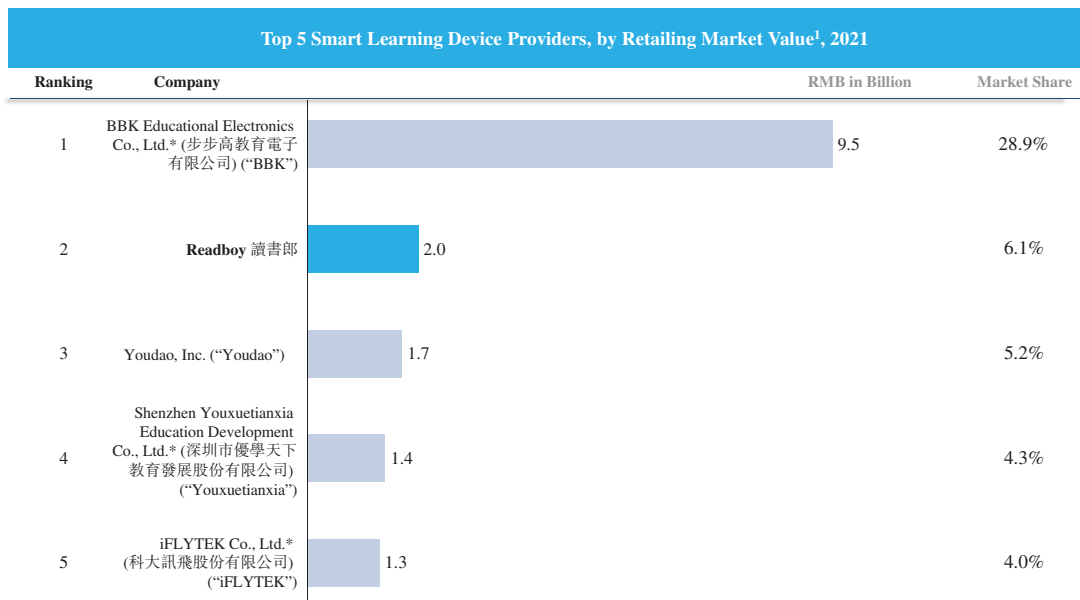
Competitive Landscape

As a major player, from the perspective of retailing market value, the Company ranked second among China’s smart learning device service providers with a market share of 6.1%; in terms of device shipment, the Company ranked fifth among China’s smart learning device service providers.

While the overall smart learning device service market is fragmentary, the To-C-based segment is relatively concentrated. In 2021, top five market players accounted for close to 50% of total market in terms of retailing market value. But except for the largest player, each of the remaining players occupied a market share less than 10%. Educational tablets remain to be the core sub-sector of China’s the To-C-based segment. From the perspective of retailing market value, four out of top five leading players introduce educational tablets as their core product offering.

INDUSTRY OVERVIEW

The following diagrams illustrate the ranking of China's smart learning device service providers in terms of retailing market value and total device shipment, respectively, in 2021:

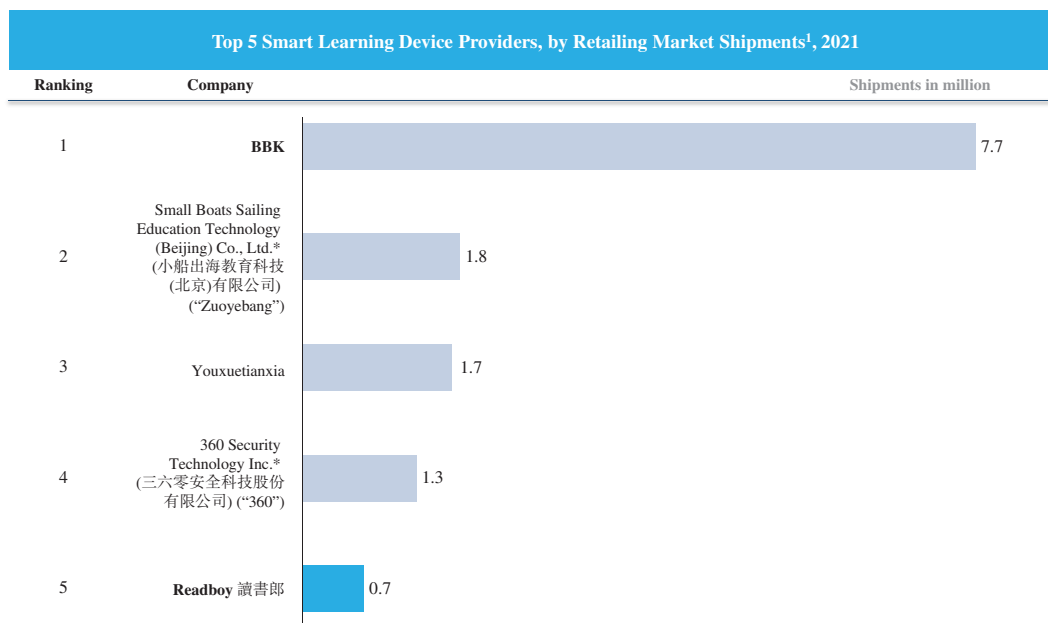


Note:

1 retailing market value = retailing shipments * retailing price

* For identification purposes only

Source: Frost & Sullivan, based on company public information and independent research of Frost & Sullivan



Note:

1 retailing market shipments refers the device sales aims to retailing market

* For identification purposes only

Source: Frost & Sullivan, based on company public information and independent research of Frost & Sullivan

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The following table sets forth the retailing value growth rate and retail prices of smart learning devices of top five China's smart learning device service providers in terms of retailing market value or total device shipment:

Company	Retailing value growth (2020 - 2021)	Retail prices of major smart learning devices
BBK ¹	8%	<ul style="list-style-type: none"> • Education tablets: RMB1,800 – 5,000 • Education smart watches: RMB300 – 2,000 • Translation tools: RMB800 – 1,000
Readboy 讀書郎	5%	<ul style="list-style-type: none"> • Education tablets: RMB2,000 – 5,000 • Education smart watches: RMB390 – 1,000
Youdao ²	70%	<ul style="list-style-type: none"> • Translation tools: RMB500 – 1,300
Youxuetianxia ³	-7%	<ul style="list-style-type: none"> • Education tablets: RMB1,500 – 5,000
iFLYTEK ⁴	86%	<ul style="list-style-type: none"> • Education tablets: RMB2,000 – 5,000 • Translation tools: RMB900 – 1,200
Zuoyebang ⁵	25%	<ul style="list-style-type: none"> • Smart printer: RMB150-1,000
360 ⁶	25%	<ul style="list-style-type: none"> • Education smart watches: RMB200 – 1,000

Notes:

- 1 BBK is a private company founded in 1995, which primarily provides education tablets, translation pens, smart watches and other smart devices.
- 2 Youdao is a publicly traded company listed on the New York Stock Exchange with a total net revenue of over RMB4.0 billion in 2021 and was founded in 2006, which primarily provides learning services and tools, smart devices and education digitalization solutions to users of all ages.
- 3 Youxuetianxia is a private company founded in 2011, which primarily provides learning devices such as education tablets and dictionary pens, and intelligent learning solutions to teachers, students and parents.
- 4 iFLYTEK is a publicly traded company listed on Shenzhen Stock Exchange with a total revenue of approximately RMB20.0 billion in 2021 and was founded in 1999, which primarily provides various intelligent products and services for multiple industries including education, healthcare, manufacturing, commercial services and public services.
- 5 Zuoyebang is a private company founded in 2015, which primarily provides online education services and smart devices such as smart printers.
- 6 360 is a publicly traded company listed on Shanghai Stock Exchange with a total revenue of over RMB10.0 billion in 2021 and was founded in 2005, which primarily provides internet advertising services and value-added services, smart devices and cybersecurity related products and services.

In 2021, we recorded a retailing value growth of 5%. In the same year, the growth rate of retailing market value of BBK, Youdao, iFLYTEK, Zuoyebang and 360 was 8%, 70%, 86%, 25% and 25%, respectively, and Youxuetianxia experienced a decrease in retailing market value of 7%. According to the Frost & Sullivan Report, a major portion of retailing value of BBK is contributed by their sale of smart wearable devices. Benefiting from the relatively higher growth of smart wearable devices market in 2021, BBK recorded a faster retailing value growth. According to the Frost & Sullivan Report, the smart learning devices offered by Youdao are primarily translation pens, which market is still emerging. Benefiting from the higher growth of translation pens market, Youdao recorded a relatively higher growth in retailing value in 2021. According to the Frost & Sullivan Report, Youxuetianxia primarily sells education tablets through their offline channels. Due to the impact of COVID-19

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pandemic on offline store operations, Youxuetianxia experienced a decrease in their sales and therefore recorded a decreased retailing value. According to the Frost & Sullivan Report, the retailing value growth of iFLYTEK in 2021 was primarily resulting from their initiatives on online marketing and sales channels in selling smart learning devices, which helped them to rapidly expand their customer base. According to the Frost & Sullivan Report, the smart learning devices offered by Zuoyebang are primarily smart printers, which market is still emerging. Benefiting from the higher growth of smart printer market, Zuoyebang recorded a relatively higher growth in retailing value in 2021. According to the Frost & Sullivan Report, a major portion of retailing value of 360 is contributed by their sale of smart wearable devices. Benefiting from the relatively higher growth of smart wearable devices market in 2021, 360 recorded a faster retailing value growth.

Entry barrier

Product Design and Technical Barrier. The design and production of intelligent learning devices require systematic and professional technical support, involving hardware development, network communication, software engineering, system integration, and other aspects depending on the type of devices. In addition, companies also need to have in-depth knowledge of education and optimized application of AI technologies. Therefore, other enterprises must accumulate relevant technical experience in software and hardware development, data analysis and maintenance, and cross-sector talents to provide customers with systematic, professional, and personalized services.

Educational Resources. Contents-oriented smarting learning device service combines the smart hardware devices with the various digital educational content. Leveraging educational resources, the industry players are more capable of introducing a welcoming device service to the students and their teachers and parents.

Capital Investments. The cost of research and development of intelligent learning devices can be relatively high due to costs in connection with hardware components, labor costs, artificial intelligence training, algorithm optimization, and long product development cycle. There are also costs associated with advertising, marketing, and promotion. In addition, enterprises need to continuously invest in technology development to roll out better products to be competitive. This market requires a large amount of capital for initial investment and companies may not be profitable initially as most capital is spent on research and development.

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TO-B-BASED SEGMENT OF SMART LEARNING DEVICE SERVICE MARKET

Overview and market size

The To-B-based segment of smart learning device service market generally includes two sub-sectors, namely digital in-school teaching solutions and smart education robotics. Digital in-school teaching solutions have always been the major portion of the To-B-based segment, which accounted for approximately 86.4% of the total To-B-based segment in 2021. Digital in-school teaching solutions consist of hardware devices, software applications, and digital services that are used for class preparation and delivery, homework management, academic assessment and/or other routine teaching activities. Major participants of digital in-school teaching solutions include school administrators, teachers, students, and parents.

In 2021, the market size of the To-B-based segment amounted to RMB33.0 billion. During 2017 to 2021, the To-B-based segment experienced a higher growth due to government's support to and investments in in-school digitization and smart classrooms upgrades. In 2026, the market size of the To-B-based segment is expected to reach RMB70.9 billion in 2026, representing a CAGR of 16.5% from 2021 to 2026.

Entry barrier

Accumulation of School-teaching Expertise. The accumulation of school-teaching and management expertise needs long-term efforts to understand the teachers and schools' needs and pain points in daily workflows. In addition, expertise would also need the massive empirical practice to prove the solution's efficiency, which constitutes significant entry barriers to the new entrants. In general, the leading smart learning device providers with abundant industry knowhow have a clear advantage in providing best-in-class and tailored solutions to address varying demand from school clients.

Brand Awareness and Reputation. The digital solution deployment involves massive data operation which is business confidential and in the high cybersecurity. Generally speaking, the high-reputation branded education technology companies would be more likely invited to collaborate with the school clients and form the long-term smart education offering relationships to minimize the data leakage risks, which lead to the enhanced client stickiness as well.

Mature Business Network. Existing smart learning device service providers have established the mature business networks and had extensive business connections with school clients and other value chain players. The mature business network provides good approaches to realize the cross-selling of invocative products and explore other potential monetization opportunities.

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PRICES OF UPSTREAM COMPONENTS AND RAW MATERIALS

The major components of learning devices include displayers, internal memories, and integrated circuit boards. Together with the continuous product upgrades since 2018, demand for components with higher functionality has also increased. Average purchase prices of displayers, internal memories, and integrated circuit boards increased by approximately 15-20% annually since 2018 to 2020. In 2020, the average purchase price range of displayer related products, internal memory and related products, and integrated circuit and related products was approximate RMB350 to RMB450 per unit, RMB180 to RMB200 per unit, and RMB100 to RMB120 per unit, respectively.

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PRC REGULATORY OVERVIEW

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the National People’s Congress, or the NPC, the country’s highest legislative body, the State Council, the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Education, or the MOE, the Ministry of Industry and Information Technology, or the MIIT, the State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce), or the SAMR, the National Press and Publication Administration (formerly known as the State Administration of Press Publication Radio Film and Television), the Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or the NDRC. Set out below is a brief overview of the significant aspects of the PRC laws and regulations relating to our business operations.

Laws and regulations relating to value-added telecommunications services

On September 25, 2000, the State Council issued the PRC Regulations on Telecommunications (《中華人民共和國電信條例》), or the Telecommunications Regulations, as most recently amended on February 6, 2016, to regulate telecommunications activities and telecommunications service suppliers in China. The Telecommunications Regulations divides the telecommunications services into two categories, namely “infrastructure telecommunications services” and “value-added telecommunications services.” Pursuant to the Telecommunications Regulations, operators of value-added telecommunications services, or VATS, must first obtain a Value-added Telecommunications Business Operating License, or VATS License, from the MIIT or its provincial level counterparts. On July 3, 2017, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which sets forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

The Classified Catalog of Telecommunications Services (2015 Version) (《電信業務分類目錄》), or the 2015 MIIT Catalog (「2015年工信部目錄」), effective on March 1, 2016 and as most recently amended on June 6, 2019, defines information services as “the information services provided for users through public communications networks or Internet by means of information gathering, development, processing and the construction of the information platform.” Moreover, information services continue to be classified as a category of VATS and are clarified to include information release and delivery services, information search and query services, information community platform services, information real-time interactive services, and information protection and processing services under the 2015 MIIT Catalog.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), or the ICP Measures, promulgated by the PRC State Council and which was latest amended on January 8, 2011, sets forth more specific rules on the provision of Internet information services. According to the ICP Measures, any company that engages in the provision of commercial Internet information services must obtain a sub-category VATS License for Internet Information Services, or the ICP License, from the relevant government authorities before providing any commercial Internet information services within the PRC.

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Pursuant to the above-mentioned regulations, “commercial Internet information services” generally refer to provision of specific information content, online advertising, web page construction and other online application services through the Internet for profit making purpose. According to the ICP Measures, Internet information service providers cannot produce, duplicate, publish or disseminate information that (i) is against any fundamental principles set out in the Constitution of the PRC; (ii) endangers the national security, leaks the national secrets, incites to overthrow the national power, or undermines the national unity; (iii) damages the national honor or interests; (iv) incites the ethnic hatred and ethnic discrimination or undermines the solidarity among all ethnic groups; (v) undermines the national policies on religions and advocates religious cults and feudal superstition; (vi) disseminates rumors to disrupt the social order and undermines the social stability; (vii) disseminates the obscene materials, advocates gambling, violence, killing and terrorism, or instigates others to commit crimes; (viii) humiliates or defames others or infringes the legitimate rights and interests of others; and (ix) is otherwise prohibited by laws and regulations.

In addition to the Telecommunications Regulations and the other regulations discussed above, the provision of commercial Internet information services on mobile Internet APPs is regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the Cyberspace Administration of China, or the CAC, on June 28, 2016 and came into effect on August 1, 2016. The providers of mobile Internet applications are subject to requirements under these provisions, including acquiring the qualifications and complying with other requirements provided by laws and regulations and being responsible for information security.

Laws and regulations relating to foreign investment

Industry catalog relating to foreign investment

The MOFCOM and the NDRC jointly promulgated the Negative List for Foreign Investment Access (《外商投資准入特別管理措施》(負面清單)), or the Negative List, on December 27, 2021, which became effective on January 1, 2022, and the Catalog of Industries for Encouraging Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》), or the Catalog, on December 27, 2020, which became effective on January 27, 2021. The Catalog and the Negative List set forth the industries in which foreign investments are encouraged, restricted, or prohibited. Industries that are not listed in any of the above two categories are generally open to foreign investment unless specifically restricted by other PRC regulations. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Foreign investors are not allowed to invest in industries in the prohibited category.

Foreign investment law and regulations

On March 15, 2019, the NPC Foreign Investment Law of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the FIL, which came into effect on January 1, 2020. Pursuant to the FIL, China will grant national treatment to foreign-invested entities, except for those foreign-invested entities that operate in “restricted” or “prohibited” industries prescribed in the Negative List.

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According to the FIL, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or other organizations of a foreign country (collectively referred to as “foreign investors”) within China, and such investment activities including: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) a foreign investor invests through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Although the FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, it has a catch-all provision to include investments made by foreign investors in China 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 of the State Council to classify contractual arrangements as a form of foreign investment.

The FIL also provides that the State establishes a foreign investment information report system. Foreign investors or the foreign investment enterprise shall submit investment information to the competent commerce department through the enterprise registration system and the enterprise credit information publicity system and the foreign investors or the foreign investment enterprise could be imposed a fine ranging from RMB100,000 to RMB500,000 by the competent commerce department for failing to report investment information as required to the foreign investment information report system. On December 30, 2019, MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), 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 China directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department.

On December 26, 2019, the State Council promulgated the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), or the Implementation Regulation for FIL, which became effective on January 1, 2020. The Implementation Regulation for FIL provides that foreign investment enterprises established in accordance with the Law of the PRC on Sino-foreign Equity Joint Venture Enterprises, the Law of the PRC on Foreign Investment Enterprises and the Law of the PRC on Sino-foreign Cooperative Joint Venture Enterprises prior to implementation of the FIL may, within the five-year period following the implementation of the FIL, adjust their organization form, organization structure pursuant to the provisions of the PRC Company Law, the PRC Partnership Enterprise Law and related laws, and complete change registration in accordance with the law, or may continue to retain their original enterprise organization form or organization structure. With effect from January 1, 2025, where an existing foreign investment enterprise has not adjusted its organization form or organization structure and complete the change registration in accordance with the law, the market regulatory authorities shall not process the application(s) for any other registration matter(s) of the said foreign investment enterprise, and shall publicly announce the relevant information.

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Regulations relating to foreign investment restrictions

According to the Negative List, the provision of value-added telecommunications services falls in the restricted industries and the percentage of foreign ownership cannot exceed 50% (except for e-commerce, domestic multi-party communication, store-and-forward and call center).

Moreover, foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定), which was promulgated by the State Council on December 11, 2001 and most recently amended on May 1, 2022 (the “**2022 FITE Regulations**”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations. The 2022 FITE Regulations prescribes that 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 that a foreign-invested enterprise must be approved by the MIIT to engage in value-added telecommunications business. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided a clear guidance or interpretation regarding the foregoing amendment in the 2022 FITE Regulations and the interpretation and enforcement of the foregoing amendment in the 2022 FITE Regulations remains uncertain in practice. We will closely monitor relevant regulatory development in connection with the 2022 FITE Regulations.

The foregoing amendment in the 2022 FITE Regulations applies to all foreign-invested enterprises who apply for a value-added telecommunication business operating license after May 1, 2022. Based on the facts that, (i) as of the Latest Practicable Date, we had already obtained the value-added telecommunication business operating license, (ii) the 2022 FITE Regulations does not raise any additional requirements or restrictions on enterprises who have already obtained the value-added telecommunication business operating license before such amendment and (iii) as of the date of this Prospectus, we have not received any inquiry, notice, sanction or other concern from any authorities regarding the Contractual Arrangements and VIE structure, and save for the uncertainties regarding interpretation and implementation of the 2022 FITE Regulations as disclosed in this Prospectus, our PRC Legal Advisor is of the view that the above changes in laws and regulations in relation to value-added telecommunication services will not affect the validity and the legality of our value-added telecommunication business operating license and will not have a material adverse effect on our operations in the PRC in effect as of the Latest Practicable Date.

Based on the foregoing, our Directors are of the view that the 2022 FITE Regulations will not have a material adverse effect on our business and operations.

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On July 13, 2006, the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), which requires that (i) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (ii) domestic license holders are prohibited from, in any form, leasing, transferring or selling telecommunications business operation licenses to foreign investors or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (iii) value-added telecommunications services providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (iv) each value-added telecommunications services provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (v) all value-added telecommunications services providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, may revoke the value-added telecommunications business operation licenses of those who fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits.

Laws and regulations relating to the manufacture and sale of educational tablet PCs and telephone watches

General provisions on the administration of the manufacture and sale of educational tablet PCs and telephone watches

According to Administrative Regulations on Compulsory Product Certification (《強制性產品認證管理規定》) promulgated by the State General Administration for Quality Supervision, Inspection and Quarantine, or AQSIQ (merged into the State Administration for Market Regulation) on July 3, 2009, if any product specified by the State fails to be certified and labeled with a certification mark (label of China Compulsory Certification), it shall not be delivered, sold, imported or used in other business activities. For products that should obtain China Compulsory Certification, the State establishes unified product catalogs, unified mandatory requirements, standards and conformity assessment procedures for technical specifications, unified certification labels and unified charging standards. According to the Catalog of the First Batch of Products Subject to China Compulsory Certification (《第一批實施強制性產品認證的產品目錄》) promulgated by the AQSIQ and the Certification and Accreditation Administration of China on December 3, 2001, any learning machine and CDMA digital cellular mobile station should not be delivered, sold, imported or used until China Compulsory Certification is obtained.

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In addition to China Compulsory Certification, sales of radio module products in China shall obtain the approval certificate of radio transmission equipment type in compliance with the Regulations of the PRC on the Management of Radio Operation (《中華人民共和國無線電管理條例》) promulgated by the State Council and the Central Military Commission on September 11, 1993, as amended on November 11, 2016 and Administrative Provisions Governing the Production of Radio Transmission Devices (《國家無線電管理委員會、國家技術監督局關於生產無線電發射設備的管理規定》) promulgated by the State Radio Administrative Commission and the State Administration of Quality and Technical Supervision (the predecessor of AQSIQ) on October 7, 1997, which became effective on January 1, 1999.

Regulations relating to product quality and consumer protection

Products manufactured in China shall comply with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated on February 22, 1993, as most recently amended on December 29, 2018. According to the Product Quality Law, manufacturers of the products shall compensate for the injury to a person or damage to property caused by the defects of the products unless the manufacturers can prove one of the following that (i) the products have not been put into circulation; (ii) the defects causing the damage do not exist when the products are put in circulation; or (iii) the defects cannot be found at the time of circulation due to the scientific and technological level at the moment.

Under the Law on the Protection of the Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》), promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on October 31, 1993, became effective on January 1, 1994 and was most recently amended on October 25, 2013, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following: (i) to ensure that commodities and services meet with certain safety requirements; (ii) to disclose serious defects of a commodity or a service and adopt preventive measures against damage occurrence; (iii) to provide consumers with true information and to refrain from conducting false advertising; (iv) not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and (v) not to insult or slander consumers or to search the person of, or articles carried by, a consumer or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any losses incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operations, revocation of its business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

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Regulations relating to registration of import and export goods

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC, on January 22, 1987 and was most recently amended on April 29, 2021, unless otherwise specified, the customs formalities for import and export goods may be handled by the consignee and the consignor of the goods themselves or by Customs brokers entrusted by the consignor or consignee and approved by and registered with the Customs. The consignors or consignees of the goods exported or imported as well as Customs brokers must register themselves for declaration activities at customs in accordance with the law.

On November 29, 2021, the General Administration of Customs promulgated the Provisions of the People's Republic of China on the Administration of Recordation of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which became effective on January 1, 2022, provides that the consignee or consignor of imported or exported goods or a customs declaration enterprise who applies for recordation shall obtain the qualification of market entities. The consignee or consignor of imported or exported goods who applies for recordation shall obtain the registration of foreign trade business operators.

Laws and regulations relating to private education

The Education Law of PRC (《中華人民共和國教育法》), or the Education Law, sets forth provisions relating to the fundamental education systems of China, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other types of educational institutions, and in principle, enterprises, institutions, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations.

On December 28, 2002, the SCNPC promulgated the Non-state Education Promotion Law of the PRC (《中華人民共和國民辦教育促進法》), or the Private Education Law, which was most recently amended on December 29, 2018. Pursuant to the Private Education Law, sponsors of private schools may choose to establish nonprofit or for-profit private schools at their own discretion and the establishment of the private schools must be subject to approvals granted by relevant government authorities and registered with relevant registration authorities.

On August 10, 2018, the Ministry of Justice, or the MOJ, published a draft amendment to the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC (《中華人民共和國民辦教育促進法實施條例(修訂草案)》), or the MOJ Draft, for public comment. The MOJ Draft stipulates that private schools using Internet technology to provide online diploma-awarding educational courses shall obtain the private school operating permit of similar academic education at the same level, as well as the Internet operating permit. The institutions that use Internet technology to provide training and educational activities,

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vocational qualification and vocational skills training, or providing an Internet technology service platform for the above activities, would need to obtain the corresponding Internet operating permit and file with the administrative department for education or the department of human resources and social security at the provincial level where the institution is domiciled, and such institutions shall not provide educational and teaching activities which require the private school operating permit. The Internet technology service platform that provides training and educational activities shall review and register the identity information of institutions or individuals applying for access to the platform. On April 7, 2021, the State Council promulgated the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC (2021 revised) (《中華人民共和國民辦教育促進法實施條例(2021年修訂)》), which took effect on September 1, 2021.

Laws and regulations relating to after-school tutoring and educational APPs

On February 13, 2018, the MOE, the Ministry of Civil Affairs, the Ministry of Human Resources and Social Security and the SAMR jointly promulgated the Circular on Alleviating After-school Burden on Primary and Secondary School Students and Implementing Inspections on After-school Training Institutions (《教育部辦公廳等四部門關於切實減輕中小學生課外負擔開展校外培訓機構專項治理行動的通知》), pursuant to which the government authorities will carry out a series of inspections on after-school training institutions and order those with material potential safety risks to suspend business for self-inspection and rectification and those without proper establishment licenses or school operating permits to apply for relevant qualifications and certificates under the guidance of competent government authorities. Moreover, after-school training institutions must file with the local education authorities and publicly present the classes, courses, target students, class hours and other information relating to their academic training courses (primarily including courses on Chinese and mathematics). After-school training institutions are prohibited from providing academic training services beyond the scope or above the level of school textbooks, or organizing any academic competitions (such as Olympiad competitions) or level tests for students of primary and secondary schools. In addition, primary and secondary schools may not reference the student's performance in the after-school training institutions as one of admission criteria.

On August 6, 2018, the General Office of the State Council issued the Opinion on the Regulation of the Development of After-school Training Institutions (《國務院辦公廳關於規範校外培訓機構發展的意見》), or State Council Circular 80, which primarily regulates the after-school training institutions targeting students in elementary and middle schools. State Council Circular 80 reiterates prior guidance that after-school training institutions must obtain a private school operating permit, and further requires such institutions to meet certain minimum requirements. For example, after-school training institutions are required to (i) have a training premise that satisfies specific safety criteria, with an average area per student of no less than three square meters during the applicable training period; (ii) comply with relevant requirements relating to fire safety, environmental protection, hygiene, food operation and others; (iii) purchase personal safety insurance for their students to reduce safety risks; and (iv) avoid hiring any teachers who are working concurrently in primary or secondary schools, and ensure that teachers tutoring in academic subjects (such as Chinese, mathematics, English,

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physics, chemistry and biology) have the corresponding teacher qualification licenses. Teachers in primary and secondary schools cannot force or compel students to participate in tutoring provided by after-school training institutions, which is consistent with the principle of the PRC Compulsory Education Law that primary and secondary schools cannot promote or disguise products or services to students for their profit. In addition, after-school training institutions are prohibited from carrying out exam-oriented training, training that goes beyond the school syllabus, training in advance of the corresponding school schedule or any training activities associated with student admission, and they are not allowed to organize any level test, rank examination or competition on academic subjects for primary and secondary students. The training content of after-school training institutions cannot exceed the corresponding national curricular standards and training progress shall not be more accelerated than the corresponding progress of local schools. According to State Council Circular 80, after-school training institutions are also required to disclose and file relevant information regarding the institution, including their training content, schedule, targeted students and school timetable to the relevant education authority, and their training classes may not end later than 8:30 p.m. each day or otherwise conflict with the teaching time of local primary and secondary schools. Course fees can only be collected for courses in three months or shorter installments. Moreover, State Council Circular 80 requests that competent local authorities formulate relevant local standards for after-school training institutions within their administrative area. If an overseas listed after-school training institution publicizes overseas any periodical report, or any interim report on material adverse effect on its operation, it must concurrently publish the information in Chinese on its official website (or on the disclosure platform for securities exchange information in the absence of an official website). With respect to online education service providers, State Council Circular 80 provides a principle that regulatory authorities of networking, culture, information technology, radio and television industries should cooperate with regulatory authorities of education in supervising online education in their relevant industry. On May 6, 2020, the General Office of the MOE promulgated the Notice on the Negative List of Advanced Trainings for Six Compulsory Education Subjects (for Trial Implementation) (《教育部辦公廳關於印發義務教育六科超標超前培訓負面清單(試行)的通知》), which, in accordance with the State Council Circular 80, prohibits after-school training institutions from providing advanced trainings that do not follow the formal school curricula to the students in primary school and secondary school, and further defines activities that will be regarded as advanced training in the subjects of Chinese, mathematics, English, physics, chemistry and biology.

On November 20, 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of the Ministry of Emergency Management jointly issued the Notice on Improving the Specific Governance and Rectification Mechanisms of After-school Education Institutions (《教育部辦公廳、國家市場監管總局辦公廳、應急管理部辦公廳關於健全校外培訓機構專項治理整改若干工作機制的通知》), which provides that provincial regulatory authorities of education should be responsible for being filed with the training institutions that use Internet technology to provide online training and target primary and secondary school students. Provincial regulatory authorities of education should supervise the online after-school training institutions based on the policies regulating the offline after-school training institutions. In addition, online after-school training institutions are required to file the

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information of their courses, such as names, contents, target students, syllabi and schedules with the relevant provincial regulatory authorities of education and publish the name, photo, class schedule and certificate number of the teacher qualification license of each teacher on their websites.

On December 25, 2018, the General Office of the MOE issued the Notice on Strictly Forbidding Harmful APPs in Primary and Secondary Schools (《教育部辦公廳關於嚴禁有害APP進入中小學校園的通知》), which stipulates, among other things, that (i) local primary schools, secondary schools and education departments, should conduct comprehensive investigations on APPs in their campus, and should call off using any APPs containing harmful contents (such as commercial advertisements and Internet games) or increasing the burden to the students, and (ii) a filing and reviewing system of learning APPs should be established.

On August 10, 2019, the MOE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile APPs (《教育部等八部門關於引導規範教育移動互聯網應用有序健康發展的意見》), or the Opinions on Educational APPs, which requires, among others, mobile APPs that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculties, students or parents as the main users and with education or learning as the main application scenarios, are educational APPs, which should be filed with competent provincial regulatory authorities for education by the end of 2019. The Opinions on Educational APPs also requires, among others, that (i) each provider of educational APPs should obtain the ICP License or complete the ICP filing and obtain the certificate and the grade evaluation report for graded protection of cybersecurity before the completion of filing; (ii) the educational APPs with main users under the age of 18 should limit the use time of its APP, specify the range of suitable ages, and strictly monitor the content in its APP; (iii) if any educational APP will be introduced as a mandatory APP to students in any school, such educational APP should be approved by the applicable school through its collective decision-making process and be filed with the competent regulatory authorities for education; and (iv) the educational APPs selected by regulatory authorities for education and schools as the teaching or management tools are not allowed to charge any fees to students or parents or offer any commercial advertisements or games. On November 11, 2019, the MOE issued the Administrative Measures on Filing of Educational Mobile APPs (《教育移動互聯網應用程序備案管理辦法》), which requires, among others, that filings of existing educational APPs should be completed prior to January 31, 2020.

On June 10, 2020, the General Office of MOE and the General Office of SAMR promulgated the Notice on Issuing the Form of Service Contract for After-school Training Provided to Primary and Secondary School Students (《教育部辦公廳、市場監管總局辦公廳關於印發〈中小學生校外培訓服務合同(示範文本)〉的通知》), which was recently amended on September 27, 2021 for implementing the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing 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》) and regulating the service of after-school training institutions, requires the local competent regulatory authorities to guide the relevant parties to use the form of service contract for

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after-school training activities provided to primary and secondary school students. The form of service contract covers the obligations and rights of parties involved in the after-school training, including but not limited to detailed provisions on training fees, training time, personal information protection, refund arrangement and default liabilities.

The MOE and certain other PRC government authorities jointly promulgated the Implementation Opinions on Regulating Online After-school Training (《教育部等六部門關於規範校外線上培訓的實施意見》), or the Online After-school Training Opinions, as effective on July 12, 2019. The Online After-school Training Opinions is to regulate academic after-school training involving Internet technology provided to students in primary and secondary schools. The Online After-School Training Opinions requires, among others, that online after-school training institutions should file with the competent provincial regulatory authorities of education prior to October 31, 2019 and such regulatory authorities of education, jointly with other provincial government authorities, should review the filings and qualifications of the online after-school training institutions.

With respect to the filing requirements, the Online After-school Training Opinions provides, among others, that (i) an online after-school training institution should file with the competent provincial regulatory authorities of education after it obtains the ICP License and the grade evaluation report for the graded protection of cybersecurity, and such filing should be completed prior to October 31, 2019 if such online after-school training institution has already conducted online after-school training; (ii) the materials need to be filed by the online after-school training institutions include, among others, the materials related to the institution (such as the information on their ICP Licenses and other relevant licenses), the management systems used for protection of personal information and cybersecurity, the training content and the training personnel; and (iii) the competent provincial regulatory authorities of education should promulgate local implementing rules on filing requirements, which should focus on training institutions, training content and training personnel.

The Online After-school Training Opinions further provides that the competent provincial regulatory authorities of education should, jointly with other provincial government authorities, review the filings and qualifications of the online after-school training institutions by the end of December 2019, focusing on the following matters: (i) the training content should not include online games or other content or links irrelevant with the training itself, and should not be beyond the scope of relevant national school syllabus. No illegal publications may be published, printed, reproduced or distributed, and no infringement or piracy activities may be conducted during the training. The training content and data should be stored for more than one year, among which the live streaming teaching videos should be stored for more than six months; (ii) each course should not be longer than 40 minutes and should be taken at intervals of not less than 10 minutes, and the training time should not conflict with the teaching time of primary and secondary schools. Each live streaming course provided to students receiving compulsory education should not end later than 9:00 p.m., and no homework should be left for primary school students in Grade 1 and Grade 2. The online after-school training platforms should have eye protection and parental supervision functions; (iii) the online after-school training institutions should not hire any teachers who are currently working at primary or secondary schools. Training personnel of academic subjects are required to obtain necessary

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teacher qualification licenses. The online after-school training institutions' platforms and course interfaces should present the names, photos and teacher qualification licenses of training personnel, and the learning, working and teaching experiences of foreign training personnel; (iv) with the consent of students and their parents, the online after-school training institutions should verify the identification information of each student, and should not illegally sell or provide such information to third parties. User behavior log must be kept for more than one year; (v) the charge items and standard and refund policy should be specifically presented on the training platforms. The prepaid fees can only be used for education and training purposes and cannot be used for other investment activities. If the prepaid fees are charged based on the number of classes, the prepaid fees are not allowed to be collected in a lump sum for more than 60 classes. If the prepaid fees are charged based on the length of the learning period, the prepaid fees are not allowed to be collected for a learning period of more than three months; and (vi) the online after-school training institutions with incompliance or issues identified by the competent provincial regulatory authorities of education must complete the rectification by the end of June 2020, and would be subject to fines, administrative order to suspend operations or other administrative sanctions if they fail to complete the rectification in time.

On April 21, 2020, the Ministry of Human Resources and Social Welfare and other government authorities jointly promulgated the Notice of Implementing the Phased Measures of "Taking Certificate after Starting Career" for Certain Occupations under COVID-19 (《人力資源社會保障部、教育部、司法部等關於應對新冠肺炎疫情影響實施部分職業資格“先上崗、再考證”階段性措施的通知》), pursuant to which all college graduates who are eligible for the teacher qualification examination and meet the requirements of teacher qualification regarding ideological and political criteria, language skills and physical conditions are allowed to start to teach before obtaining the teacher qualification licenses. The teacher qualification licenses will not be a mandatory precondition for college graduates if they are hired prior to December 31, 2020.

On March 30, 2021, the General Office of MOE promulgated the Notice of further strengthening the sleep management of primary and middle school students (《教育部辦公廳關於進一步加強中小學生睡眠管理工作的通知》), pursuant to which all the live online training activities on the online after-school training platforms shall end before 9 p.m..

Laws and regulations relating to advertisements for education and training

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》), promulgated by the SCNPC on October 27, 1994 and recently amended on April 29, 2021, An advertisement for education or training shall not contain any of the following items: (i) any promise relating to progression, passing examinations, or obtaining a degree or qualification certificate, or any express or implied guaranteed promise relating to education or training results; (ii) express or implied statement that the relevant examination agency or its personnel or any examination test designer will be involved in the education or training; and (iii) use of the names or images of research institutes, academic institutions, educational institutions, industry associations, professionals or beneficiaries for recommendation or as proof. With regard to the violation of

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the above provisions, the market regulation departments may order the cessation of the publishing of advertisements, order the advertisers concerned to eliminate the bad impact within the corresponding scope, and impose a fine equivalent to the amount to three times the amount of the advertising fees; where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB100,000 and not more than RMB200,000 shall be imposed; where the circumstance is serious, a fine of not less than three times and not more than five times the advertising fees shall be imposed; in case that the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1 million shall be imposed; and the business licenses may be revoked, and the advertisement review authorities shall revoke the approval documents for advertisement review and shall not accept the relevant party's application for advertisement review for one year.

Recent changes to PRC education regulatory regime

On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the "Opinions") (《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》). The Opinions aim to further regulate after-school tutoring activities (including both online and offline tutoring) and effectively ease the burden of excessive homework and after-school tutoring for students at compulsory education stage. The Opinions provides a number of restrictive measures regulating the institutions engaging in online and offline tutoring business. Among others, the Opinions emphasize that curriculum subject-focused tutoring institutions shall be subject to strict examinations and shall be prohibited from going public for financing or conducting any capitalized operations. Listed companies shall not provide finance for or invest in any curriculum subject-focused tutoring institutions through stock market or purchase any asset from such institutions by issuing shares, paying cashes or other means. Foreign investors shall be prohibited from holding any shares of or investing in such institutions through merge and acquisition, commissioned operations, franchise, variable interest entities, or other means.

Laws and regulations relating to intellectual property rights

The PRC government has adopted comprehensive governing laws for intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Copyright in China, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, which was most recently amended on November 11, 2020 and the latest amendment became effective on June 1, 2021, and its implementation rules (《中華人民共和國著作權法實施條例》) and Regulations on the Protection of Computer Software (《計算機軟件保護條例》), promulgated by the State Council on June 4, 1991 with the latest amendment on January 30, 2013 and became effective on March 1, 2013. Under the Regulations on the Protection of Computer Software, the term of protection for copyrighted software is 50 years. As of the Latest Practicable Date, we had 96 software copyrights.

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Patent. The Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984, which was most recently amended on October 17, 2020 and the latest amendment became effective on June 1, 2021, provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The National Intellectual Property Administration is responsible for examining and approving patent applications. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right. As of the Latest Practicable Date, we had obtained 212 patents in China.

Trademark. The Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, with the latest amendment became effective on November 1, 2019, and its implementation rules(《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 with the latest amendment became effective on May 1, 2014, protect registered trademarks. The PRC Trademark Office of the National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout China. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where registration application for a trademark that is identical or similar to another trademark which has already registered or given preliminary examination, the application for such trademark may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked. As of the Latest Practicable Date, we had 215 registered trademarks in different applicable trademark categories and had 196 trademark applications in China.

Domain Name. Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) which was promulgated on August 24, 2017 and became effective on November 1, 2017 by the MIIT. The 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 is responsible for the daily administration of .cn domain names and Chinese domain names. Our domain name registration is handled through domain name service agencies; established under the relevant regulations, and we become domain name holders upon successful registration. As of the Latest Practicable Date, we have 15 domain names.

Laws and regulations relating to environmental protection

Regulations relating to environmental protection

The Environmental Protection Law of the PRC(《中華人民共和國環境保護法》), or the Environmental Protection Law, was promulgated and effective on December 26, 1989 by the SCNPC, and recently amended on April 24, 2014. According to the provisions of the Environmental Protection Law, installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

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Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) which was promulgated by the SCNPC on October 30, 1995 and recently amended on April 29, 2020, entities that generate industrial solid wastes shall establish a sound responsibility system for the prevention and control of environmental pollution in the whole process of generation, collection, storage, transportation, utilization and disposal of industrial solid wastes, establish administrative ledgers for industrial solid wastes and record the types, quantities, flow directions, storage, utilization, disposal and other information of the generated industrial solid wastes truthfully, so as to achieve the traceability and querying of industrial solid waste, and take measures for the prevention and control of environmental pollution caused by industrial solid wastes. If an entity that generates industrial solid wastes entrusts other parties to transport, utilize or dispose of industrial solid waste, it shall verify the qualifications and technical capability of the entrusted party and enter into a written contract in accordance with the law and the pollution prevention and control requirements shall be stipulated in the contract. Entities that generate industrial solid wastes shall obtain a pollutant discharge permit. Producers and business operators shall observe the compulsory standards for restricting excessive packaging of products to avoid excessive packaging.

Pursuant to the Administrative Measures for Pollutant Discharge Permitting (Trial) (《排污許可管理辦法(試行)》), which was promulgated by the former Ministry of Environmental Protection and became effective on January 10, 2018 and amended on August 22, 2019, the Ministry of Environmental Protection shall develop and issue according to law a classification administration list of pollutant discharge permit for fixed pollution sources. The enterprises, public institutions and other business operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit. Pursuant to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019, the pollutant discharge management is classified into three degrees, the key focused management, the simplified management, and the registration management. Business operators which product and discharge very small amounts of pollutants and have little impact on the environment are subjected to registration administration; such business operators do not need to apply for a pollutant discharge permit, but only need to register and file on a designated platform.

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According to the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996 and last amended on December 29, 2018, where a construction project might cause environmental noise pollution, the entity undertaking the project must prepare an environment impact report which includes the measures to be taken to prevent and control such pollution, and submit it, following the procedures prescribed by the state, to the competent department for ecology and environment for approval. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the subject of a construction project. Before a construction project is put into production or use, its facilities for prevention and control of environmental noise must be inspected according to the standards and procedures stipulated by the state.

Regulations relating to environment impact assessment

Pursuant to the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was issued on October 28, 2002 by the SCNPC and recently amended on December 29, 2018, the State implements a classification-based management on the environmental impact assessment (“EIA”) of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare Environmental Impact Report (“EIR”) or Environmental Impact Statement (“EIS”) or fill out the Environmental Impact Registration Form (“EIRF”) (hereinafter collectively referred to as the “EIA documents”) according to the following rules: (i) For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and (iii) For projects with very small environmental impacts so that an EIA is not required, an EIRF shall be filled out.

The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the administrative department for Ecology and Environment with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF.

Regulations relating to environmental protection of construction projects

According to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and recently amended on July 16, 2017, after the construction of a construction project for which an EIR or EIS is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

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A construction unit shall be punished in accordance with the Environment Impact Assessment Law of the PRC if it: (i) starts construction without authorization before submitting the EIR or EIS of the construction project for approval or reexamination in accordance with the law; (ii) starts construction without authorization before the EIRF of the construction projects is approved or approved after reexamination; or (iii) fails to file the EIRF of the construction project for record in accordance with the law.

Regulations relating to prevention and control of water pollution

The Law on Prevention and Control of Water Pollution of the PRC, or the Water Pollution Prevention and Control Law (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984 and recently amended on June 27, 2017. According to the provisions of the Water Pollution Prevention and Control Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

According to the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, any enterprise, institution or individually-owned business that engages in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines. A sewerage user shall discharge sewage according to the requirements of its permit for discharging sewage into drainage pipelines. According to the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on January 22, 2015 and came into effect on March 1, 2015, where there are multiple sewerage users in a centralized management building or unit, the property right unit or its entrusted real estate service enterprise may apply for a drainage permit uniformly, and the license-receiving unit shall be responsible for the drainage behavior of the sewerage users.

Laws and regulations relating to employment.

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC and most recently amended on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on June 29, 2007 and most recently amended on December 28, 2012, and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented by the State Council on September 18, 2008, employers must execute written labor contracts with full-time employees. If an employer fails to enter into a written employment contract with an employee more than one month but less than one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one

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month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. If an Employer fails to enter into a written employment contract with an employee within one year from the date the employee commences work, they shall be deemed to have entered into a non-fixed-term labor contract. All employers must comply with local minimum wage standards. Violation of the Labor Law of the PRC and the Labor Contract Law of the PRC may result in the imposition of fines and other administrative and criminal liability in the case of serious violation.

Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which were implemented by the Ministry of Human Resources and Social Security of the PRC on March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only which shall not exceed 10% of the total number of its workers. If the employer violates the relevant labor dispatch regulations, according to the Labor Contract Law, the labor administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, penalty shall be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to such plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to Opinions of the General Office of the State Council on Comprehensively Promoting the Combined Implementation of Maternity Insurance and Employees' Basic Medical Insurance (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》), which came into effect on March 6, 2019, maternity insurance fund shall be incorporated in employees' basic medical insurance fund for unification of collection and payment and consistency of coordination levels. The aggregate ratio of payments by employers for participation in maternity insurance and employees' basic medical insurance shall be taken as basis to determine the rate of employees' basic insurance premium payable by employers and no individuals shall pay maternity insurance premium. All provinces (autonomous regions and municipalities directly under the Central Government) shall strengthen work deployment, and urge and guide each coordination region to accelerate implementation and to realize the combined implementation of two insurances by the end of 2019. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, and Interim Regulations on Levying Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019, an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue and/or subject to a late fee of 0.2% per day. According to the Regulations on Management of Housing Fund (《住房公積金

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管理條例》), promulgated by the State Council on April 3, 1999 and most recently amended on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement. We did not pay, or were not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and varying levels of acceptance of the housing fund system by our employees. Although we have recorded accruals for estimated underpaid amounts in our financial statements, we may be subject to fines and penalties for our failure to make payments in accordance with the applicable PRC laws and regulations. We may be required to make up the contributions for these plans as well as to pay late fees and fines. We have not made any accruals for the interest on underpayments and penalties that may be imposed by the relevant PRC government authorities in the financial statements.

Laws and regulations relating to foreign exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and with the latest amendment on August 5, 2008. Payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can usually be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

On March 30, 2015, SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本結匯管理方式的通知》), or SAFE Circular 19, with the latest amendment on December 30, 2019. Pursuant to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises is subject to the discretionary foreign exchange settlement, which means the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) may be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily 100%. SAFE can adjust such proportion in due time based on the circumstances of international balance of payments.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the

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prohibition against using RMB capital converted from foreign currency denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises.

On January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Review of Authenticity and Compliance to Further Promoting the Reform of Foreign Exchange Administration (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area.

Regulations relating to PRC mergers & acquisitions and public listing on an overseas stock exchange

Pursuant to Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the SAIC, the CSRC and the SAFE on August 8, 2006, and most recently amended by the MOFCOM on June 22, 2009, which provided that the scenarios qualify as an acquisition of a domestic enterprise by a foreign investor. On December 30, 2019, MOFCOM and the SAMR issued the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which took effect on January 1, 2020. According to the Measures for Reporting of Information on Foreign Investment, to acquire the equity of a non-foreign-invested enterprise within the territory of China, a foreign investor shall submit the initial report through the enterprise registration system when it applies for the registration of changes to the acquired enterprise. See “Risk Factors – Risks Relating to Our Business and Industry – We are subject to a wide variety of regulations and are required to obtain and maintain various licenses and permits, any failure of which may have a material adverse effect on us.” Further, the M&A Rules requires an offshore special purpose vehicle that is directly or indirectly controlled by PRC companies or individuals for the purpose of the domestic companies actually owned by such PRC companies or individuals (through acquisitions of the equity held by such domestic Companies' shareholders or the equity newly issued by such domestic companies by those means provided in the M&A Rules) seeking a public listing on an overseas stock exchange to obtain the approval of the CSRC prior to the

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listing and trading of such special purpose vehicle's securities on an overseas stock exchange. Currently, there remains uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering.

Regulations relating to dividend distribution

According to the FIL, foreign investment enterprises in China may pay dividends freely in RMB or any other foreign currency according to law. In addition, according to the PRC Company Law, foreign investment enterprises, same as domestic enterprises, are required to set aside at least 10% of their after-tax profits (if any) each year to the company's statutory reserves, until the accumulative amount of such fund reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Further, the foreign investment enterprises may allocate a portion of their after-tax profits based on PRC accounting standards as discretionary reserve funds. These reserve funds are not distributable as cash dividends.

Regulations relating to offshore financing

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局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》), or the SAFE Circular 37 on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75." SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. 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. All of our shareholders that we are aware of being subject to the SAFE regulations have completed all necessary initial registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37.

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Regulations relating to employee stock incentive plan of overseas public-listed company

Pursuant to Notices 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 on February 15, 2012, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our executive officers and other employees who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year with the exception of diplomatic agents of foreign countries in China and the representatives of any international organization in China and have been granted options are subject to these regulations as our company became an overseas listed company upon the completion of our initial public offering. Failure by such individuals to complete their SAFE registrations may subject them to fines and other legal sanctions.

The STA has issued certain circulars concerning employee share options or restricted shares, such as Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Imposition of Individual Income Tax on Incomes from Individual Stock Option (《財政部、國家稅務總局關於個人股票期權所得徵收個人所得稅問題的通知》), which was most recently amended on January 17, 2020. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Laws and regulations relating to tax

Dividend withholding tax

Pursuant to Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on March 16, 2007 with the latest amendment on December 29, 2018, and its implementation rules (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007 with the latest amendment on April 23, 2019, if a nonresident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙

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重徵稅和防止偷漏稅的安排》), which came into effect on December 8, 2006 and with the latest amendment on December 6, 2019, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or STA Circular 81, which came into effect on February 20, 2009, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Convention Treatment for Nonresident Taxpayers (《非居民納稅人享受協定待遇管理辦法》), which became effective on January 1, 2020, require that nonresident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection.” Where a nonresident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and subject to subsequent administration by tax authorities. Accordingly, Readboy Education HK may be able to enjoy the 5% withholding tax rate for the dividends they receive from Readboy Technology Zhongshan if they satisfy the conditions prescribed under STA Circular 81 and other relevant tax rules and regulations. However, according to STA Circular 81, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Enterprise income tax

The principal regulations governing enterprise income tax in China are the EIT Law, and its implementing rules. Under the EIT Law, enterprises are classified as resident enterprises and nonresident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. Uncertainties exist with respect to how the EIT Law applies to the tax residence status of our Company and our offshore subsidiaries.

Under the EIT Law, an enterprise established outside China with its “de facto management bodies” located within China is considered a “resident enterprise,” meaning that it is treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

The STA issued Circular of the State Administration of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (《國家稅務總局關

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於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or STA Circular 82 on April 22, 2009, with the latest amendment on December 29, 2017. According to STA 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 China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (a) the primary location of the day-to-day operational senior management and senior management department’s performance of their duties is in China; (b) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (c) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (d) 50% or more of voting board members or senior executives habitually reside in China. In addition, the STA issued the Bulletin of the STA on Printing and Distributing the Administrative Measures for Income Tax on Chinese-controlled Resident Enterprises Incorporated Overseas (Trial Implementation) (《國家稅務總局關於印發〈境外註冊中資控股居民企業所得稅管理辦法(試行)〉的公告》) in July 27, 2011, which was most recently amended on June 15, 2018 by the STA, providing more guidance on the implementation of STA Circular 82. This bulletin clarifies matters including resident status determination, post determination administration and competent tax authorities. In January 2014, the STA issued the Bulletin of the STA on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions, or STA Bulletin 9. According to STA Bulletin 9, a Chinese-controlled offshore incorporated enterprise that satisfies the conditions prescribed under the STA Circular 82 for being recognized as a PRC tax resident must apply for being recognized as a PRC tax resident to the competent tax authority at the place of registration of its main investor within the territory of China.

We do not believe that we meet all of the conditions outlined in the immediately preceding paragraph. We believe that our Company and our offshore subsidiaries should not be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in STA Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” as applicable to our offshore entities, we may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income. We are actively monitoring the possibility of “resident enterprise” treatment for the applicable tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

In the event that our Company or any of our offshore subsidiaries is considered to be a PRC resident enterprise: our Company or our offshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income; dividend income that our Company or our offshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and interest paid to our overseas shareholders or ADS holders who are non-PRC resident enterprises as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at

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a rate of up to 10%, subject to any reduction or exemption set forth in relevant tax treaties, and similarly, dividends paid to our overseas shareholders or ADS holders who are non-PRC resident individuals, as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%, subject to any reduction or exemption set forth in relevant tax treaties.

The STA issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax 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》), or STA Public Notice 7, on February 3, 2015, and was most recently amended on December 29, 2017. Under STA 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 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 STA 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 nonresident 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. According to the Announcement of the STA on Matters Concerning Withholding of Income Tax of Nonresident Enterprises at Source (《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》), or STA Announcement 37, effective December 1, 2017 and amended in June 15, 2018 by the Announcement of the STA on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》), the withholding party shall, within seven days of the day on which the withholding obligation occurs, declare and remit the withholding tax to the competent tax authority at its locality. Where the withholding party fails to withhold and remit the income tax payable or is unable to perform its obligation in this regard, the nonresident enterprise that earns the income shall, declare and pay the tax that has not been withheld to the competent tax authority at the place where the income occurs, and complete the Withholding Statement of the People’s Republic of China for Enterprise Income Tax. There is uncertainty as to the implementation details of STA Public Notice 7 and STA Announcement 37. If STA Public Notice 7 or STA Announcement 37 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 STA Public Notice 7 and STA Announcement 37 or to establish that the relevant transactions should not be taxed under STA Public Notice 7 or STA Announcement 37.

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Where the payers fail to withhold any or sufficient tax, the non-PRC residents, as the transferors, are required to declare and pay such taxes to the tax authorities on their own within the statutory time limit. Failure to comply with the tax payment obligations by the non-PRC residents will result in penalties, including full payment of taxes owed, fines ranging from fifty percent to five times the amount of unpaid or underpaid tax and default interest on those taxes.

Pursuant to the EIT Law and its implementation rules, certain “high and new technology enterprises strongly supported by the state” that independently own core intellectual property and meet statutory criteria are permitted to enjoy a reduced 15% enterprise income tax rate. On April 14, 2008 the SAT, the Ministry of Science and Technology and the MOF jointly issued the Administrative Measures for the Certification of High and New Technology Enterprises (《高新技術企業認定管理辦法》), which was most recently amended on January 29, 2016, specifying the criteria and procedures for the qualification and certification of the High and New Technology Enterprises.

PRC value-added tax

Pursuant to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, with the latest amendment on November 19, 2017, and its Implementation Rules (《增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, with the latest amendment on October 28, 2011, subject to applicable exceptions, tax payers selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in China, or importing goods to China shall pay value-added tax, or the VAT. 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.

Pursuant to the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點方案》), or the Circular 110, promulgated by the MOF and the STA, starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, levying a 11% VAT on revenue generated from transportation services in lieu of the business tax. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) issued afterwards, or the Circular 36, issued on March 23, 2016, business tax shall be completely replaced by the VAT from May 1, 2016 and the VAT rate applicable to VAT taxpayers ranges from 6% to 17% (which has been reduced to 13% after April 1, 2019 pursuant to Circular 39). Pursuant to Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), or the Circular 32, issued on April 4, 2018, for VAT taxable sales or importation of goods originally subject to value-added tax rates of 17% and 11%, such tax rates were adjusted to 16% and 10%, respectively. Further, pursuant to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or the Circular 39, issued by the MOF, the STA and the General Administration of Customs on March 20, 2019, which came into force on April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%,

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the applicable VAT rate is adjusted to 13% or 9%, respectively. Under Circular 39, during the period from April 2019 to December 2021, certain qualified service industry taxpayers can enjoy an extra 10% for deduction of the tax payable, which is calculated based on the input VAT filed with the tax bureau. In addition, under Circular 39, qualifying tax payers who meet certain requirements are eligible for the newly increased unutilized input VAT refund. The refund of newly increased unutilized input VAT for the current period shall be calculated as per the following formula: refundable amount of newly increased unutilized input VAT for the current period = newly increased unutilized input VAT × the input component ratio × 60%.

Laws and regulations relating to cyber security, data security and personal information protection

Cyber security and data security

On November 7, 2016, the SCNPC issued the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) or the Cybersecurity Law, which took effect as of June 1, 2017. The Cybersecurity Law is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, and protect the lawful rights and interests of citizens, legal persons and other organizations. Pursuant to the Cybersecurity Law, a network operator, which includes, among others, Internet information services providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cybersecurity Law has reaffirmed the basic principles and requirements as specified in other existing laws and regulations on personal information protections, such as the requirements on the collection, use, processing, storage and disclosure of personal information, and internet service providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged or lost. Any violation of the provisions and requirements under the Cybersecurity Law may subject the Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

On December 28, 2021, 13 PRC regulatory agencies including the Cyberspace Administration of China (the “CAC”) published the Cybersecurity Review Measures (《網絡安全審查辦法》(2021)) (the “Cybersecurity Review Measures (2021)”), which became effective on February 15, 2022 and supersede the Measures for Cybersecurity Review (《網絡安全審查辦法》) promulgated on April 13, 2020. The Cybersecurity Review Measures (2021) provides that a critical information infrastructure operator (the “CIIO”) purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Cybersecurity Review Measures (2021) also provides that a network platform operator with more than one million users’ personal information aiming to list abroad must apply for cybersecurity review.

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In addition, according to the Article 10 of the Cybersecurity Review Measures (2021), the cybersecurity review focuses on assessing the following national security risk factors associated with the relevant object or situation: (i) the risk of any critical information infrastructure, or the CII being illegally controlled, tampered with, or sabotaged after any product or service is used; (ii) the harm of an interruption in the supply of any product or service to the continuity of the CII business; (iii) the security, openness, transparency, diversity of sources, reliability of any supply channel of any product or service, and the risk of its supply being interrupted due to political, diplomatic, trade or other factors; (iv) the compliance of the provider of any product or service with the laws, administrative regulations, and departmental rules of China; (v) the risk of any core data, important data or a large amount of personal information being stolen, leaked, destroyed, illegally used, or illegally transferred abroad; (vi) the risk of any CII, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments, as well as any network information security risk; and (vii) any other factor that may endanger the security of any CII, cybersecurity or data security.

With respect to the identification of CIIOs, Article 31 of the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017, introduces the concept of “critical information infrastructure” by enumerating seven main industries and sectors including public communications and information service, energy, transport, water conservancy, finance, public service and e-government, and stipulates that the specific scope and security measures for critical information infrastructure shall be developed by the State Council. In coordination with the implementation of Article 31 of the Cyber Security Law, the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “CII Regulations”), which came into effect on September 1, 2021, regulates the procedures of identification of “critical information infrastructure,” that competent authorities as well as the supervision and administrative authorities of the important industries and sectors such as public communications and information service, energy, transport, water conservancy, finance, public service, e-government and science, technology and industry for national defence (collectively, the “Protection Authorities”) in the CII Regulations 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, and they 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. As of the Latest Practicable Date, no relevant authority has published any detailed rules for identification of the critical information infrastructures, and to our best knowledge, we had not received any notification from the Protection Authorities about being identified as a CIIO.

On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “Draft Data Security Regulations”, together with the Cybersecurity Review Measures (2021), the “Cybersecurity Regulations”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. The

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Draft Data Security Regulations also provides that a data processor who processes more than one million users' personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to "affect or may affect national security."

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which became effective on September 1, 2021. According to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field such as public communication and information service, energy, transport, water conservation, finance, public services, e-government affairs, science and technology industry for national defense and other industries and sectors that may seriously endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage.

In light of the above, on February 25, 2022, our PRC legal advisor, the PRC legal advisor to the Joint Sponsors and representatives of the Joint Sponsors conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (the "Center") which undertakes the specific work of the Cybersecurity Review Office of the CAC under the authorization of the CAC, (the "Consultation"). In the Consultation, we have disclosed our name and introduced the business of us in details. After that, the Center confirmed that: (i) according to the Cybersecurity Review Measures (2021), although we fall within the scope of "network platform operators" regulated by the Cybersecurity Review Measures (2021), however, given that Hong Kong is a part of the PRC and does not fall within the definition of "abroad" under the Cybersecurity Review Measures (2021), the listing of us in Hong Kong is not subject to the cybersecurity review application requirement under Cybersecurity Review Measures (2021), and the Center will not accept the application from us even if we intend to file a written cybersecurity review application; and (ii) the Draft Data Security Regulations was released for public comment only and does not come into effect, and therefore we are not required to apply for cybersecurity review pursuant to the Draft Data Security Regulations. Based on the Consultation, we are of the view, and our PRC legal advisor concurs, that: (i) part of the Cybersecurity Regulations, such as provisions in relation to "network platform operators", are applicable to the business of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form; (ii) as of the Last Practicable Date, although we possess more than one million users' personal information, the cybersecurity review application requirement under the Cybersecurity Regulations is not applicable to the listing of us in Hong Kong. However, since there has been no published formal explanation or any practical case for identification standard and procedures of the "data processor intends to be listed in Hong Kong", should the Draft Data Security Regulations be implemented in its current form in the future, there is uncertainty whether we shall apply for cybersecurity review in accordance with the Draft Data Security Regulations with respect to its listing in Hong Kong in the future.

REGULATORY OVERVIEW

As of the date of this Prospectus, we had not been involved in any investigation on cybersecurity review made by the CAC, neither had we received any inquiry, notice, warning, or sanction in such respect. And we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us, and according to the consultation to competent authority, we are not required to apply for cybersecurity review for the proposed listing. If the Cybersecurity Regulations was to be implemented in its current form, based on the foregoing, our Directors and our PRC legal advisor do not foresee any material impediments for us to comply with the Cybersecurity Regulations in all material aspects, given that as disclosed in “Business – Data Privacy and Security”, we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice. We will continue to closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Cybersecurity Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and we will adjust and enhance the data practices in a timely manner to ensure compliance once the regulations come into effect. Specifically, we will (i) take immediate steps to ensure compliance with new regulatory requirements within a reasonable period of time, including thoroughly reviewing our business practices and operational policies, improving our privacy policies and service agreements with our users, establishing relevant mechanism in response to data security incidents, applying for cybersecurity review if applicable, filing important data with competent authorities if applicable and submitting relevant data security assessment report if required; (ii) proactively maintain communications with the CAC’s local branches, and continuously improve the operational procedures; and (iii) continue to improve our data security protection technologies.

Based on the foregoing analysis, our Directors, with the advice of our PRC Legal Advisor, and the Joint Sponsors, with the advice of their PRC legal advisor, believe that we are compliant with the regulations and policies in effect issued by the CAC to date, and our Directors are of the view, and the Joint Sponsors concur, that the Cybersecurity Regulations, if implemented in its current form, would not have a material adverse impact on our business operations, financial performance or the proposed listing in Hong Kong.

Personal information protection

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), which became effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual’s private information or infringe an individual’s right of privacy, unless otherwise prescribed by law or with the consent of such individual or such individual’s guardian. In addition, personal information is protected by the PRC laws. Any processing of personal information shall be subject to the principles of legitimacy, legality and necessity. An information processor must not divulge or falsify the personal information collected and stored by it, or provide the personal information of an individual to others without the consent of such individual.

REGULATORY OVERVIEW

According to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods, and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering, or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage, or loss.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law sets forth detail rules on personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, enhanced individual' rights, more protective obligations on personal data processors, and enhanced liability of violation of Personal Information Protection Law and privacy litigation. According to the Personal Information Protection Law, personal information refers to any kind of information related to an identified or identifiable natural person as electronically or otherwise recorded, excluding information that has been anonymized. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. Processing of personal information shall be for a specified and reasonable purpose, and shall be conducted for a purpose directly relevant to the purpose of processing and in a way that has the least impact on personal rights and interests. Collection of personal information shall be limited to the minimum scope necessary for achieving the purpose of processing and shall not be excessive. A personal information processor may process personal information of an individual after acquiring the individual's consent which shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis and shall provide an easy way to withdraw consent. The processor could also process personal information without the individual's consent in the other circumstances prescribed under the Personal Information Protection Law.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, or the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

REGULATORY OVERVIEW

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) or the Necessary Personal Information Rules, which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users' access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

On November 28, 2019, the CAC, the 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》), which lists six types of illegal collection and usage of personal information, including, but not limited to (i) not publishing rules on the collection and usage of personal information; (ii) not providing privacy rules, and (iii) collecting and using users' personal information without consent.

Laws and regulations relating to 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"**), which are open for public comments until January 23, 2022.

The Draft Overseas Listing Administration Provisions, if adopted in its current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the draft regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information.

Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. As implementation rules, the Draft Overseas Listing Filing Measures specifies the filing requirement and procedures. The Draft Overseas Listing Filing Measures provides that if the issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i)

REGULATORY OVERVIEW

any of the revenue, net profit, total assets or net assets of the domestic companies accounted for more than 50% of the respective audited revenue, net profit, total assets or net assets of the issuer within the latest fiscal year; (ii) a majority of the officers responsible for management of the issuer are PRC citizens or have their usual place of residence located in mainland China, the issuer's main place of operation is within mainland China. It is unclear based on the Draft Overseas Listing Filing Measures whether either or both of the above criteria need to be satisfied. Where an issuer makes an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Overseas Listing Filing Measures also requires subsequent report to the CSRC on material events, such as material change in principal business and change of control.

At the press conference held for these draft regulations, officials from the CSRC clarified that implementation of the Draft Regulations on Listing will follow the non-retroactive principle, which means only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies to be conducted after the foregoing regulations become effective will be required to complete the filing process. In addition, the new regulations and rules will grant a proper transition period for existing overseas-listed companies that do not have subsequent financing activities to comply with the filing requirement.

If the Draft Regulations on Listing become effective in their current form before the listing is completed, our PRC legal advisor is of the view that we may be required to complete the filing procedures with the CSRC in connection with the listing. However, as of the Latest Practicable Date, the Draft Regulations on Listing were released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty. Therefore, as advised by the PRC legal advisor, this listing contemplated in this prospectus is currently not subject to any filing procedures with, or approval from, the CSRC. In addition, as of the Latest Practicable Date, we have not received any inquiry, notice, warning, or sanctions regarding this listing or any other PRC government authorities with respect to the filing requirement under the new regulatory regime.

As of the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions regarding this listing or our corporate structure from CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime. To our best knowledge, none of the circumstances that would prohibit PRC domestic companies from conducting overseas listing and offering under the Draft Regulations on Listing exists for us. Our PRC legal advisor has also conducted public searches against our PRC-incorporated subsidiaries, our controlling shareholders and actual controllers, as well as our Directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas listing or listing under the Draft Regulations on Listing. Based on the foregoing and our PRC Legal Advisor's due inquiry, our PRC Legal Advisor does not find that we fall within any of the circumstances which would prohibit PRC domestic companies from conducting overseas listing and offering as provided under the Draft Regulations on Listing. Therefore, if

REGULATORY OVERVIEW

the Draft Regulations on Listing become effective in their current form before the listing is completed, other than uncertainties of the filing procedures 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 impediment for us to comply with the Draft Regulations on Listing in any material respect.

Based on the foregoing analysis, our Directors, with the advice of our PRC Legal Advisor, and the Joint Sponsors, with the advice of their PRC legal advisor, believe that we are compliant with the regulations and policies in effect issued by the CSRC to date, and our Directors are of the view, and the Joint Sponsors concur, that the Draft Regulations on Listing, if implemented in its current form, would not have a material adverse impact on our business operations, financial performance or the proposed listing in Hong Kong.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to the establishment of our first operating subsidiary, Readboy Technology in May 1999, with a mission of taking advantage of technologies to empower more children to enjoy high quality digital educational resources. Through 22 years of effort and development, Readboy Technology has gradually become a smart learning device service provider with an established education product and service offerings in China. For further details, please refer to the section headed “Business” of this prospectus.

For the purpose of the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 8, 2021, and as a result of the Reorganization, our Company became the offshore holding company of our Group.

OUR KEY MILESTONES

Our Group has experienced significant growth in its scale of operations since 1999 and the following is a summary of our Group’s key business development milestones:

Year	Event
1999	Readboy Technology, our first operating subsidiary, was established in May 1999
2004	First generation Readboy F4 reading machine was successfully launched First generation Readboy P4 student computer was successfully launched
2011	First generation Readboy G3 student tablet was successfully launched
2017	We launched our integrated teaching system and solution – “Smart Classroom” (智慧課堂) Zhuhai Readboy was established in November 2017
2020	We were awarded the “2020 Headquarter Enterprise of Zhongshan” (2020年度總部企業) recognized by the Zhongshan Development and Reform Bureau (中山市發展和改革局)
2021	We were awarded the title of “2020 Enterprise with Outstanding Contributions to Anti-epidemic” (2020抗疫傑出貢獻企業) granted by the Organizing Committee of the 10th China Charity Festival (第十屆中國公益節組委會)

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE HISTORY AND DEVELOPMENT

We conduct our business principally through the following principal subsidiary and PRC Operating Entity which made a material contribution to our results of operations during the Track Record Period:

<u>Name</u>	<u>Principal business activities</u>	<u>Date of establishment and commencement of business</u>
Subsidiary		
Readboy Technology	Production and sales of AI learning equipment	May 28, 1999
PRC Operating Entity		
Zhuhai Readboy ^(Note 1)	Production and sales of digital educational resources ^(Note 2)	November 24, 2017

Notes:

1. After the Reorganization, Zhuhai Readboy became our PRC Operating Entity controlled via the Contractual Arrangements.
2. During the Track Record Period, we had provided live streaming classes as part of our service offering. In response to the recent regulatory change after the promulgation of the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing 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》) by the General Office of the Central Committee of the Communist Party of China and the General Office of State Council, we had reviewed our business operations and discontinued to offer any live streaming classes since August 2021. For further details, please refer to the paragraphs headed “Business – Our Digital Educational Resource Offerings – Formats of our digital educational resources” in this prospectus.

1. Readboy Technology

Establishment

Readboy Technology was established in the PRC on May 28, 1999 as a limited liability company with an initial registered capital of RMB0.5 million and was owned as to approximately 58.2000%, 33.0600% and 8.7400% by Mr. Chen, (our founder, non-executive Director and one of our Controlling Shareholders), Mr. Xue Huiqin and Mr. Wu Jianhua, respectively. As confirmed by our Directors, Mr. Xue Huiqin is a childhood friend of Mr. Qin, whereas Mr. Wu Jianhua was Mr. Qin’s university classmate. They were acquainted with Mr. Chen through the introduction of Mr. Qin, who was in turn a former colleague of Mr. Chen before the set up of our Group. Each of Mr. Xue Huiqin and Mr. Wu Jianhua is an independent third party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Increase of registered capital of Readboy Technology in June 2000

On June 19, 2000, the registered capital of Readboy Technology increased from RMB0.5 million to RMB1 million, with the additional registered capital of RMB0.5 million contributed by Mr. Gu Gang, who is an independent third party. Mr. Gu Gang is a friend of Mr. Chen and was invited to invest in Readboy Technology. Following such increase, the equity interests of Readboy Technology was owned as to approximately 29.1000%, 16.5300%, 4.3700% and 50% by Mr. Chen, Mr. Xue Huiqin, Mr. Wu Jianhua and Mr. Gu Gang, respectively.

Equity transfers between (i) Mr. Xue Huiqin and Mr. Qin and (ii) Mr. Gu Gang, Mr. Chen, Mr. Qin and Mr. Wu Jianhua in November 2003

On November 27, 2003, Mr. Xue Huiqin, who then held 16.5300% equity interests in Readboy Technology, entered into an equity transfer agreement, pursuant to which Mr. Xue Huiqin agreed to transfer his entire equity interest in Readboy Technology to Mr. Qin at a consideration of RMB165,300, representing the relevant capital contributed by Mr. Xue Huiqin. On the same day, Mr. Gu Gang, who then held 50% equity interest in Readboy Technology, entered into an equity transfer agreement, pursuant to which Mr. Gu Gang agreed to transfer his 20.9000% equity interest in Readboy Technology to Mr. Chen, 23.4700% equity interest in Readboy Technology to Mr. Qin, our chairman of the Board, chief executive officer, executive Director and one of our Controlling Shareholders, and the remaining 5.6300% equity interest in Readboy Technology to Mr. Wu Jianhua at a consideration of RMB209,000, RMB234,700 and RMB56,300 representing the capital contributed by respective shareholders, respectively. As confirmed by our Directors, each of Mr. Xue Huiqin and Mr. Gu Gang decided to dispose his entire equity interests in Readboy Technology due to the change of his own personal investment plan at the material time. After the completion of the above equity transfers, Readboy Technology was owned as to 50% by Mr. Chen, 40% by Mr. Qin and 10% by Mr. Wu Jianhua, respectively.

Increase of registered capital between 2007 and 2013

Between 2007 and 2013, Readboy Technology underwent several rounds of increase of registered capital. As of September 30, 2013, the registered capital of Readboy Technology was RMB70 million, which was owned as to 50%, 40% and 10% by Mr. Chen, Mr. Qin and Mr. Wu Jianhua, respectively.

Equity transfer between Mr. Wu Jianhua and Hui Tong in December 2015

On December 22, 2015, Mr. Wu Jianhua and Hui Tong entered into a share transfer agreement, pursuant to which Mr. Wu Jianhua agreed to transfer his 5.8730% equity interest in Readboy Technology to Hui Tong, a limited partnership which was wholly-owned by our Directors Mr. Qin and Ms. Liu Zhilan at the time of the said transfer, at the consideration of RMB9,671,416.49 which was arrived at after arm's length negotiation between the parties with reference to the registered capital of the Company. Upon completion of such transfer, Readboy Technology was owned as to approximately 50%, 40%, 4.1270% and 5.8730% by Mr. Chen, Mr. Qin, Mr. Wu Jianhua and Hui Tong, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Increase of registered capital in March 2019

On March 29, 2019, the registered capital of Readboy Technology increased from RMB70 million to RMB83 million, with additional registered capital of RMB2.03 million, RMB2.43 million, RMB0.36 million, RMB4.08 million, RMB2.05 million and RMB2.05 million contributed by Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Mr. Chen Jiafeng, our executive Director, Ms. Zhong Xiangling, an employee of Readboy Technology, and Ms. Liu Zhilan, our executive Director, respectively. Following such increase, the equity interests of Readboy Technology was owned as to approximately 44.6145%, 36.6626%, 3.9143%, 4.9531%, 4.9157%, 2.4699% and 2.4699% by Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Hui Tong, Mr. Chen Jiafeng, Ms. Zhong Xiangling and Ms. Liu Zhilan respectively.

Increase of registered capital in December 2019

On December 30, 2019, the registered capital of Readboy Technology increased from RMB83 million to RMB86.46 million, with additional registered capital of RMB3.46 million contributed by Mr. Shen Jianfei, our non-executive Director at a consideration of RMB17.31 million after arm's length negotiations between the parties pursuant to a capital increase agreement dated December 15, 2019. Following such increase, the equity interests of Readboy Technology was owned as to approximately 42.8291%, 35.1955%, 3.7577%, 4.7549%, 4.7189%, 2.3710%, 2.3710% and 4.0019% by Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Hui Tong, Mr. Chen Jiafeng, Ms. Zhong Xiangling, Ms. Liu Zhilan and Mr. Shen Jianfei respectively.

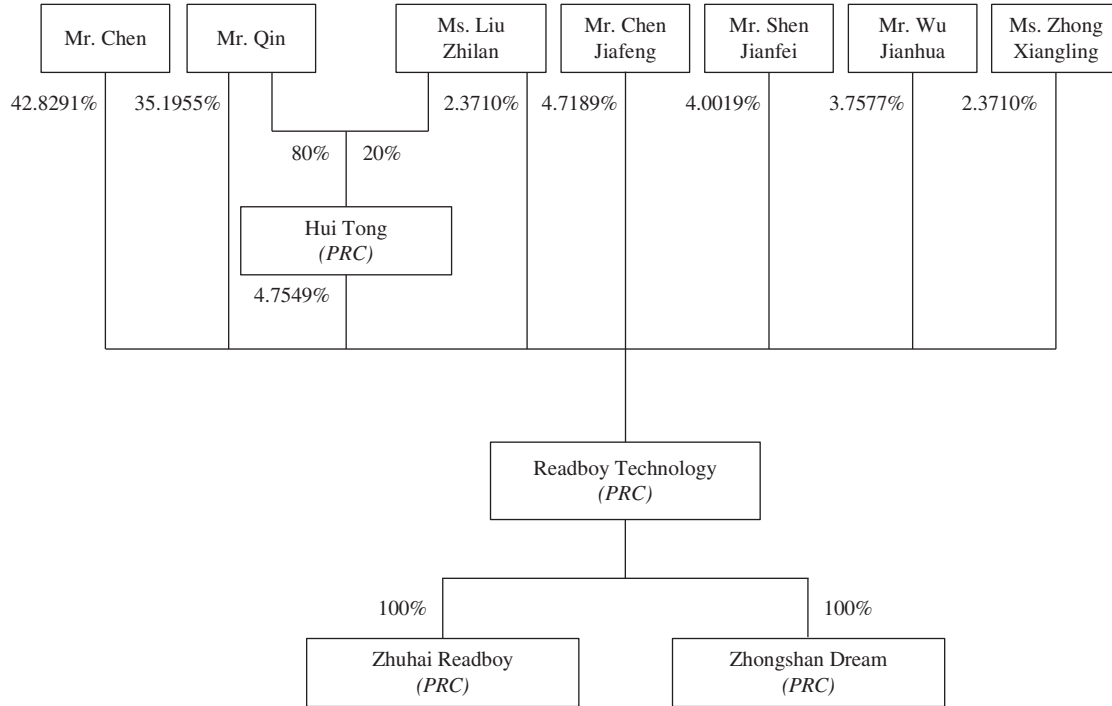
2. Zhuhai Readboy

Zhuhai Readboy was established in the PRC on November 24, 2017 as a limited liability company with an initial registered capital of RMB10 million. It was an indirectly wholly-owned subsidiary of our Company and owned as to 100% by Readboy Technology prior to the Reorganization. After the Reorganization, it became our PRC Operating Entity which we control through the Contractual Arrangements.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganization:



In preparation for the Listing and to streamline our corporate structure, we underwent the following Reorganization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Step 1: Establishment of offshore corporate structure

On February 8, 2021, our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability and acted as our listing vehicle. On the same day, one Share of our Company with a par value of HK\$0.001 was transferred from the incorporator, an independent third party, to Eminent Future and an aggregate of 999,999 Shares were allotted and issued to (i) Chance High, (ii) Driving Force, (iii) Eminent Future, (iv) Excellent Zone, (v) Rapid Gains, (vi) Robbinsville, (vii) Sky Focus, and (viii) Trade Honour. Upon completion, the shareholding structure of our Company was as below:

<u>Name of company</u>	<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of the shareholding</u>
Sky Focus	Mr. Chen	428,291	42.8291
Trade Honour	Mr. Qin	351,955	35.1955
Driving Force	Ms. Liu Zhilan ^(Note)	47,549	4.7549
Excellent Zone	Mr. Chen Jiafeng	47,189	4.7189
Chance High	Mr. Shen Jianfei	40,019	4.0019
Robbinsville	Mr. Wu Jianhua	37,577	3.7577
Eminent Future	Ms. Liu Zhilan	23,710	2.3710
Rapid Gains	Ms. Zhong Xiangling	23,710	2.3710
<u>Total</u>		<u>1,000,000</u>	<u>100</u>

Note: The 47,549 Shares were allotted and issued to Driving Force which is wholly-owned by Ms. Liu Zhilan for holding the Shares reserved for any future grant of RSUs under the Post- IPO RSU Scheme. Ms. Liu Zhilan is acting in the capacity as the RSU Trustee to administer the Post-IPO RSU Scheme.

The authorized share capital of our Company was HK\$380,000, which was initially divided into 380,000,000 shares with par value of HK\$0.001 each.

On March 24, 2021, 44,403, 18,308 and 4,577 Shares were allotted and issued to Glorious Achievement, Golden Genius and Mr. Cheng Yangshi (“**Mr. Cheng**”) respectively. An aggregated consideration of US\$15,000,000, US\$6,184,674.38 and US\$1,546,168.59 was paid by Glorious Achievement, Golden Genius and Mr. Cheng respectively. Immediately after the said share purchase, our Company was owned as to approximately 3.7496% by Chance High, 4.4551 % by Driving Force, 2.2215% by Eminent Future, 4.4214% by Excellent Zone, 2.2215% by Rapid Gains, 3.5208% by Robbinsville, 40.1289% by Sky Focus, 32.9766% by Trade Honour, 4.1604% by Glorious Achievement, 1.7154% by Golden Genius and 0.4288% by Mr. Cheng. See “– Pre-IPO Investment – Acquisition of shareholding in the Company by Glorious Achievement, Golden Genius and Mr. Cheng” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

For details of changes in the share capital of our Company, please refer to the paragraph headed “A. Further information about our Group – 2. Changes in authorized and issued share capital of our Company” in Appendix V to this prospectus. As a result of the Reorganization, our Company became the holding company of our Group.

Step 2: Incorporation of our offshore entities (other than our Company)

Establishment of Readboy Education Group

On February 23, 2021, Readboy Education Group was incorporated in the BVI with limited liability as a wholly-owned subsidiary of our Company. It is an investment holding company.

Establishment of Readboy Education HK

On March 5, 2021, Readboy Education HK was incorporated in Hong Kong with a limited liability and as a wholly-owned subsidiary of Readboy Education Group. It is an investment holding company.

Establishment of Readboy Technology Zhongshan

On March 22, 2021, Readboy Technology Zhongshan, the WFOE, was established in the PRC with a limited liability and as a wholly-owned subsidiary of Readboy Education HK. It has a registered capital of RMB20 million.

Step 3: Transfer of equity interests of Zhuhai Readboy to the Registered Shareholders

Our smart learning device service business in the PRC is conducted through Zhuhai Readboy. Since our digital educational resources production and sales business, comprising the production of short-form animation courseware, offering of pre-recorded video resources held by us through our online platform and mobile APPs, and making available access to online free educational resources provided by third parties on our smart learning devices, is considered as value-added telecommunications services in the PRC, the relevant PRC Laws restricted foreign ownership in Zhuhai Readboy. For such reason, Readboy Technology signed an equity transfer agreement with each of Mr. Qin and Mr. Shen Jianfei on March 23, 2021 pursuant to which 49% of equity interest in Zhuhai Readboy was transferred to Mr. Qin at a consideration of RMB4.9 million and 51% of equity interest in Zhuhai Readboy was transferred to Mr. Shen Jianfei at a consideration of RMB5.1 million. Such consideration was based on the registered share capital of Zhuhai Readboy. Upon the completion of such transfers, Zhuhai Readboy was owned as to 51% by Mr. Shen Jianfei and 49% by Mr. Qin, hence Zhuhai Readboy became wholly-owned by PRC nationals.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Step 4: Entering into Contractual Arrangements

PRC laws generally restrict foreign ownership in digital educational resources production and sales business, so we conduct substantially all of our digital educational resources production and sales business, comprising the production of short-form animation courseware, offering of pre-recorded video resources held by us through our online platform and mobile APPs, and making available access to online free educational resources provided by third parties on our smart learning devices, in the PRC through a series of Contractual Arrangements.

On March 23, 2021, the WFOE entered into the Contractual Arrangements with Mr. Shen Jianfei and Mr. Qin. Pursuant to the Contractual Arrangements, substantially all economic benefits arising from the business and operation of Zhuhai Readboy will be transferred to the WFOE by means of services and consultation fees payable by Zhuhai Readboy to the WFOE. For further details of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this prospectus.

Step 5: Injection of registered capital in Readboy Technology by Union Hi-Tech Development Limited

On April 6, 2021, the shareholders of Readboy Technology resolved to increase the registered capital of Readboy Technology from RMB86.46 million to approximately RMB87.33 million, with additional registered capital of approximately RMB0.873 million (representing 1% equity interest thereof) contributed by an independent third party, Union Hi-Tech Development Limited, a company incorporated in Hong Kong. Pursuant to a capital increase agreement dated on the same date entered into between Readboy Technology and Union Hi-Tech Development Limited, such investment made by Union Hi-Tech Development Limited was at a consideration of RMB1,677,229, which was determined with reference to the valuation on Readboy Technology as of February 28, 2021 by an independent valuer. After completion of the capital increase, Readboy Technology was owned as to approximately 42.4008%, 34.8435%, 3.7201%, 4.7074%, 4.6718%, 2.3473%, 2.3473%, 3.9618% and 1.0000%, by Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Hui Tong, Mr. Chen Jiafeng, Ms. Zhong Xiangling, Ms. Liu Zhilan, Mr. Shen Jianfei and Union Hi-Tech Development Limited respectively. Following the completion of the registration procedures of capital increase with Zhongshan Market Supervision Administration (中山市市場監督管理局) on April 7, 2021, Readboy Technology became a sino-foreign joint venture.

Step 6: Acquisition of 99% equity interests in Readboy Technology

On April 15, 2021, each of Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Hui Tong, Mr. Chen Jiafeng, Ms. Zhong Xiangling, Ms. Liu Zhilan and Mr. Shen Jianfei entered into a share transfer agreement with the WFOE, pursuant to which the WFOE acquired an aggregate of 99% equity interests of Readboy Technology, representing approximately 42.4008%, 34.8435%, 3.7201%, 4.7074%, 4.6718%, 2.3473%, 2.3473% and 3.9618% equity interests held by Mr. Chen, Mr. Qin, Mr. Wu Jianhua, Hui Tong, Mr. Chen Jiafeng, Ms. Zhong Xiangling, Ms. Liu Zhilan and Mr. Shen Jianfei, respectively, at an aggregate consideration of RMB990,000,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

which was arrived at after arm's length negotiation between the parties with reference to the registered capital of WFOE. Upon the completion of such acquisition which was duly registered on April 16, 2021, Readboy Technology was owned as to 99% by WFOE and 1% by Union Hi-Tech Development Limited.

Step 7: Acquisition of 1% equity interest in Readboy Technology

On April 19, 2021, pursuant to a share transfer agreement entered into by the WFOE and Union Hi-Tech Development Limited dated on the same date the WFOE acquired the remaining 1% equity interest in Readboy Technology held by Union Hi-Tech Development Limited at a consideration of RMB1,679,067. This consideration was arrived at after arm's length negotiations between Readboy Technology and Union Hi-Tech Development Limited with reference to the annual rate of return on investment of investment in Readboy Technology. Upon completion of such acquisition, Readboy Technology was owned as to 100% by WFOE.

Step 8: Establishment of Zhuhai Technology

On January 8, 2021, Zhuhai Technology, was established in the PRC with a limited liability and as a wholly-owned subsidiary of Readboy Technology. It has a registered capital of RMB10 million. It is principally engaged in software development business.

Step 9: Establishment of Family Trust

On February 10, 2021, Mr. Chen, as the settlor, established the Joywish Family Trust with Maples Trustee Services (Cayman) Limited acting as the trustee and Mr. Chen and Mr. Chen's family members being the beneficiaries.

On April 20, 2021, Mr. Chen transferred his entire equity interests in Sky Focus to Maples Trustee Services (Cayman) Limited at par value of US\$1.00. On the same day, Maples Trustee Services (Cayman) Limited transferred its entire equity interests to Kimlan Limited at par value of US\$1.00.

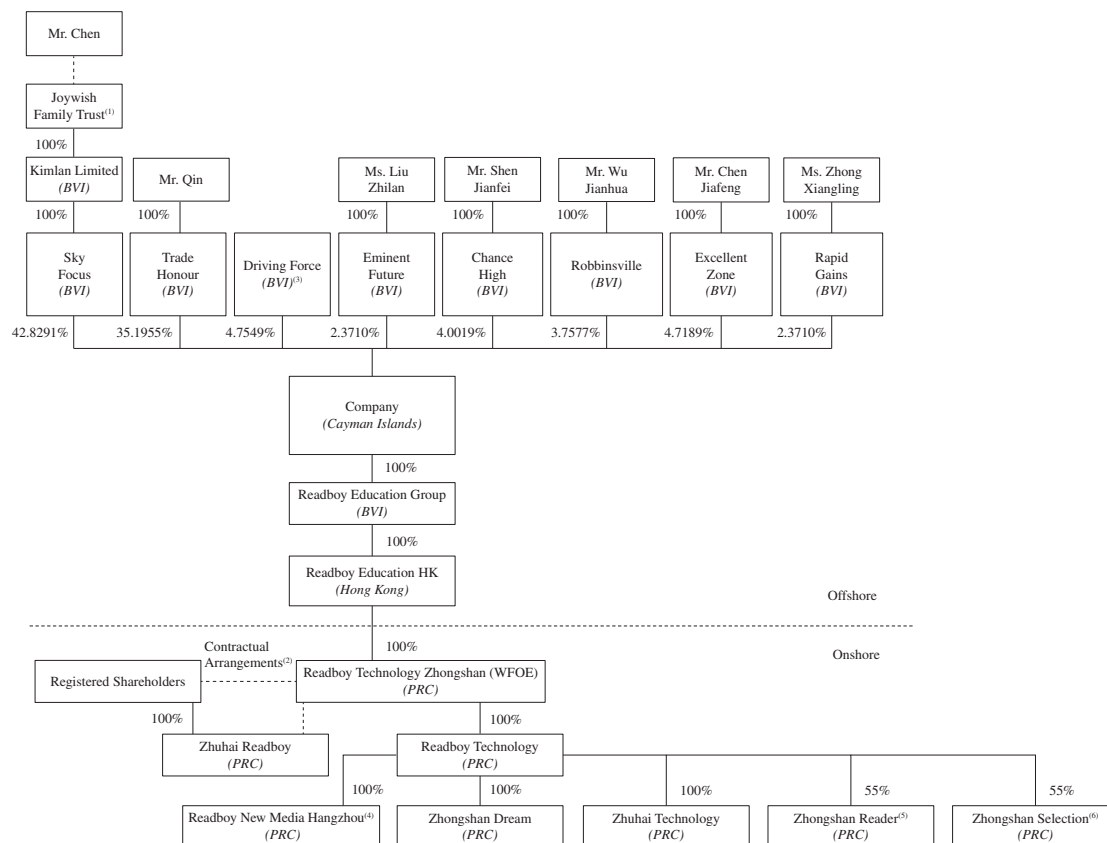
Step 10: Confirmation of trust arrangement for the purpose of the Post-IPO RSU Scheme

Pursuant to a declaration of trust dated March 21, 2022, the RSU Trustee confirmed that (i) she held the entire shareholding interests of Driving Force for the sole purpose of setting up the Post-IPO RSU Scheme for the Company; and (ii) she in the capacity as the RSU Trustee will vest the relevant underlying Shares (reserved and held by Driving Force) of the RSUs granted under the Post-IPO RSU Scheme in accordance with the instruction of the Company for the benefit of the employees of the Company. The Company will comply with Chapter 14A and other applicable Listing Rules regarding any grant of shares by the trusts to connected persons under the Company's Post-IPO RSU Scheme. For details, please refer to the paragraph headed "D. Share Incentive Scheme – Summary of the Post-IPO RSU Scheme" of Appendix V to this prospectus.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate structure after the Reorganization

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganization:



Notes:

- (1) Joywish Family Trust is a discretionary trust set up by Mr. Chen as the settlor, with Maples Trustee Services (Cayman) Limited as the trustee and Mr. Chen and Mr. Chen's family members being the beneficiaries.
- (2) In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on March 23, 2021.
- (3) Driving Force is wholly owned by Ms. Liu Zhilan, an executive Director, who acts as the RSU Trustee for the Post-IPO RSU Scheme. The basis of eligibility of any selected person for the awards which may be granted pursuant to the Post-IPO RSU Scheme shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.
- (4) Readboy New Media Hangzhou was established on December 6, 2021, after the commencement of the Reorganisation.
- (5) Zhongshan Reader was established on December 27, 2021, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Reader was held by Zhongshan Chengtian Technology Co., Ltd* (中山市誠天科技有限公司), an independent third party save for its shareholding in Zhongshan Reader.
- (6) Zhongshan Selection was established on January 13, 2022, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Selection was held by Hainan Zhenpin Selection Technology Co., Ltd.* (海南省臻品甄選科技有限公司), an independent third party save for its shareholding in Zhongshan Selection.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisor confirmed that the establishment of Readboy Technology, Zhuhai Readboy, Readboy Technology Zhongshan, Zhongshan Dream, Zhuhai Technology Readboy New Media Hangzhou, Zhongshan Reader and Zhongshan Selection and their subsequent shareholding changes (if any) have complied with the relevant laws and regulations in all material respects. Our Directors confirmed that all the shareholdings changes of Readboy Technology and Zhuhai Readboy were legally and duly completed.

Our PRC Legal Advisor confirmed that all necessary approvals, permits and licenses required under PRC laws and regulations in connection with the Reorganization have been obtained, and the Reorganization has complied with all applicable PRC laws and regulations in all material respects.

PRE-IPO INVESTMENTS

Acquisition of shareholding in the Company by Glorious Achievement, Golden Genius and Mr. Cheng

On March 22, 2021, Glorious Achievement, Golden Genius and Mr. Cheng entered into a share purchase agreement with Mr. Chen, Sky Focus, Mr. Qin, Trade Honour, Readboy Education Group, Readboy Education HK, Readboy Technology, Zhuhai Readboy and the Company, pursuant to which the Company agreed to allot 44,403, 18,308 and 4,577 Shares to Glorious Achievement, Golden Genius and Mr. Cheng respectively at a consideration of US\$15,000,000, US\$6,184,674.38 and US\$1,546,168.59 respectively.

The consideration of the above share purchase agreement was arrived after arm's length negotiation between the parties with reference to a number of factors, including the historical financial results of the Group in 2020. Immediately after the said share purchase, our Company is owned as to approximately 3.7496% by Chance High, 4.4551% by Driving Force, 2.2215% by Eminent Future, 4.4214% by Excellent Zone, 2.2215% by Rapid Gains, 3.5208% by Robbinsville, 40.1289% by Sky Focus, 32.9766% by Trade Honour, 4.1604% by Glorious Achievement, 1.7154% by Golden Genius and 0.4288% by Mr. Cheng.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following table sets out the summary of the Pre-IPO Investments by Glorious Achievement, Golden Genius and Mr. Cheng:

	<u>Glorious Achievement</u>	<u>Golden Genius</u>	<u>Mr. Cheng</u>
Amount of consideration	US\$15,000,000	US\$6,184,674.38	US\$1,546,168.59
Payment date of consideration in full	March 23, 2021	March 23, 2021	March 23, 2021
Source of fund	Fund sourced from the limited partners of Bull Capital China Growth Fund, II, L.P., the sole shareholders of Glorious Achievement.	Personal fund sourced from the personal savings of Ms. Qian Chen, the beneficial owner of Golden Genius.	Personal fund sourced from the personal savings of Mr. Cheng.
Approximate cost per Share paid under Pre-IPO Investment	US\$1.20 <i>(Note 1)</i>	US\$1.20 <i>(Note 2)</i>	US\$1.20 <i>(Note 3)</i>
Premium over the Offer Price <i>(Note 4)</i>	7.20%	7.20%	7.20%
Use of proceeds from the Pre-IPO Investment	It is our intention that the proceeds will be used for our general working capital. As of the Latest Practicable Date, approximately 15.0% had been utilized, and the remaining sum of the proceeds from the Pre-IPO Investment is expected to be fully utilized in the next 12 months.		
Lock-up period	Glorious Achievement has given a voluntary non-disposal undertaking to our Company and the Joint Sponsors ending on the date which is six months from the Listing Date	Golden Genius has given a voluntary non-disposal undertaking to our Company and the Joint Sponsors ending on the date which is six months from the Listing Date	Mr. Cheng has given a voluntary non-disposal undertaking to our Company and the Joint Sponsors ending on the date which is six months from the Listing Date

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	<u>Glorious Achievement</u>	<u>Golden Genius</u>	<u>Mr. Cheng</u>
Strategic benefits the Pre-IPO Investor brought to our Company:	Our Directors believe that the Pre-IPO Investments are a demonstration of confidence of the Pre-IPO Investors in our operation, which serve as an endorsement of our performance and prospects.		
	In addition, our Directors believe that the Pre-IPO Investors would bring in the following benefits:		
	<ul style="list-style-type: none">• Glorious Achievement is the investment vehicle of Bull Capital China Growth Fund II, L.P, which is a private equity fund. The general partner of the fund is in turn ultimately majority owned by Mr. Wong Kun Kau. For further details of Glorious Achievement, please refer to the paragraph headed “Information about the Pre-IPO Investors” in this section below. Given the broad investment portfolio of the fund and the extensive investment experience and business connection of Mr. Wong Kun Kau, our Directors believe that the pre-IPO investor can provide valuable investment advice to our Group and may introduce business contacts which require our products and services or investors interested in our Group to us should the opportunity arise. As of the Latest Practicable Date, no benefit to our Group arising from the Pre-IPO Investment has materialized.• With respect to Golden Genius and Mr. Cheng, our Directors believe that their investments would strength our capital and shareholder base.		
Approximate shareholding upon Listing	3.5458%	1.4620%	0.3655%
Special right granted to the Pre-IPO Investor:	The Pre-IPO Investor has the right to mandate the Company to repurchase all its shareholding interests in the Company at an annual interest rate of 8% (simple interest) if no qualified IPO (i.e. our Company’s initial public offering of the Shares and listing on a renowned securities exchange within or outside PRC) within three years after March 23, 2021, being the completion date of the share purchase agreement.		
	This right of repurchase would terminate upon the Listing.		

Notes:

1. This is derived based on 12,481,074 Shares to be held by Glorious Achievement upon completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option). For details, please refer to the sub-section “Capitalization Issue” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. This is derived based on 5,146,127 Shares to be held by Golden Genius upon completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option). For details, please refer to the sub-section “Capitalization Issue” below.
3. This is derived based on 1,286,532 Shares to be held by Mr. Cheng upon completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option). For details, please refer to the sub-section “Capitalization Issue” below.
4. The premium over the Offer Price is calculated based on the assumption that the Offer Price is HK\$8.80 per Share, being the mid-point of the indicative Offer Price range of HK\$7.60 to HK\$10.00.

Information about the Pre-IPO Investors

The background of our Pre-IPO Investors are set out below:

- (i) Glorious Achievement is a company incorporated in the BVI with limited liability. It is wholly owned by Bull Capital China Growth Fund II, L.P, an exempted limited liability partnership registered in the Cayman Islands, whose general partner is Bull Capital GP II Limited. Bull Capital GP II Limited is a company incorporated in the Cayman Islands and it is owned as to approximately 56% by Peace World Investments Limited. Peace World Investments Limited is in turn wholly-owned by Mr. Wong Kun Kau. Mr. Wong Kun Kau has over 29 years of experience in investment banking and corporate finance, and is the founder and has been the chief executive officer of Bull Capital Partners Limited, a fund management company specialising in direct investments in the greater China region, since May 2008. Mr. Wong also held several senior management positions with reputable financial institutions including BNP Paribas Capital (Asia Pacific) Limited from August 1992 to November 2007, where he left as the head of investment banking-Asia. Within the three years prior to the Latest Practicable Date, Mr. Wong was an independent non-executive director of a number of listed companies on the Stock Exchange, including (i) West China Cement Limited (stock code: 2233), a company principally engaged in the manufacturing and sales of cement and cement products, from July 2010 to May 2019; (ii) REF Holdings Limited (stock code: 1631), a company principally engaged in financial printing services, since August 2015; and (iii) Jianzhong Construction Development Limited (stock code: 589), a company principally engaged in the provision of construction services, since February 2020. Mr. Wong had also been an independent director of Huaxin Cement Co., Ltd.* (華新水泥股份有限公司), a company which A shares are listed on the Shanghai Stock Exchange (stock code: 600801) and H shares are listed on the Stock Exchange (stock code: 6655), and is principally engaged in the manufacture and sales of cement and cement products, since April 2021. None of the other shareholders of Bull Capital GP II Limited holds more than 30% of its shares. As confirmed by our Directors, Bull Capital China Growth Fund II, L.P is a private equity fund dedicated to direct investment primarily in high-growth companies base or operating in the Greater China Region, including China, Hong Kong, Macau and Taiwan with a particular emphasis on consumption/retail and services, advance manufacturing or technology and environment-related sectors. The fund had invested in, among others, a number

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of companies listed in Hong Kong. The fund had also been following the development of the education industry, exploring potential investment opportunities. The fund became acquainted with our Group through the introduction of a mutual business acquaintance of Mr Wong Kun Kau and Mr. Shen, and decided to invest in our Company as it was optimistic about the prospect of the education industry and the growth potential of our Company. To the best knowledge and belief of the Directors and having made all reasonable enquiries, each of Glorious Achievement and its ultimate beneficial owner, Mr. Wong Kun Kau, is an independent third party.

- (ii) Golden Genius is a company incorporated in the BVI with limited liability. It is wholly owned by Ms. Qian Chen. Ms. Qian Chen was introduced to our Group through Mr. Chen who is her friend. Golden Genius is principally engaged in equities investment. To the best knowledge of our Directors, Ms. Qian Chen is an individual private investor who would from time to time participate in investment opportunities in different target companies encompassing various industries, including the internet media industry. Ms. Qian Chen invested in the Company after considering the brand of Readboy and our reputation in the education industry in the PRC and the wide distribution of our products through online and offline channels, and she believed there is great potential in the development of the Company and the investment in the Company will be rewarding. To the best knowledge and belief of the Directors and having made all reasonable enquiries, each of Golden Genius and its ultimate beneficial owner, Ms. Qian Chen, is an independent third party.
- (iii) Mr. Cheng is an individual investor who from time to time participates in various investment opportunities in different target companies in the education industry. He became acquainted with the Company through Mr. Chen, who is his friend for more than ten years. To the best knowledge of our Directors, Mr. Cheng is an individual private investor who has invested in a private equity fund in Hong Kong whose investments cover companies in the renewal energy sector. Mr. Cheng invested in the Company as he sees the potential in the education industry and he is optimistic about the business growth and prospects of the Company. To the best knowledge and belief of the Directors and having made all reasonable enquiries, Mr. Cheng is an independent third party.

Basis of consideration

The consideration was determined after arm's length negotiation between the parties, with reference to a number of factors, including: (i) the historical financial results of the Group in 2020; (ii) the potential profitability, business growth and prospects of the Group; and (iii) the valuation of comparable companies in the market of the Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Lock-up and Public Float

The Pre-IPO Investments are subject to a lock-up period of six months following the Listing Date. Further, in addition to the undertaking given by our Controlling Shareholders as stipulated in the paragraph headed “Underwriting – Undertakings pursuant to the Hong Kong Underwriting Agreement – Undertakings by our Controlling Shareholders” in this prospectus, and other than Chance High which has given a voluntary non-disposal undertaking of six months from the Listing Date, Driving Force, Eminent Future, Robbinsville, Excellent Zone and Rapid Gains have given a voluntary non-disposal undertaking to our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) ending on the date which is 18 months from the Listing Date.

Upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the Shares held by (i) Driving Force (being wholly owned by Ms. Liu Zhilan, an executive Director, acting in the capacity as the RSU Trustee for the Post-IPO RSU Scheme) as to approximately 3.7970%, (ii) Eminent Future (being wholly owned by Ms. Liu Zhilan, an executive Director) as to approximately 1.8933%, (iii) Excellent Zone (being wholly owned by Mr. Chen Jiafeng, an executive Director) as to approximately 3.7682%, (iv) Chance High (being wholly owned by Mr. Shen Jianfei, a non-executive Director) as to approximately 3.1957%, (v) Sky Focus (being wholly owned by Kimlan Limited which is in turn entirely held by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust. Joywish Family Trust is a discretionary trust established by Mr. Chen as the settlor, and the beneficiaries of which include Mr. Chen and his family members. Mr. Chen is a non-executive Director and one of our Controlling Shareholders) as to approximately 34.2008% and (vi) Trade Honour (being wholly owned by Mr. Qin, an executive Director, chairman of the Board and one of our Controlling Shareholders) as to approximately 28.1050%, would not be counted towards the public float.

Save as disclosed in this prospectus, to the best of our Directors’ knowledge, the Pre-IPO Investors and remaining Shareholders are not core connected persons of our Company. As a result, an aggregate of approximately 25.04% of the total issued Shares (upon completion of the Global Offering and assuming the Over-allotment Option is not exercised) with a market capitalization of approximately HK\$775.6 million (based on the Offer Price of HK\$8.80 per Offer Share, being the mid-point of the indicative Offer Price range) will count towards the public float.

Compliance with Guidance Letters

Based on the review of the relevant agreements, the Joint Sponsors are not aware of any special circumstances or incidents that would lead to a belief that the terms of the Pre-IPO Investments as described above are not in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

ACTING IN CONCERT ARRANGEMENT

On March 28, 2016, Mr. Chen and Mr. Qin entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Readboy Technology before entering into the agreement, and agreed to continue the same going forward. On April 1, 2021, Mr. Chen and Mr. Qin further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of the Group.

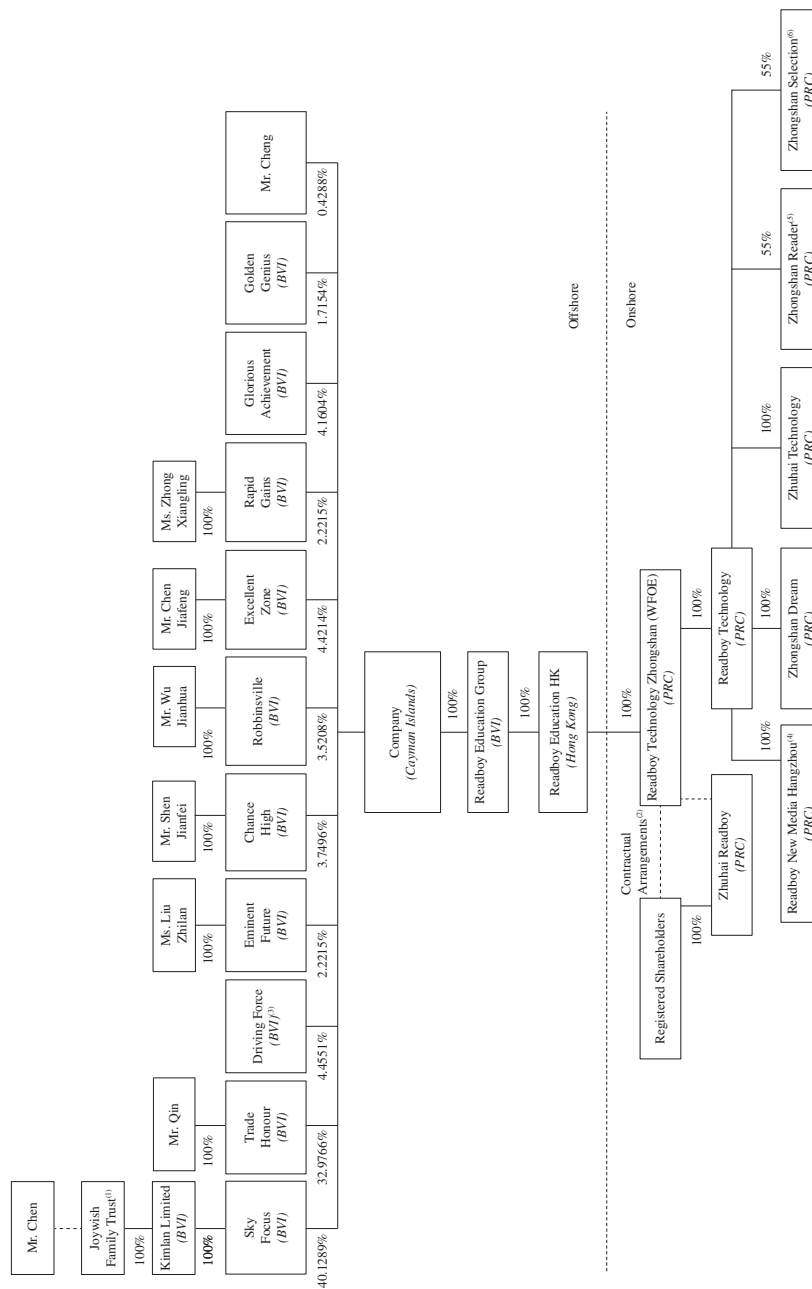
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 298,932,712 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on June 21, 2022 (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of the sum of approximately HK\$298,932.7 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

CORPORATE STRUCTURES

Corporate structure after the Reorganization and Pre-IPO Investment and before the Global Offering

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganization and Pre-IPO Investment and prior to the completion of the Global Offering:

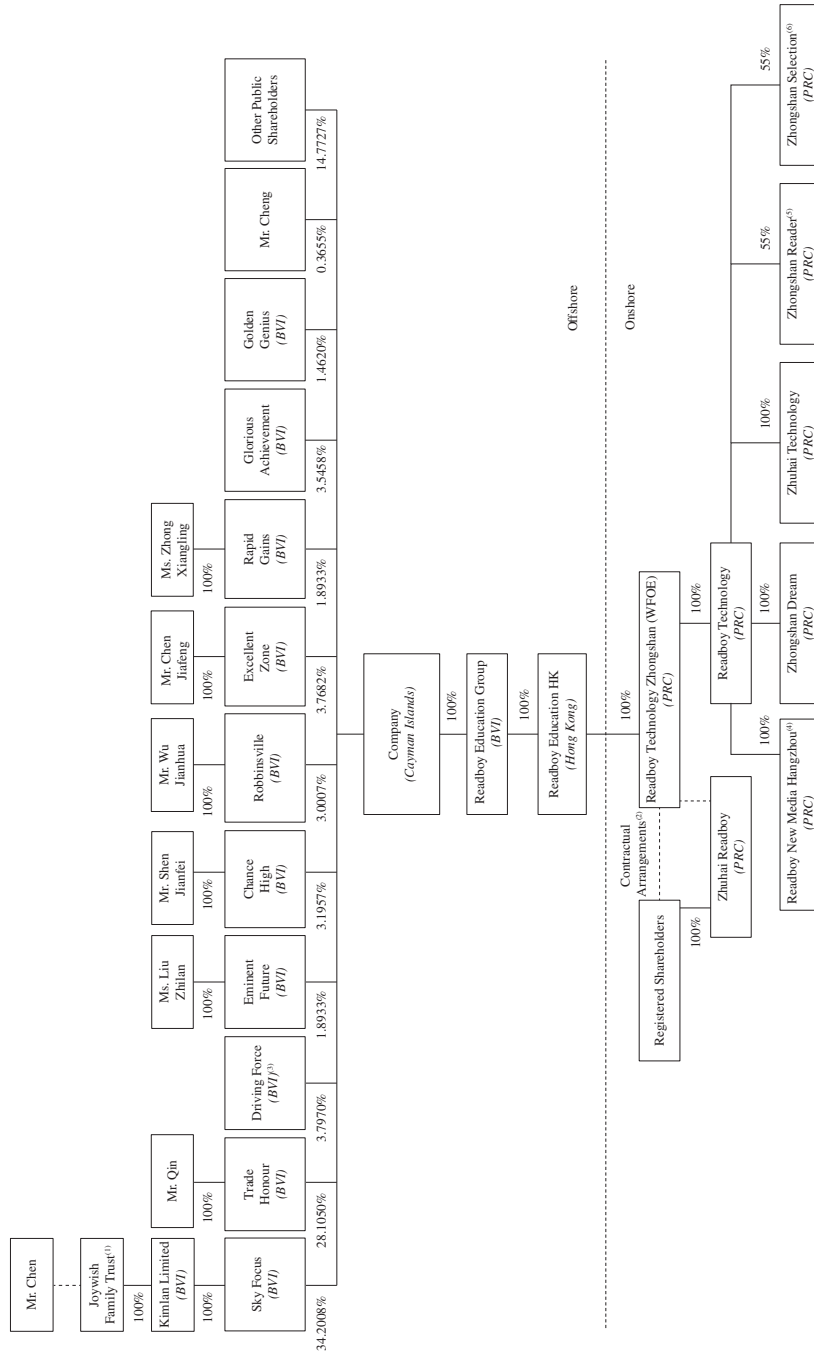


Notes:

- (1) Joywish Family Trust is a discretionary trust set up by Mr. Chen as the settlor, with Maples Trustee Services (Cayman) Limited as the trustee and Mr. Chen and Mr. Chen's family members being the beneficiaries.
- (2) In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on March 23, 2021. For further details on our Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus.
- (3) Driving Force is wholly owned by Ms. Liu Zhilan, an executive Director, who acts as the RSU Trustee for the Post-IPO RSU Scheme. The basis of eligibility of any selected person for the awards which may be granted pursuant to the Post-IPO RSU Scheme shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.
- (4) Readboy New Media Hangzhou was established on December 6, 2021, after the commencement of the Reorganisation.
- (5) Zhongshan Reader was established on December 27, 2021, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Reader was held by Zhongshan Chengtian Technology Co., Ltd* (中山市誠天科技有限公司), an independent third party save for its shareholding in Zhongshan Reader.
- (6) Zhongshan Selection was established on January 13, 2022, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Selection was held by Hainan Zhenpin Selection Technology Co., Ltd.* (海南省臻品甄選科技有限公司), an independent third party save for its shareholding in Zhongshang Selection.

Corporate structure immediately after the Global Offering

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, assuming that the Over-allotment Option and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme is not exercised:



Notes:

- (1) Joywish Family Trust is a discretionary trust set up by Mr. Chen as the settlor, with Maples Trustee Services (Cayman) Limited as the trustee and Mr. Chen and Mr. Chen's family members being the beneficiaries.
- (2) In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on March 23, 2021. For further details on our Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus.
- (3) Driving Force is wholly owned by Ms. Liu Zhilan, an executive Director, who acts as the RSU Trustee for the Post-IPO RSU Scheme. The basis of eligibility of any selected person for the awards which may be granted pursuant to the Post-IPO RSU Scheme shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.
- (4) Readboy New Media Hangzhou was established on December 6, 2021, after the commencement of the Reorganisation.
- (5) Zhongshan Reader was established on December 27, 2021, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Reader was held by Zhongshan Chengtian Technology Co., Ltd* (中山市誠天科技有限公司), an independent third party save for its shareholding in Zhongshan Reader.
- (6) Zhongshan Selection was established on January 13, 2022, after the commencement of the Reorganization. The remaining 45% of the equity interest in Zhongshan Selection was held by Hainan Zhenpin Selection Technology Co., Ltd.* (海南省臻品甄選科技有限公司), an independent third party save for its shareholding in Zhongshang Selection.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SAFE CIRCULAR 37

According to SAFE Circular 37 promulgated by SAFE, PRC residents are required to register with competent local SAFE branches regarding establishing or controlling offshore companies. Pursuant to the Circular 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》), or Circular 13, which was promulgated by the SAFE on February 13, 2015 and effective from June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As confirmed by our PRC Legal Advisor, our Shareholders who are PRC residents, namely Mr. Qin, Ms. Liu Zhilan, Mr. Shen Jianfei, Mr. Wu Jianhua, Mr. Chen Jiafeng and Ms. Zhong Xiangling under SAFE Circular 37 had duly completed the process of relevant registration as required under SAFE Circular 37 and Circular 13 on February 5, 2021.

M&A RULES

According to the provision on the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM.

As advised by our PRC Legal Advisor, WFOE was established as a foreign-owned enterprise by means of direct investment rather than the merger or acquisition by our Company under the M&A Rules. As such, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules to the contrary in the future, the establishment of WFOE is not subject to the M&A Rules and approval from MOFCOM or CSRC for the Listing is not required under the M&A Rules.

CONTRACTUAL ARRANGEMENTS

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

Established in 1999, we have become a smart learning device service provider with an established education product and service offerings in China. We currently conduct our digital educational resources production and sales business, comprising the production of short-form animation courseware, offering of pre-recorded video resources held by us through our online platform and mobile APPs, and making available access to online free educational resources provided by third parties on our smart learning devices (the “**Relevant Business**”) through our PRC Operating Entity, namely, Zhuhai Readboy in the PRC. The Relevant Business is considered as value-added telecommunications services in the PRC. PRC Laws have restricted foreign ownership in the Relevant Business. As such, we operate the Relevant Business through the Contractual Arrangements.

After the Reorganization, we do not own any equity interest in the PRC Operating Entity in the PRC, which is owned as to 100% by the Registered Shareholders, namely, Mr. Shen Jianfei and Mr. Qin.

To comply with PRC Laws and maintain effective control over the Relevant Business, we entered into the Contractual Arrangements on March 23, 2021, under which our WFOE acquired effective control over the financial interest and operation of the PRC Operating Entity and has become entitled to all the economic benefits derived from its operations to which the PRC Operating Entity is entitled.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between WFOE, the Registered Shareholders and the PRC Operating Entity; (ii) by entering into the Exclusive Business Cooperation Agreement with WFOE, which is a PRC Subsidiary of our Company, the PRC Operating Entity would enjoy better economic and technical support from us after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purposes.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTION

Restrictions on foreign ownership

Prohibited and restricted foreign investment activities in mainland China are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》), the latest version of which was effective from July 23, 2020 (“**Negative List**”), setting forth restrictive measures for market entry of foreign investors, such as equity requirements. According to the Negative List, foreign investors shall comply with such restrictive requirements when engaging in the restricted items listed in the Negative List. In addition, according to the Negative List, the foreign investors shall not engage in prohibited items listed in the Negative List.

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The online and mobile education platforms offered by the PRC Operating Entity fall within the scope of value-added telecommunications. Pursuant to the Negative List, the Relevant Business is considered “restricted” (in which foreign investors are prohibited from holding more than 50% equity interest, in the case of value-added telecommunications services, “**Foreign Ownership Restriction**”).

Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (“**FITE Regulations**”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a 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 overseas (“**Qualification Requirements**”).

On May 1, 2022, the State Council amended the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “**2022 FITE Regulations**”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations. The 2022 FITE Regulations prescribes that 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 that a foreign-invested enterprise must be approved by the MIIT to engage in value-added telecommunications business. As of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided a clear guidance or interpretation regarding the foregoing amendment in the 2022 FITE Regulations and the interpretation and enforcement of the foregoing amendment in the 2022 FITE Regulations remains uncertain in practice.

On June 16, 2022, with the assistance of our PRC legal advisor, we conducted a phone inquiry with the MIIT through service hotline (the “**June 16 Interview**”) and relevant MIIT staff confirmed that, which our PRC legal advisor concurs, based on the current regulatory review practice, (i) while the 2022 FITE Regulations have come into effect, which no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operation, the foreign investors are still prohibited from holding more than 50% of the equity interests of a company engaged in value-added telecommunications business, and thus the wholly-owned foreign investment entity would still not be granted an ICP License, (ii) there is no detailed explanation or guidelines on the 2022 FITE Regulations available for the foreign-invested enterprises without prior experience in operating value-added telecommunications businesses and a proven track record of business operation and in which foreign investor holds 50% or less equity interests (the “**New Applicant**”) to apply an ICP License at current stage and (iii) the application by a New Applicant for ICP Licenses is still subject to thorough examination and discretion by the MIIT and will not be approved in practice until detailed explanation or guidelines are issued.

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Based on the confirmation from the June 16 Interview and the facts that, (i) the above confirmation from the June 16 Interview is consistent with the confirmation we received from the interview with the MIIT on April 13, 2021, (ii) as of the Latest Practicable Date, we had already obtained the value-added telecommunication business operating license, (iii) the 2022 FITE Regulations does not raise any additional requirements or restrictions on enterprises who have already obtained the value-added telecommunication business operating license before such amendment, and (iv) as of the date of this Prospectus, we have not received any inquiry, notice, sanction and other concerns from any authorities regarding the Contractual Arrangements and VIE structure, and save for the uncertainties regarding interpretation and implementation for the 2022 FITE Regulations as disclosed in this prospectus, our PRC Legal Advisor is of the view that the above changes in laws and regulations in relation to value-added telecommunication services will not affect the validity and the legality of our value-added telecommunication business operating license and will not have a material adverse effect on our operations in the PRC in effect as of the Latest Practicable Date. Based on the foregoing analysis, our Directors, with the advice of our PRC Legal Advisor, are of the view that the 2022 FITE Regulations will not have a material adverse effect on our business and operations.

Reasons to adopt the Contractual Arrangements

Given that our business falls within the scope of “value-added telecommunications”, which requires an ICP License to operate in China, and considering the Foreign Ownership Restriction, FITE Regulations and Qualification Requirements as outlined above, on April 13, 2021, with the assistance of our PRC Legal Advisor, we interviewed a senior officer of the information and communication development department (信息通信發展司) of the MIIT and the MIIT senior officer confirmed that, which our PRC legal advisor concurs, based on the current regulatory review practice, we would not be granted an ICP License through any Sino-foreign equity joint venture (of which the Company holds 50% or less equity interest, 50% being the maximum equity interest permissible to be held by a foreign investor under the Negative List) or wholly-owned foreign investment entity even if we meet the Qualification Requirements.

As confirmed by our PRC Legal Advisor, as the officer we interviewed is a senior officer of the information and communication development department of the MIIT, and such department is responsible for information and communication construction supervision policies as well as the promotion of foreign cooperation related projects of the information and communication industry, it is the competent authority to provide the aforementioned confirmations. In addition, notwithstanding our cessation to offer any live streaming classes since August 2021, our PRC Legal Advisor advised that as we are still involved in the provision of commercial Internet information services by providing digital educational resources and related services through online platforms and/or mobile education devices, the ICP License is still essential and required for the Group’s operation. While the 2022 FITE Regulations no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operation, the foreign investors are still prohibited from holding more than 50% of the equity interests of a company engaged in value-added telecommunications business. Therefore, the aforesaid interview with the senior officer of the MIIT which covers, inter alia, the current business scope of the Group and other issues applicable to the Company, such as the scope of the ICP License and the foreign investment restriction, is therefore still valid and effective, and hence no further additional regulatory assurance is required.

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On June 16, 2022, with the assistance of our PRC legal advisor, we conducted a phone inquiry with the MIIT through service hotline (the “**June 16 Interview**”) and relevant MIIT staff confirmed that, which our PRC legal advisor concurs, based on the current regulatory review practice, (i) while the 2022 FITE Regulations have come into effect, which no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operation, the foreign investors are still prohibited from holding more than 50% of the equity interests of a company engaged in value-added telecommunications business, and thus the wholly-owned foreign investment entity would still not be granted an ICP License, (ii) there is no detailed explanation or guidelines on the 2022 FITE Regulations available for the foreign-invested enterprises without prior experience in operating value-added telecommunications businesses and a proven track record of business operation and in which foreign investor holds 50% or less equity interests (the “**New Applicant**”) to apply an ICP License at current stage and (iii) the application by a New Applicant for ICP Licenses is still subject to thorough examination and discretion by the MIIT and will not be approved in practice until detailed explanation or guidelines are issued.

Based on the current regulations and policy of relevant PRC government authorities, and as explained and confirmed by the MIIT, our PRC Legal Advisor advised that (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services, even though the 2022 FITE Regulations no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operation, (ii) as confirmed by the MIIT, it would not approve our application for the establishment of a wholly-owned foreign invested enterprise to hold an ICP License as a value-added telecommunications service provider currently, (iii) there is no detailed explanation or guidelines on the 2022 FITE Regulations available for the foreign-invested enterprises without prior experience in operating value-added telecommunications businesses and a proven track record of business operation and in which foreign investor holds 50% or less equity interest (the “**New Applicant**”) to apply an ICP License at current stage and (iv) the application by the New applicant for ICP Licenses is subject to thorough examination and discretion by the MIIT, and will not be approved in practice until detailed explanation or guidelines are issued. Therefore, our PRC Legal Advisor is of the view that the Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

Accordingly, we cannot hold a direct controlling interest in the PRC Operating Entity, which holds the licenses and permits required for the operation of the Relevant Business. However, we will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments, with a view to unwinding the Contractual Arrangement wholly or partially as and when practicable and permissible under the prevailing PRC laws.

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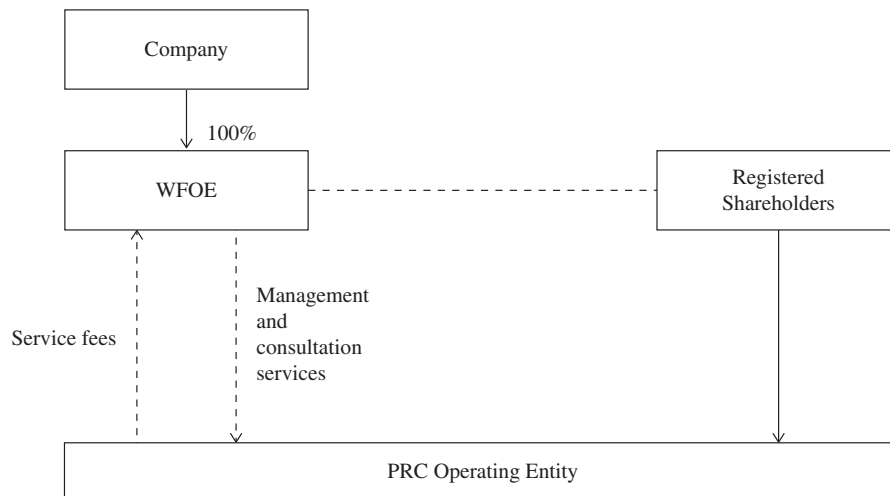
For further details of the limitations on foreign ownership in PRC companies engaged in the Relevant Business, please refer to the section headed “Regulatory Overview” in this prospectus.

Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Business, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC Laws (i) if the relevant government authority grants ICP Licenses to the sino-foreign entity currently held and to be established by our Company; or (ii) when the Relevant Business is not longer restricted from foreign investment under the PRC laws. In this event: (a) WFOE will exercise the call option under the Exclusive Call Option Agreement to the extent permissible and unwind the Contractual Arrangements so that we are able to directly operate the Relevant Business without using the Contractual Arrangements; and (b) the Registered Shareholders will return to our Company any consideration received in the event that our Company acquires equity interests in the PRC Operating Entity when terminating the Contractual Arrangements.

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entity to our Group stipulated under the Contractual Arrangements:



Notes:

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

“- - ->” denotes contractual relationship

“- - - -” denotes the control by WFOE over the Registered Shareholders through (1) powers of attorney to exercise all Registered Shareholders rights in the PRC Operating Entity, (2) exclusive options to acquire all or part of the equity interests in the PRC Operating Entity held by the Registered Shareholders, (3) equity pledge over the interest in the PRC Operating Entity, and (4) the Individual Shareholder Spouse Undertakings.

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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.

(1) Exclusive Business Cooperation Agreement

Pursuant to the Exclusive Business Cooperation Agreement dated March 23, 2021 entered into by and between WFOE and the PRC Operating Entity, WFOE agrees to leverage its human, technical and information strengths to provide the PRC Operating Entity with the relevant exclusive technical services, technical consultation, and other services.

Such services include the provision of comprehensive business support, technical services and consultation services, including all the services within the PRC Operating Entity's scope of business, in whole or in part, as determined by WFOE from time to time, including but not limited to: technical services, business consultation (educational training, educational software, curriculum and research and development, etc.), intellectual property licensing, business management, market research and consultation, provision of management consultation services related to the PRC Operating Entity's business operations and other services as may be requested by the PRC Operating Entity from time to time under Chinese law (hereinafter referred to as the "**Services**").

Except with the prior written consent of WFOE, the PRC Operating Entity shall not, and shall procure that its controlled subsidiaries shall not, accept any advice and/or Services from, or cooperate with, any third parties other than the banks with which it has/they have entered cooperation. WFOE may designate any other parties to provide the PRC Operating Entity with any advice and/or Services under the Exclusive Business Cooperation Agreement.

The Services provided by WFOE shall be exclusive. However, the PRC Operating Entity may continue to enjoy the existing Services provided by the third parties which are identical or similar to those provided by WFOE, if approved in writing by WFOE.

It is further agreed that:

- (a) Except for the existing directors and supervisors of the PRC Operating Entity who will remain in office as agreed by WFOE, the PRC Operating Entity shall appoint the candidates recommended by WFOE as its directors in accordance with the procedures stipulated by the PRC laws, and shall appoint the senior management personnel employed and recommended by WFOE as its general manager, chief financial officer and other senior management positions, subject to the provisions of the PRC laws, who will be responsible for supervising the business and operation of the PRC Operating Entity; subject to the provisions of the PRC laws, except for the reasons of retirement, resignation, incompetence or death, and unless prior written consent of WFOE has been obtained, the PRC Operating Entity shall not remove the directors or other senior management personnel recommended by WFOE for any other reasons;

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- (b) the PRC Operating Entity agrees to procure that the directors and senior management of the PRC Operating Entity should exercise their power and authority under the laws, regulations, and Articles of Association as per the instructions of WFOE;
- (c) WFOE shall set up and adjust the organizational structure of the PRC Operating Entity and exercise management of its human resources;
- (d) WFOE shall have the right to conduct business related to the Services in the name of the PRC Operating Entity, who shall provide all necessary support and facility for the smooth conduct of such business by WFOE, including but not limited to issuing to WFOE all necessary authorizations required for the provision of the relevant Services;
- (e) Subject to the provisions of the PRC laws, WFOE shall have the right to audit the accounts of the PRC Operating Entity on a regular basis and at any time, and the PRC Operating Entity shall keep proper and accurate accounts and provide the same to WFOE as requested. During the term of the Exclusive Business Cooperation Agreement, the PRC Operating Entity agrees to cooperate with WFOE and WFOE's shareholders in such audit, and to provide WFOE, WFOE's shareholders, direct or indirect, and/or its appointed auditors with information and data regarding the PRC Operating Entity's operations, business, customers, finances, employees, etc., and agrees that WFOE's shareholders shall disclose such information and materials for the purpose of meeting the requirements of the securities regulatory authorities.

The PRC Operating Entity agrees to place the relevant certificates and company seals which are important to the daily operations of the PRC Operating Entity, including its business license, certificate of organization code (if any), company seal, contract seal, financial seal and seal of its legal representative, under the custody of the directors, legal representatives, general manager, chief financial officer and other senior management personnel of the PRC Operating Entity as recommended by WFOE and appointed by the PRC Operating Entity in accordance with the legal procedures.

With respect to the services provided by WFOE under the Exclusive Business Cooperation Agreement, subject to the mandatory provisions of the PRC laws, the PRC Operating Entity and its controlled subsidiaries shall, during the term of the Exclusive Business Cooperation Agreement, after making up the losses of the previous years (if necessary), deducting the necessary costs, expenses, taxes and fees incurred during the corresponding fiscal year and withdrawing the required legal reserve, etc. at the end of each fiscal year, transfer to WFOE all the income of the PRC Operating Entity and its controlled subsidiaries (including the accumulated income from the previous fiscal years) equivalent to the net profit, as the service fee (the "**Service Fee**"); WFOE shall have the right to determine the deductible items as mentioned above. The amount of such Service Fee shall be determined by WFOE and WFOE shall have the right to adjust such Service Fee in its sole discretion without the consent of the PRC Operating Entity, and the PRC Operating Entity shall, within 10 business days after

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the date of WFOE's written request for such adjustment, actively cooperate with WFOE in good faith; the Service Fee shall be calculated and adjusted with the following factors taken into account, including but not limited to: (a) the difficulty and complexity of the technical consultation and other services provided by WFOE; (b) the time required for WFOE to provide such technical consultation and other services; (c) the specific contents and commercial value of the technical consultation and other services provided by WFOE; (d) the market price of the same type of services.

WFOE agrees that during the term of the Exclusive Business Cooperation Agreement, WFOE shall enjoy all the economic benefits and bear all the risks arising from the business operations of the PRC Operating Entity.

(2) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement dated March 23, 2021 entered into by and among WFOE, the PRC Operating Entity and the Registered Shareholders, the Registered Shareholders irrevocably and unconditionally agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in the PRC Operating Entity held by the Registered Shareholders, for nominal consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the PRC Operating Entity. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nominal consideration, the Registered Shareholders shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party, or the PRC Operating Entity.

Pursuant to the Exclusive Call Option Agreement, we have the sole discretion to decide when to exercise the call option granted under the Exclusive Call Option Agreement (the "**Equity Call Option**"), and whether to exercise the Equity Call Option in part or in full. The key factor for us to decide whether to exercise the Equity Call Option is whether the Foreign Investment Restrictions will be removed in the future, the likelihood of which we were not in a position to know or comment on as of the Latest Practicable Date.

The Registered Shareholders and the PRC Operating Entity have further undertaken, among other things, that they:

- (a) shall not supplement, change or amend the PRC Operating Entity's articles of association and regulations in any form, increase or decrease its registered capital, or otherwise change its registered capital structure, and shall not make any divisions, dissolution or any change in the corporate structure of the PRC Operating Entity, without the WFOE's prior written consent, unless such amendments are expressly agreed otherwise pursuant to the Exclusive Call Option Agreement and are necessary to realize the transfer of the purchased equity interest or assets in relation to the PRC Operating Entity;

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- (b) shall ensure the business continuity of the PRC Operating Entity and ensure compliance of good financial and commercial standards and practices; cautiously and efficiently operating its business and handling its matters, and procuring the PRC Operating Entity to follow all applicable laws and perform its obligations under all binding agreements (including but not limited to any agreements entered into between the WFOE and the PRC Operating Entity);
- (c) if the signing and execution of the Exclusive Call Option Agreement and the grant of Equity Call Option are subject to the consent, permission, waiver or authorization of any third party, or approval, permission, exemption or any registration or filing procedures with any government authority (as required by law), the Registered Shareholders and the PRC Operating Entity shall exert their best efforts to assist the fulfillment of aforesaid conditions. They shall execute all documents and undertake all actions necessary for transferring the purchased equity interest to WFOE and/or its designated party under the Exclusive Call Option Agreement;
- (d) without the WFOE's prior written consent, at any time from the date of the Exclusive Call Option Agreement, shall not sell, transfer, pledge or otherwise dispose of the PRC Operating Entity, legitimate interest of any assets (tangible assets or intangible assets), business or income, whose value is in excess of RMB1.0 million, or create any encumbrance of any security interest, except for the sale, transfer or pledge to the offshore parent company of the WFOE or any subsidiary directly or indirectly controlled by the WFOE's offshore parent company;
- (e) without the WFOE's written consent, the PRC Operating Entity shall not be dissolved or liquidated, unless otherwise required by the PRC laws. Upon the statutory liquidation of the PRC Operating Entity, the Registered Shareholders shall pay or procure to pay in full any remaining residual value received to the WFOE. If such payment is prohibited by the PRC laws, the Registered Shareholders shall make such payment to the WFOE or its designated party as permitted under the PRC laws;
- (f) without the WFOE's prior written consent, shall not incur, succeed, guarantee or permit the existence of any debt, unless (i) the debts are incurred in the ordinary course of business and not the payables incurred by a loan; and (ii) the debts have been disclosed to and consented in writing by the WFOE;
- (g) all the businesses of the PRC Operating Entity shall be operated in the ordinary course so as to maintain the PRC Operating Entity's asset value, and they shall not take or omit to take any actions which may adversely affect the operational situation and asset value of the PRC Operating Entity. The board of directors of the WFOE is entitled to monitor the PRC Operating Entity's assets and to evaluate whether the WFOE has control over the PRC Operating Entity's assets. In the event that the board of directors of the WFOE deems that the WFOE's asset value or its control over the PRC Operating Entity's assets have been affected by the operating activities of the PRC Operating Entity, the WFOE is entitled to engage legal advisors or other professionals to handle such matters;

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- (h) without the WFOE's prior written consent, shall not procure the PRC Operating Entity to enter into any material contracts whose value exceeds RMB1.0 million other than in the ordinary course of business or between the PRC Operating Entity and the offshore parent company of the WFOE, or any subsidiary directly or indirectly controlled by the WFOE's offshore parent company;
- (i) upon the request of the WFOE, the PRC Operating Entity shall appoint any of the designated parties of the WFOE as the directors, supervisors and/or senior management of the PRC Operating Entity and/or remove the directors, supervisors and/or senior management of the PRC Operating Entity then in office and shall complete all resolutions and filing procedures; the WFOE has the right to require the Registered Shareholders and the PRC Operating Entity to replace such personnel; and
- (j) shall not engage in or allow any activities or actions that may adversely affect the interest of the WFOE under the Exclusive Call Option Agreement.

Undertakings by the Registered Shareholders

The Registered Shareholders irrevocably undertake, among other things, that:

- (a) without the WFOE's prior written consent, at any time from the date of the Exclusive Call Option Agreement, the Registered Shareholders shall not sell, transfer, pledge or otherwise dispose of any legitimate or beneficial interest of the equity interest of the PRC Operating Entity or allow any encumbrance on security interest to be placed on it, except for the pledge to be placed on the equity interest of the PRC Operating Entity pursuant to the Equity Pledge Agreement;
- (b) the Registered Shareholders shall use their best endeavors to develop the business of the PRC Operating Entity and ensure that the PRC Operating Entity is operated in compliance with the laws and regulations and conducts no business operation or any other act that may result in the reputation of the PRC Operating Entity being adversely affected;
- (c) the Registered Shareholders shall take all measures to ensure the legality and effectiveness of all operating licenses of the PRC Operating Entity and renew such licenses on time;
- (d) the Registered Shareholders shall not execute any document or make any undertaking that creates any conflict of interest with any subsisting legal documents executed by the PRC Operating Entity, the WFOE and its designated parties; and the Registered Shareholders shall not cause any conflict of interests between the Registered Shareholders and the WFOE and its shareholders by acts or omissions. In the event of the occurrence of such

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conflict (subject to the WFOE's sole discretion), the Registered Shareholders shall take measures as soon as possible to eliminate such conflict with the prior consent of the WFOE or its designated parties. The WFOE may exercise the Equity Call Option under the Exclusive Call Option Agreement subject to the PRC laws if the Registered Shareholders refuse to take such measures;

- (e) without the WFOE's written consent, the Registered Shareholders shall not directly or indirectly participate or engage in any business that competes or may compete with the business of the PRC Operating Entity and its controlled subsidiaries in any manner, or be employed by relevant entities that operate or hold interests or assets in any entities that compete or may compete with the business of the PRC Operating Entity and its controlled subsidiaries (other than holding the equity interest and assets of not more than 5% of such entities). The WFOE is entitled to make the final decision on whether such competition exists or may exist;
- (f) the Registered Shareholders shall not require the PRC Operating Entity to distribute dividends or profits in other manner, arising from any equity interest of the PRC Operating Entity held by the Registered Shareholders, propose any such matters to be resolved on shareholders' meeting or vote in favor of any resolution on shareholders' meeting. However, if the Registered Shareholders receive the revenue, profit distribution or dividends, they shall forfeit such revenue, profit distribution or dividends and forthwith pay or transfer such revenue, profit distribution or dividends to the WFOE or its designated party to the extent permitted under the PRC laws;
- (g) the Registered Shareholders shall procure the meetings of the shareholders and/or the board of directors of the PRC Operating Entity not to approve to sell, transfer, pledge, or otherwise dispose of any legitimate or beneficial interest of the equity interest of the PRC Operating Entity or to allow any encumbrance on security interest to be placed on it, without the WFOE's prior written consent, except for the pledge to be placed on the equity interest of the PRC Operating Entity pursuant to the Equity Pledge Agreement;
- (h) the Registered Shareholders shall procure the meetings of the shareholders and/or the board of directors of the PRC Operating Entity not to approve the merger, partnership, joint venture or amalgamation of the PRC Operating Entity with any person, or the acquisition of or investing in any person, division of the PRC Operating Entity, the amendment of the articles of association of the PRC Operating Entity, changing of the registered capital or changing the corporate structure of the PRC Operating Entity, without the WFOE's prior written consent;

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- (i) the Registered Shareholders shall agree to execute an irrevocable Shareholders' Powers of Attorney to the extent satisfactory to the WFOE to assign all of the rights of the Registered Shareholders to the WFOE, or its designated parties; and
- (j) the Registered Shareholders shall ensure that the PRC Operating Entity validly exists and will not be terminated, liquidated or dissolved, unless otherwise required by the WFOE.

(3) *Equity Pledge Agreement*

Pursuant to the equity pledge agreement dated March 23, 2021 entered into by and among the WFOE, the PRC Operating Entity and the Registered Shareholders, the Registered Shareholders' equity interests were pledged to the WFOE as a first priority charge, as the collateral for the immediate and complete payment of (a) all payments owed to the WFOE by the PRC Operating Entity; (b) all direct, indirect, derivative losses and loss of predictable benefits the WFOE suffered due to any event of default by the Registered Shareholders and the PRC Operating Entity, the amount of which was based on the reasonable business plan and profit forecast of the WFOE; and (c) all expenses incurred by the WFOE to force the Registered Shareholders and/or the PRC Operating Entity to perform their contractual obligations and the fulfillment of contractual obligations.

The Equity Pledge Agreement shall remain valid until (a) the final secured debt and contractual obligations guaranteed by the pledge have been repaid and satisfied in full; or (b) the WFOE decides to purchase the entire equities of the PRC Operating Entity held by the Registered Shareholders in accordance with the Exclusive Call Option Agreement, as permitted by the PRC laws, and the entire equities of the PRC Operating Entity have been transferred to the WFOE and/or any party designated by it by law, and the WFOE and its subsidiaries and branch companies can legally engage in the business of the PRC Operating Entity; or (c) the WFOE decides to purchase the entire assets of the PRC Operating Entity in accordance with the Exclusive Call Option Agreement, as permitted by the PRC laws, and the entire assets of the PRC Operating Entity have been transferred to the WFOE and/or any party designated by it by law, and the WFOE and its subsidiaries and branch companies can use the above assets to legally engage in the business of the PRC Operating Entity; or (d) the WFOE unilaterally requests to terminate the Equity Pledge Agreement; or (e) the Equity Pledge Agreement is required to be terminated in accordance with applicable PRC laws.

During the pledge period, if the Registered Shareholders and/or the PRC Operating Entity fails to fulfill the contractual obligations or repay the secured debts (including payment of exclusive consulting or service fees in accordance with the Exclusive Business Cooperation Agreement or failure to perform other aspects of any transaction agreement), the WFOE shall have the right, but not obligation, to dispose of the pledge in accordance with the requirement of the Equity Pledge Agreement.

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The PRC Operating Entity completed the registration of the Equity Pledge Agreement in accordance with the Measures for Equity Interests Pledges Registration with Administration of Industry and Commerce (《工商行政管理機關股權出質登記辦法》). The pledge under the Equity Pledge Agreement was registered with the relevant registration authority on April 23, 2021 and such registration of the pledge became effective on the same date.

Event of Default

Any of the following circumstances shall be deemed as an event of default under the Equity Pledge Agreement:

- (a) the Registered Shareholders violate or fail to perform any of their contractual obligations under the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement and/or the Equity Pledge Agreement, or the PRC Operating Entity violates or fails to perform any of their contractual obligations under the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement, the Exclusive Business Cooperation Agreement and/or the Equity Pledge Agreement;
- (b) any representation or warranty made by the Registered Shareholders contains material misrepresentation or error, and/or the Registered Shareholders violate any warranty and/or any undertaking under the Equity Pledge Agreement;
- (c) the Registered Shareholders and/or the PRC Operating Entity violate any requirement or provision under the Equity Pledge Agreement;
- (d) save as expressly set out in the Equity Pledge Agreement, the Registered Shareholders transfer or attempt to transfer or relinquish pledged equity or assign pledged equity without written consent from the WFOE;
- (e) the Registered Shareholders' own loan, guarantee, compensation, commitment or other debt liability to any third party (i) is required to be repaid or performed prior to maturity due to default on the part of the Registered Shareholders; or (ii) is due but cannot be repaid or performed on schedule;
- (f) the Registered Shareholders fail to repay general debts or other debts;
- (g) any approval, license, consent, permit or authorization from any governmental authority that makes the Equity Pledge Agreement enforceable, lawful and effective is withdrawn, suspended, invalidated or substantially altered;
- (h) the promulgation of applicable laws makes the Equity Pledge Agreement illegal or makes the Registered Shareholders unable to continue to perform their obligations under the Equity Pledge Agreement;

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- (i) adverse change in the properties owned by the Registered Shareholders, which makes the WFOE believe that the Registered Shareholders' ability to perform their obligations under the Equity Pledge Agreement has been affected;
- (j) the PRC Operating Entity or its successor or trustee can only partially perform or refuse to perform the payment obligations under the Exclusive Business Cooperation Agreement or the Registered Shareholders and/or the PRC Operating Entity can only partially settle or refuse to settle guaranteed debts; and
- (k) any other circumstances in which the WFOE cannot or may not be able to exercise its rights against the pledge.

(4) Shareholders' Powers of Attorney

Each of the Registered Shareholders has executed an irrevocable power of attorney dated on March 23, 2021, exclusively appointing WFOE, or any person designated by WFOE (including but not limited to Directors and their successors and liquidators replacing the Directors), as his or her attorney-in-fact to appoint directors and vote on his or her behalf as set out under the Shareholders' Rights Entrustment Agreement. These Shareholders' Powers of Attorney shall become effective at the same time as the Shareholders' Rights Entrustment Agreement and is irrevocable.

The articles of association of the PRC Operating Entity state that the shareholders, in a shareholders' meeting, have the power to approve its operating strategy and investment plan, elect the members of the board of directors and approve their compensation, and review and approve the annual budget and profit distribution plan. Therefore, through the irrevocable power of attorney arrangement, we and WFOE, have the ability to exercise effective control over the PRC Operating Entity through shareholder votes and, through such votes, to also control the composition of the board of directors for the PRC Operating Entity.

The Powers of Attorney do not impose any conditions on granting the foregoing powers of attorney.

(5) Individual Shareholder Spouse Undertakings

Pursuant to the Individual Shareholder Spouse Undertakings dated on March 23, 2021, the spouse of each of the Registered Shareholders, has undertaken that,

- (a) the spouse of each of the Registered Shareholders has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement and the Equity Pledge Agreement (including their respective amendments from time to time) signed by the Registered

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Shareholders and the WFOE, and agrees that the relevant Registered Shareholders shall dispose of the equity interests in the PRC Operating Entity held and registered in his name according to the provisions of the agreements under the Contractual Arrangements.

- (b) the equity interests in the PRC Operating Entity held by each of the spouse currently and in the future are the relevant Registered Shareholder's personal property, instead of the joint property of the husband and wife, and the relevant Registered Shareholder has the right to dispose of such equity interests on his own.
- (c) the spouse has not been and will not be involved in the operation, management, liquidation, and dissolution of the PRC Operating Entity.

(6) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has unconditionally and irrevocably authorize the WFOE, or directors of the WFOE's offshore parent company designated by the WFOE, or a liquidator or other successors who perform the duties of such directors to exercise all shareholder's rights as shareholders of the PRC Operating Entity in accordance with the then effective articles of association of the PRC Operating Entity and applicable laws and regulations, and to exercise corresponding rights on behalf of the Registered Shareholders on all major matters of the PRC Operating Entity. Such rights include but are not limited to:

- (a) to propose, convene, and attend the general meeting of the PRC Operating Entity according to the articles of association of the PRC Operating Entity as the agent of the Registered Shareholders;
- (b) to exercise all shareholder's rights and shareholder's voting rights of the Registered Shareholders in accordance with PRC laws and the articles of association of the PRC Operating Entity, including but not limited to dividend rights, and the sale, transfer or pledge or disposal of part or all of the equity interests in the PRC Operating Entity;
- (c) the right to serve as the legal representative of the PRC Operating Entity in accordance with the specific provisions of the articles of association of the PRC Operating Entity on the appointment of its legal representative, or to serve as the chairman, executive director or manager of the PRC Operating Entity and/or act on the behalf of the Registered Shareholders to designate, appoint or dismiss the legal representative (chairman), directors, supervisors, chief executive officer (or manager) and other senior management members of the PRC Operating Entity; where the actions of the directors, supervisors or senior management members of the PRC Operating Entity cause any damage to the interests of the PRC Operating Entity or its shareholders, to file a lawsuit or take other legal actions against such directors or senior management members;

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- (d) the right to execute documents (including minutes of the general meeting) and file such documents with the relevant company registry;
- (e) the right to act on the behalf of the Registered Shareholders of the PRC Operating Entity to exercise their voting rights on the bankruptcy, liquidation, dissolution or termination of the PRC Operating Entity;
- (f) the right to distribute the remaining assets of the PRC Operating Entity upon its bankruptcy, liquidation, dissolution or termination;
- (g) the right to decide matters on submission and registration of documents related to the PRC Operating Entity to and with relevant government departments;
- (h) the right to exercise any shareholders' rights in dealing with the PRC Operating Entity's assets in accordance with the law, including but not limited to the right to manage its assets-related business, the right to use its income and the right to obtain its assets;
- (i) in the event of death, loss of capacity, marriage, divorce or bankruptcy or any other situation which could affect the ability of the Registered Shareholders in exercising its rights in the PRC Operating Entity; the successors of the Registered Shareholders (including spouse, children, parents, siblings, grandparents) will be regarded as a party to the Shareholders' Rights Entrustment Agreement and will assume the rights and obligations of the relevant Registered Shareholders under the Shareholders' Rights Entrustment Agreement;
- (j) any other shareholders' rights stipulated by applicable PRC laws, regulations and the articles of association of the PRC Operating Entity (and its amendments from time to time).

DISPUTE RESOLUTION

Each of the agreements under the Contractual Arrangements provides that any dispute arising out of or in connection with the performance of the agreements under the Contractual Arrangements shall be resolved through arbitration. The arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of the PRC Operating Entity. Upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of WFOE and the PRC Operating Entity are located shall be considered as having jurisdiction for the above purposes.

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In connection with the dispute resolution method as set out in the agreements under the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisor that:

- (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting interest in the PRC Operating Entity or equity interest of its shareholders in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares of the PRC Operating Entity, injunctive relief or winding-up of the PRC Operating Entity as interim remedies, before there is any final outcome of arbitration;
- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of an equity interest in the PRC Operating Entity at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;
- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the PRC Operating Entity, and our ability to conduct our business may be negatively affected; and
- (e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

As a result of the above, in the event that the PRC Operating Entity or the Registered Shareholders breaches any of the agreements under the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, or at all, and our ability to exert effective control over the PRC Operating Entity and conduct our business could be materially and adversely affected. Please refer to the paragraph headed “Risk Factors – Risks Relating to our Contractual Arrangements” in this prospectus for details.

LOSS SHARING

None of the agreements constituting the Contractual Arrangements provide that the Company or WFOE is obligated to share the losses of the PRC Operating Entity or provide financial support to the PRC Operating Entity. Further, the PRC Operating Entity is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or WFOE, as the primary beneficiary of the PRC Operating Entity, is not required to share the losses of the PRC

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Operating Entity or provide financial support to the PRC Operating Entity. Despite the foregoing, given that our Group conducts its businesses in the PRC through the PRC Operating Entity which hold the requisite PRC licenses and approvals, and that the PRC Operating Entity's financial condition and results of operations are consolidated into our Company's consolidated financial statements under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if the PRC Operating Entity suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on WFOE and our Company resulting from any loss suffered by the PRC Operating Entity.

For instance, as provided in the Exclusive Call Option Agreements, none of the assets valued above RMB1,000,000 of the PRC Operating Entity are to be sold, transferred or otherwise disposed of without the written consent of WFOE. In addition, under the Exclusive Call Option Agreements, none of the Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in the PRC Operating Entity without our WFOE's prior written consent.

In addition, under the Exclusive Business Cooperation Agreement, without the prior consent of WFOE, the PRC Operating Entity shall not change or remove the members of the boards of directors who are appointed by WFOE in accordance with the memorandum and articles of association of the PRC Operating Entity. WFOE also has the right to appoint the general managers, finance manager and other senior managers of the PRC Operating Entity. WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of the PRC Operating Entity as the PRC Operating Entity and its shareholders have undertaken not to make any distribution without the prior written consent of WFOE. WFOE also has the right to periodically receive or inspect the accounts of the PRC Operating Entity and the financial results of the PRC Operating Entity can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

In the event that PRC laws and regulations allow WFOE or us to directly hold all or part of the equity interest in the PRC Operating Entity and operate the Relevant Business in the PRC, WFOE shall exercise the Equity Call Option as soon as practicable and WFOE or its designated party shall purchase such amount of equity interest to the extent permissible under PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest in the PRC Operating Entity by WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Contractual Arrangements shall be automatically terminated. WFOE shall have the right to terminate the Contractual Arrangements by serving a prior written notice.

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INSURANCE

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. For detailed discussion on the material risks involved in our Contractual Arrangements, please refer to the paragraph headed “Risk Factors – Risks relating to our Contractual Arrangements” in this prospectus. As confirmed by our Directors, after considering the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms, it is impracticable for us to have such insurance. As a result, as of the Latest Practicable Date, our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements. For further details on related risks, please refer to the paragraph headed “Risk Factors – Risks relating to our business and industry – We have limited insurance to cover our potential losses and claims.” in this prospectus.

SUCCESSION

The provisions set out in the agreements under the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if each of the successors was a signing party to the agreements under the Contractual Arrangements. Although our Contractual Arrangements do not specify the identity of the successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the agreements under the Contractual Arrangements. In case of a breach, WFOE or our Company can enforce its right against the successors.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

To ensure our effective control over the PRC Operating Entity, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Call Option Agreement, the Registered Shareholders granted WFOE or its designated third party an exclusive option to purchase part or all of the equity interests in the PRC Operating Entity, under circumstances in which WFOE or its designated third party is permitted under the PRC laws and regulations to own all or part of the equity interests in the PRC Operating Entity. Under the irrevocable Shareholders’ Powers of Attorney executed by each of the Registered Shareholders, they appointed WFOE, or any person designated by WFOE (excluding the Registered Shareholders or other persons who may give rise to conflicts of interests) as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of the PRC Operating Entity requiring shareholders’ approval under their articles of associations and under the relevant PRC laws and regulations.

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Furthermore, there are mechanisms in place to protect against the spouses of the Registered Shareholders from exercising any control or influence over the PRC Operating Entity. Each of the spouses of the Registered Shareholders had executed the Individual Shareholder Spouse Undertakings whereby the spouse expressly and irrevocably (i) acknowledge the entering into of the Contractual Arrangements by the Registered Shareholders (as the case may be); (ii) undertake that she shall not take any actions that are in conflict with purpose and intention of the Registered Shareholders, including but not limited to acknowledging that any equity interests held by the Registered Shareholders (as the case may be) do not fall within the scope of their community properties; and (iii) confirm that her consent and approval is not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof.

Pursuant to the Exclusive Call Option Agreement, without the WFOE's written consent, the Registered Shareholders shall not directly or indirectly participate or engage in any business that competes or may compete with the business of the PRC Operating Entity and its controlled subsidiaries in any manner, or be employed by relevant entities that operate or hold interests or assets in any entities that compete or may compete with the business of the PRC Operating Entity and its controlled subsidiaries (other than holding the equity interest and assets of not more than 5% of such entities). Based on the above, our Directors are of the view that the measures that we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the PRC Operating Entity.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the second meeting of the 13th National People's Congress of PRC approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "FIL") which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules of the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. The FIL replaced the PRC Sino-foreign Equity Joint Venture Enterprise Law, 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 Potential Impact of the FIL on the Contractual Arrangements

The FIL specifically stipulates three specific forms of foreign investment, namely, (1) establishment of a foreign invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor; (2) obtaining shares, equity interests, proportion of assets or any other similar rights or interests of an enterprise in the PRC by a foreign investor; and (3) investment to initiate any new project in the PRC by a foreign investor, either individually or collectively with any other investor.

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Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to conduct the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Our PRC Legal Advisor is of the view that if there is no other promulgated national laws, regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Contractual Arrangements may not be affected. However, 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, 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.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with the relevant PRC laws and regulations and that:

- (a) both the WFOE and the PRC Operating Entity are independent legal entities and were duly established and in valid existence under PRC laws. The Registered Shareholders have full civil rights and civil capacity;
- (b) each of the agreements under the Contractual Arrangements is not in violation of the provisions of the articles of association of the WFOE and the PRC Operating Entity;
- (c) each of the agreements under the Contractual Arrangements does not violate the provisions of the laws promulgated by the National People’s Congress of China and its Standing Committee, and the administrative regulations promulgated by the State Council, and is valid and binding on and enforceable against the relevant parties of each of the agreements, except that (1) the provisions pursuant to which the arbitral body may make a ruling for the dissolution of the PRC Operating Entity may not be enforceable under the existing PRC laws; (2) the interim relief or other rulings of the courts in Hong Kong and the Cayman Islands in respect of the matters under the Contractual Arrangements may not be recognized and enforceable under the PRC laws; (3) the pledge of equity interests in the PRC Operating Entity in favor of the WFOE might not become legally effective until the registration of the pledge is completed with the Administration for Market Regulation; and (4) the exercise of

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the option to purchase the equity interests in the PRC Operating Entity under the Contractual Arrangements is subject to the requirements of the then applicable PRC laws, and the approval or registration procedures in accordance with the then applicable PRC laws;

- (d) MIIT is the competent regulatory authority to provide feedback on matters such as the regulations and policy restrictions on whether foreign investors are allowed to invest in value-added telecommunications business as well as the implementation thereof, and whether the signing and performance of the Contractual Arrangements should be submitted to the relevant regulatory authorities for approval;
- (e) the execution and performance of the Contractual Arrangements do not violate the provisions of “malicious collusion is conducted to damage others’ legitimate rights and interests” as stipulated in Civil Code of the PRC (《中華人民共和國民法典》); and
- (f) as of the date of this prospectus, the PRC governmental, legislative, judicial and other authorities have not yet promulgated any regulations which prohibit the signing and performance of the Contractual Arrangements by the parties thereto. The PRC Legal Advisor was not aware of any plans to do so by the aforementioned authorities. The aforementioned authorities may hold opinions contrary to the PRC Legal Advisor’s and may change the relevant provisions or interpretations with respect to the Contractual Arrangements, or consider that the agreements under the Contractual Arrangements are not compliant with the requirements of the PRC laws currently in force or the laws, regulations, rules or regulatory documents which will be promulgated in the future. The PRC Legal Advisor cannot guarantee that the relevant authorities will not promulgate any new laws and regulations that may be applicable to the Contractual Arrangements which will render the Contractual Arrangements in breach of the relevant laws and regulations, and thereby denying the legality, validity and enforceability of the Contractual Arrangements.

Directors’ Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of the PRC Operating Entity which engage or will engage in the operation of the Relevant Business, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the MIIT.

As of the Latest Practicable Date, we did not encounter any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements so that the financial results of the operation of the PRC Operating Entity can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisor, our Directors are of the view that the Contractual Arrangements are enforceable under PRC laws and regulations, with the exceptions disclosed in the paragraph headed “– PRC Legal Opinions” in this section.

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The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Contractual Arrangements 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 and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this prospectus.

COMBINATION OF FINANCIAL RESULTS OF THE PRC OPERATING ENTITY

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, the PRC Operating Entity will pay service fees to WFOE. The service fees, subject to WFOE's adjustment, are equal to the entirety of the total income of the PRC Operating Entity (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the service fees at its discretion, subject to applicable rules and regulations, and allow the PRC Operating Entity to retain sufficient working capital to carry out any growth plans. WFOE also has the right to periodically receive or inspect the accounts of the PRC Operating Entity. Accordingly, WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of the PRC Operating Entity through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the PRC Operating Entity as WFOE's prior written consent is required before any distribution can be made. Further, under the Exclusive Call Option Agreement, in the event that the Registered Shareholders of the PRC Operating Entity receive any profit distribution or dividend from the PRC Operating Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to WFOE.

As a result of these Contractual Arrangements, our Company has obtained control of the PRC Operating Entity through WFOE and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the PRC Operating Entity. Accordingly, the PRC Operating Entity's results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider that the Company can combine the financial results of the PRC Operating Entity into our Group's financial information as if they were our Company's subsidiaries. The basis of combining the results of the PRC Operating Entity is disclosed in note 3 to the Accountants' Report set out in Appendix I to this prospectus.

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DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) which came into effect on January 1, 2020. After the FIL comes into effect, the FIL replaced the Law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Sino-Foreign Cooperative Joint Ventures (《中外合作經營企業法》) and the Law on Foreign-invested Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated Implementing Regulation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Foreign Investment Regulation**”), which came into effect on January 1, 2020. For details of the FIL and Foreign Investment Regulation, please refer to the paragraph headed “Regulatory Overview – Laws and regulations relating to foreign investment” in this prospectus.

The Potential Impact of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of the PRC Operating Entity, through which we operate our business in the PRC. The FIL stipulates four forms of investment as foreign investment, however, it does not explicitly stipulate the contractual arrangements as a form of foreign investment. Nor does it explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Notwithstanding the above, the FIL stipulates that foreign investment includes “Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council”. Although the Foreign Investment Regulation promulgated by the State Council as disclosed above does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the 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. Therefore, there is no guarantee that the Contractual Arrangements and the business of the PRC Operating Entity will not be materially and adversely affected in the future due to changes in the relevant PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, please refer to the paragraphs headed “Risk Factors – Risks relating to our Contractual Arrangements – Our current corporate structure and business operations may be affected by the Foreign Investment Law” in this document. In any event, we will take reasonable steps in good faith to seek compliance with the FIL and Foreign Investment Regulation.

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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 and compliance with the Contractual Arrangements in its annual and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the FIL and the Foreign Investment Regulation as stipulated under the paragraphs headed “– Development in the PRC Legislation on Foreign investment” in this section; including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;
- (e) our Company will disclose, as soon as possible (i) any updates of changes to the FIL and the Foreign Investment Regulation that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the updates of changes in FIL and the Foreign Investment Regulation as implemented, specific measures taken by us to fully comply with the changes in the FIL and the Foreign Investment Regulation supported by a PRC legal opinion and any material impact on our operations and financial position; and
- (f) our Company will engage external legal advisors or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the PRC Operating Entity to deal with specific issues or matters arising from the Contractual Arrangements.

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In addition, notwithstanding that one of our executive Directors and one of our non-executive Directors are the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (c) we have appointed Mr. Li Xinshou, Ms. Kong Fanhua and Prof. Li Renfa independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OUR MISSION AND VISION

Our mission is to take advantage of technology empowerment to make study a pleasant experience.

We strive to become a leading smart learning device service provider in China specializing in the provision of all-in-one self-directed learning solutions for students to improve learning efficiency, and the provision of all-in-one smart classroom solutions for schools to improve precise education.

OVERVIEW

We are a smart learning device service provider in China, focusing on the design, development, manufacturing and selling of smart learning devices embedded with digital educational resources for China's primary and secondary school students, their parents and school teachers. Established in 1999, we have become a technology-powered smart learning device service provider with an established education product and service offerings in China. Our education product and service offerings feature digital educational resources enabled by a wide range of smart learning devices, covering the full spectrum of application for various education scenarios and offering an innovative learning experience. Our Readboy brand was recognized as a reputable technology-powered education brand in China, including the Parents' Most Trusted Education Brand for Kids in 2018 and the Technical Leading Education Brand in 2018 both recognized by Tencent News Annual Education Event, the Most Trusted Education Brand in 2019 awarded by Xinhua Net Education Forum.

We design, develop, manufacture and market smart learning devices, including personal student tablets, smart classroom solutions, wearable products and a number of smart accessories. Our smart learning devices are embedded with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for primary and secondary school students in China. During the Track Record Period, a substantial majority of our revenue was derived from the sales of our smart learning devices. Currently, the end users can only access our device-level embedded digital educational resources through our smart learning devices and we do not separately charge additional fees for such embedded digital educational resources. Moreover, in that we have accumulated our brand recognition for digital educational resources, since 2019, we have established cooperative arrangements with third parties, usually online content distribution platforms or content streaming device systems with education-focused channels, under which we licensed certain educational resources to such third parties, on a non-exclusive basis, to display on their platforms and share service fees charged from their users. We endeavor to leverage the advanced technologies to create a flexible, efficient, effective, interactive and personalized learning experience. During the Track Record Period, the total shipments of our personal student tablets were 456.9 thousand units, 484.6 thousand units and 458.8 thousand units in 2019, 2020 and 2021, respectively, and revenue derived from such products amounted to RMB541.5 million, RMB664.9 million and RMB705.0 million, respectively, over the same periods. During the Track Record Period, the total device

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shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. Revenue derived from smart classroom solutions amounted to RMB8.2 million, RMB22.3 million and RMB23.6 million, respectively, in 2019, 2020 and 2021. Revenue derived from content licensing amounted to RMB9 thousand, RMB4.0 million and RMB4.9 million, respectively, in 2019, 2020 and 2021.

According to the Frost & Sullivan Report, we ranked second among China's smart learning device service providers in terms of total retailing market value and ranked fifth among China's smart learning device service providers in terms of total device shipment in 2021.

Through our continuous development over the past two decades, we have built up high barriers to entry. We have accumulated in-depth industry insights and experience with respect to educational resource research and development. Led by Readboy Institute of Education Technology, our in-house educational content research and development center, we released pre-recorded video resources lasting for over 12,192 hours as of the Latest Practicable Date.

Moreover, we are one of the first movers in China to develop and offer smart classroom solutions to preliminary and secondary schools, which provide a connected and interactive learning environment for school teachers and students and aim to enhance the way of in-school teaching and learning digitally, promoting teaching quality and efficiency.

In addition, we have established a nationwide offline distribution network with deep penetration. Our products are generally sold to our distributors, who then onsell our products to end users, such as students or their parents, in the cases of personal student tablets and wearables products, and schools, in the case of smart classroom solutions. Our distributors not only market and sell our products, especially to places where educational resources are typically inadequate, but also deliver customer services. Face-to-face communications provide better experience for users to understand our products and an effective way to convey our philosophy of education, which facilitates us in effectively acquiring end users and maintaining a large, loyal and expanding user base. Our end users may get familiar with our products at offline points of sales through first-hand experience with the assistance from offline store staff. In addition, offline presence in local markets enables our brand and products and services to gain trust from end users. Such offline points of sales help us to communicate with and deliver after-sales and operational services to end users in a more effective manner, which we believe will generate word-of-mouth referral and spread of our brand name and reputation, thereby further expanding user base. We identify and promote a certain number of offline points of sales as our 4S experience stores, which typically have an independent physical storefront and provide a suite of upgraded and customized services. "4S" refers to sales, services, support and survey. As of the Latest Practicable Date, we contracted 129 offline distributors who controlled a total of 4,608 points of sales located in 344 cities covering 31 provinces and autonomous administrative regions, including municipalities, across China. Besides our efforts in strengthening our nationwide offline distribution network, we also introduce and implement new and innovative marketing measures, such as social media operations on WeChat, Weibo and TikTok and online live streaming sales, to achieve the expansion of our end user base,

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which in turn will improve the traffic of our offline stores. We expect such online-to-offline model will not only attract potential individual end users to promote our online sales but also will increase the sales at offline stores.

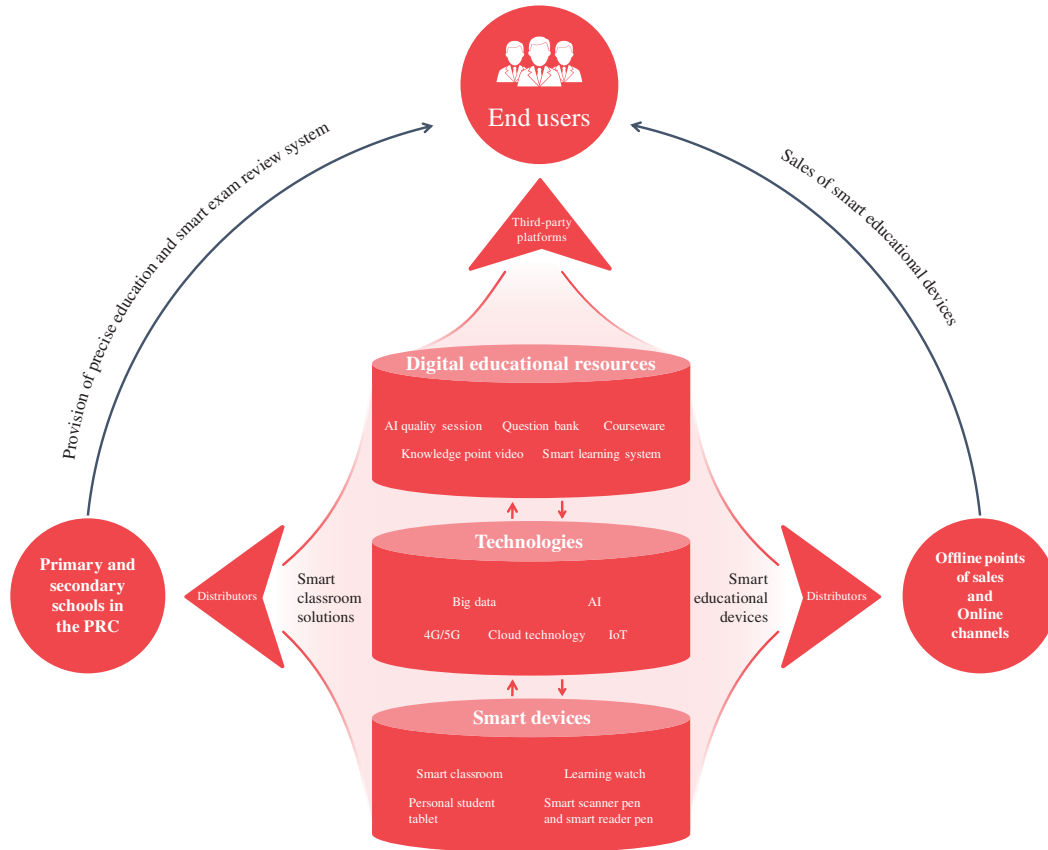
We believe that technology has been, and will continue to be, crucial to our success. We have continuously developed and applied various advanced technologies to our smart learning devices. Our high quality, multi-functional and professional products are contributable to differentiate us from our competitors and retain a loyal user base. We also endeavor to strengthen our IT technologies and infrastructures, which ensure our digitalized operations.

Our smart learning devices are developed and designed by us, and we currently operate one production and assembly facility located in Zhongshan, Guangdong Province with a total gross floor area of approximately 30,700 sq.m.

We have maintained stable development during the Track Record Period and we consider we are well positioned to continue to capitalize on the growing smart learning device service industry in China. Our revenue increased by 9.6% from RMB669.9 million in 2019 to RMB734.0 million in 2020. Over the same period, our net profit increased by 32.5% from RMB69.4 million in 2019 to RMB92.0 million in 2020. Our revenue further increased by 10.8% from RMB734.0 million in 2020 to RMB813.2 million in 2021, while net profit decreased by 10.7% from RMB92.0 million in 2020 to RMB82.1 million in 2021. Without considering the impact of the listing expenses and changes in fair value of financial liabilities at fair value through profit or loss in connection with the shares we issued to our Pre-IPO Investors, our adjusted net profit, a non-HKFRS measure, would have decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021.

Our Technology-powered Education Product and Service Offerings

We have developed integrated technology-powered education product and service offerings, aiming to offer all-in-one smart learning device service with digital educational resources catering to the learning needs of primary and secondary school students, their parents and school teachers in China. Our education product and service offerings are able to fulfill the full spectrum of applications for various education scenarios and offering an innovative learning experience.



OUR COMPETITIVE STRENGTHS

A China’s major smart learning device service provider, building complete education product and service offerings with multiple growth potentials

Established in 1999, we have become a China’s major smart learning device service provider with established education product and service offerings. According to the Frost & Sullivan Report, we ranked second among China’s smart learning device service providers in terms of total retailing market value and ranked fifth among China’s smart learning device service providers in terms of total device shipment in 2021. Benefiting from our visionary development strategies and our strong belief in the prosperous future of China’s smart learning device service industry and its increasing important role in the overall education industry, we are one of the first movers in smart learning device service industry in China. We introduced

our first Readboy reading machine in 2004, followed by a number of innovative learning devices that were well accepted by the market. Our products have won us numerous prizes and awards for their quality and functionality. Our Readboy brand was recognized as a reputable technology-powered education brand in China, including the Parents' Most Trusted Education Brand for Kids in 2018 and the Technical Leading Education Brand in 2018 both recognized by Tencent News Annual Education Event, the Most Trusted Education Brand in 2019 awarded by Xinhua Net Education Forum.

To capitalize on the evolving market trends and emerging needs arising from China's smart learning device service industry, we leveraged our industry experience in the past two decades and have innovated our business operations to establish integrated technology-powered education product and service offerings, featuring digital educational resources enabled by smart learning devices, various education scenarios, and innovative learning experience.

- ***Comprehensive, high quality digital educational resource offering enabled by a wide range of smart learning devices.*** We design, develop, manufacture and distribute smart learning devices which provide primary and secondary students with a flexible, efficient, effective, interactive and personalized learning experience. We also research, develop and offer comprehensive, high quality digital educational resources, which are mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for primary and secondary school students in China. Our digital educational resources have covered core school subjects for all grades in primary and secondary schools with a wide range of academic and interest educational resources targeting students in all age groups from 6 to 18 years old. The comprehensive offerings of offline hardware devices combined with digital educational resource have enabled us to foster user stickiness and high referral rate. Given the strong continuity of primary to secondary school education, we contemplate that our existing economies of scale have provided a variety of cross-selling and upselling opportunities over time along with the academic growth of these students.
- ***Full spectrum of applications for various education scenarios.*** We strive to offer smart learning devices that cater to the learning needs across multiple education scenarios and create a comfortable and efficient learning environment anytime anywhere. For instance, our self-developed smart classroom solutions are committed to providing a digitalized, connected and interactive learning environment covering all major learning and teaching aspects of school education in primary and secondary schools. Advanced digital teaching tools, paperless teaching material preparation and distribution, and AI-powered student performance review systems, all of these increase teachers' day-to-day teaching efficiency and bring up a more engaging and personalized learning environment for students. Additionally, we develop diverse digital educational resources, available in the formats of pre-installed courseware and pre-recorded video resources, that are designed to supplement the regular school curricula and to help the students to further improve

their learning skills and academic performance. Our smart wearable devices, on the other hand, are embedded with Chinese and English Word of the Day to help vocabulary study during fragmentary time. Such full spectrum of product and service offerings are able to attract students in all age groups from 6 to 18 years old, driving cross-selling and upselling opportunities as they grow in age and academic performance. Our ability to identify underserved education scenarios and constantly develop adaptive educational content and smart devices has well positioned us to further gain a full access to the market opportunities arising from the smart learning device service industry.

- ***Innovative and integrated learning experience.*** Our product and service offerings provide all-in-one educational services, enabling us to deliver innovative learning experience. We rely on our nationwide offline distribution network to distribute products and deliver customer services and communications. We believe face-to-face communication in offline stores provides better experience for users to understand our products and an effective way to convey our philosophy of education, which facilitates us in effectively acquiring end users and maintaining a large, loyal and expanding user base. As of the Latest Practicable Date, we contracted 129 offline distributors who controlled a total of 4,608 points of sales located in 344 cities covering 31 provinces and autonomous administrative regions, including municipalities, across China. We have accumulated over 5.5 million registered users as of the Latest Practicable Date, and by May 2022, our average MAU amounted to over 1.4 million in the past 12 months.

Our success has been, in part, attributable to the emerging market opportunities in China's smart learning device service industry. According to the Frost & Sullivan Report, the total market size of China's smart learning device service market increased from RMB28.1 billion in 2017 to RMB65.9 billion in 2021, representing a CAGR of 23.7%. It is expected to further increase to RMB145.0 billion in 2026, representing a CAGR of 17.1% from 2021. We have established barriers to entry by developing the capabilities of hardware device manufacturing and educational resource research, a nationwide distribution network, and an expanding and loyal user base. As such, we believe we are positioned to capture the newly market opportunities.

Our product and service offerings have captured the critical elements along the value chain of the smart learning device service industry, while presenting a high level of flexibility and multiple growth potentials to be explored. For instance, in addition to the stable revenue contribution from sales of personal smart learning devices, we commenced to distribute our smart classroom solutions from March 2017. During the Track Record Period, the total device shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, respectively, revenue derived from our smart classroom solutions amounted to RMB8.2 million, RMB22.3 million and RMB23.6 million, respectively. The decrease in total shipment from 2020 to 2021 was primarily because (i) in the fourth quarter of 2021, in progress of upgrading our strategy of smart classroom to smart campus, we allocated more resources to its

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research and development and less in marketing for our smart classroom solutions, and (ii) one major distributor of our smart classroom solutions shifted its business focus on assisting us in promoting smart homework systems and reducing its purchases from us as a result. We believe that, leveraging our sophisticated industry insights and existing operational and technical advantages, we are able to continue to identify and capture potential monetization opportunities in our product and service offerings.

We have benefited greatly from our integrated and strengthened education product and service offerings, and maintained a positive financial track record. In 2019 and 2020, our revenue amounted to RMB669.9 million, RMB734.0 million, respectively, and net profit increased from RMB69.4 million in 2019 to RMB92.0 million in 2020. Our revenue further increased by 10.8% from RMB734.0 million in 2020 to RMB813.2 million in 2021, while net profit decreased by 10.7% from RMB92.0 million in 2020 to RMB82.1 million in 2021. Without considering the impact of the listing expenses and changes in fair value of financial liabilities at fair value through profit or loss in connection with the shares we issued to our Pre-IPO Investors, our adjusted net profit, a non-HKFRS measure, would have decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021.

A nationwide distribution network with deep penetration which delivers innovative experience, ensures user acquisition efficiency and effectively improves the imbalance in educational resource allocation

We have developed a nationwide distribution model and our distribution network comprised 129 offline distributors who controlled 4,608 points of sales, locating in 344 cities across the country as of the Latest Practicable Date. We endeavor to establish a nationwide distribution network with deep penetration, especially into third- and lower-tier cities in China. The nationwide network ensures the user acquisition efficiency, which particularly facilitates the delivery of high quality educational content powered by smart devices to students living in places where educational resources are typically inadequate. During the Track Record Period, the number of the points of sales located in third- and lower-tier cities accounted for approximately 68.6%, 69.7% and 70.9% of total points of sales in 2019, 2020 and 2021, respectively. According to the Frost & Sullivan Report, in 2021, total K-12 students in all third- and lower-tier cities was approximately 169.5 million persons, corresponding to 73% of total K-12 students, and is expected to be 161.5 million person, corresponding to 72% of total K-12 students in China by 2026, indicating remarkable market opportunities. Over the same period, per capital expenditure on education is estimated to grow from RMB1,074 in 2021 to RMB1,635 in 2026. Our distribution network with deep penetration not only enables us to distribute our smart learning devices. More importantly, it promotes fair and balanced education opportunities for every students and conveys our philosophy of education to study happily and efficiently to students across the country.

Our offline distribution network also plays a significant role in implementing our innovative business strategy. We rely on these points of sales to deliver customer services and communications, such as personal shopping guide, and after-sales services, which is critical for maintaining satisfactory user experience. We have implemented standardized operational

policies and procedures that our distributors shall comply with and we conduct inspections on a regular basis. Furthermore, subject to the location and the purchasing power of neighboring area, we strategically identify certain points of sales that have independent physical storefront to upgrade the same to 4S experience stores. As of the Latest Practicable Date, we had a total of 1,245 4S experience stores located in 258 cities across the country, which provide suite of upgraded and customized services, including study experience sharing groups, book-borrowing centers, or customer birthday party and accounted for approximately 27.0% of total points of sales. We partnered with the relevant distributors to organize a number of offline events in the 4S experience stores. We from time to time invited college students from China's most reputable universities, such as Peking University and Tsinghua University, to host experience sharing sessions. Such in-store events not only improve the user stickiness but are also attributable to trigger the repeat purchase of our products. Moreover, we also currently rely on our offline distributors to market our smart classroom solutions and provide after-sales support services to the relevant schools. To this end, a nationwide distribution network with deep penetration enables us to better leverage the local resources of the offline distributors to acquire school customers and deliver constantly high quality customer service.

Leveraging our information management middle-platform, which includes the ERP system, end-to-end service system, material management system, order management and other modules, we are now able to collect certain key operating data from each of the points of sales, so as to maintain real-time monitoring on these points of sales and regularly modify our procurement and marketing decisions in a timely manner. Moreover, we pioneered in our industry in reforming the distribution network by reducing the vertical layers. Since the structural reform starting from late 2019, the growth rate of our offline distributors reached 43.0% from 2020 to 2021 and 48.3% from 2019 to 2020. Such structural reform allows us to achieve economies of scale, enforce our direct control over the distributors, promotes their operating efficiency, and further increases our pricing power and profitability. Maintaining the distribution network allows us to operate and expand on an asset-light model and avoid the significant capital investment in connection with distribution store opening and operating.

Successful applications of advanced technologies and strong AI and big-data capabilities, realizing personalized precision education and maintaining a large and growing user base

We aim to develop products that could effectively cope with various user needs of students, teachers and parents. We also envision that our products are able to facilitate the students to build good study habits and develop learning skills that will benefit them for life. To this end, we have deployed advanced technologies, including AI and other advanced technologies, in designing and manufacturing our smart devices which are applicable in a variety of education scenarios. For example, as part of our smart classroom solutions, the proprietary smart exam review system provides teachers a centralized score review analysis tool to efficiently evaluate the students' performance so that they may improve their teaching methods accordingly. It also generates personalized diagnosis reports and learning recommendations subject to each student's learning progress and past performance. Similarly, our personal student tablets are able to generate personalized study reports for individual users, reflecting the students' learning progress and make customized learning recommendations that

suit each students' learning capabilities. With respect to our smart learning devices, all of them are equipped with parental control features which allow the parents to conveniently track and review the learning progress, control screen time of their children, and provide scientific and effective guidance. It frees up time for parents and serves as a scientific and efficient tool for them to understand the learning capabilities of their children and to give adult guidance in a more timely and properly way. Smartwatches, on the other hand, are embedded with Chinese and English Word of the Day to help vocabulary study for children during fragmentary time. All these user-centric features and functions led by advanced technologies have continuously enhanced the competitiveness and attractiveness of our products, contributing to the expansion of our user base.

We believe we possess the digitization capabilities, and are able to activate visualized data processing, intelligent services and digitalized management. In addition, we have developed a rich database through various aspects of our operations like offline sales of smart learning devices, after-sales services provided by us and offline distributors, as well as our online learning platform. We leverage our IT systems to collect, archive and analyze digitalized data, such as industry insights and experience, data including complex students' learning behavior and performance data, and extensive data on developing digital educational resources. Such data allow us to better understand our end users' learning needs, behavior and preference, so that we are able to identify growth opportunities and predict market trends. As of the Latest Practicable Date, we had accumulated over 5.5 million registered users, which constitute a reliable source for our creation of user profiles, navigating us to improve our smart learning devices and the embedded digital educational resources, form precise marketing strategies and conversion of our own private user traffic. For instance, empowered by our big-data capabilities, we are able to generate differentiated and customized learning recommendations that best suit different user's learning capability based on the historical personalized study records. Successful precise marketing efforts, such as customized promotional advertisements and learning recommendation, not only increase our the attractiveness of our digital educational resources, yielding a proven track record of improving students' learning kills and academic performance but also increase user stickiness and their confidence in us, which in turn generates strong word-of-mouth referral and spread of our brand name and reputation, thereby further expanding user base.

Digital educational resources underpinned by comprehensive and strong content development capability

We believe the depth and breadth of our digital educational resources available on our smart learning devices are critical for our sustainable growth and future success. We have accumulated in-depth experience and outstanding educational resources development capability. As of the Latest Practicable Date, we had a total of 247 personnel, including full-time and part-time staff, dedicated to educational resource research and development, among which approximately 69.2% has a bachelor's degree and approximately 12.6% has a master's degree or above. We also engaged an external team consisting of 201 personnel dedicated to educational resource research and development for precise education studies. We strive to explore educational resources and deliver the best-in-class digital educational

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resources to Chinese students. As such, under our Readboy Institute of Education Technology, we cooperate with a local education institution in Huanggang and self-operate three other branches across the country, namely in Beijing, Zhongshan and Zhuhai. To further strengthen our academic advantages, we have engaged 11 external consultants who were renowned teachers or education experts retiring from reputable schools or education institutions in China. These consultants not only bring us their comprehensive understanding and insights in selecting not only high quality educational resources, but also resources that intend to deliver higher learning efficiency, based on their first-hand experience. Moreover, to timely capture the market trends and the regulatory changes in China's education system, we closely cooperate with other various interested parties in our industry, including but not limited to colleges, local educational institutions, and publishers specializing in educational books. We will continue to utilize our sophisticated content research and development capabilities with the empowerment of IT technologies, such as the online learning platform, to streamline our digital educational resources and reach more potential users across the country, especially those located in remote areas where access to high quality educational resources is limited, promoting fair and balanced education opportunities for more students.

We invest significant efforts in establishing a high quality educational resource research and development crew with passion and experience. As of the Latest Practicable Date, we had an educational resource research and development team of 247 personnel, including full-time and part-time staff, many of whom were graduates from top universities in China and overseas, such as Harvard University, Peking University and Tsinghua University. We place strong emphasis on providing comprehensive and systematic training for our educational resource research and development crew on an on-going basis.

We currently offer synchronous lesson learning resources cover a wide range of academic subjects, including Chinese, mathematics, English, physics, chemistry and so on. We also offer selected featured learning resources to inspire and support students' interests and skills. We further design academic learning resources based on multiple levels of difficulty for different levels of learners, which contain differentiated learning skills and key study points. This differentiation approach efficiently cater to the needs of students with varying learning capabilities. Leveraging our big-data and AI capabilities, we are able to identify individual user's learning needs and generate personalized learning recommendation accordingly. Such strategy reinforces the attractiveness of our products and services, in turn, increasing the end users' confidence in us. As of the Latest Practicable Date, we had produced 3,319 short-form animation courseware, each focusing on one knowledge point and lasting for about three minutes. Our online question bank has accumulated over 33.6 million questions. As of the Latest Practicable Date, our online learning platform had hosted pre-recorded video resources lasting over 12,192 hours.

In addition, we are one of the first movers in China to develop and offer smart classroom solutions to preliminary and secondary schools. Subject to the special needs and requests of each schools, we offer customized services, including modifying educational content for them based on local curriculum standards which may vary slightly from region to region. To facilitate paperless teaching, and improve teaching efficiency we also develop courseware and

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interactive software and different digitalized experiment materials adaptive to our smart classroom solutions. In addition, we help schools to establish school-wise database and convert and archive their teaching materials to electronic versions. Such database allows real-time document sharing and exchange. Our smart classroom solutions aim to empower the way of in-school teaching and learning digitally, promoting teaching quality and efficiency. Particularly under the recent new PRC education regulatory regime which, among other things, targets to enhance the quality of compulsory education and to improve the digital educational methods of schools, we believe our smart classroom solutions will be recognized by more schools as an effective teaching tool during their process of developing a digital education environment.

We believe that our extensive digital educational resources offering and question bank have reinforced a high barrier to entry that new industry players could barely achieve.

Experienced, visionary and dedicated management team

Our success is largely dependent on our experienced and visionary management team. Our Controlling Shareholders, Mr. Chen and Mr. Qin, have in-depth industry experience in smart devices and education industries. Our management has been passionate and dedicated to education and the average experience of the key management team in our industry is more than 18 years. In addition, our management also possesses profound industry insights who has formed our development strategies and led us to successfully capture the market opportunities in the past decade.

OUR DEVELOPMENT STRATEGIES

Continue to optimize our technology-powered education product and service offerings and to identify and realize additional growth potentials and revenue streams

We have established integrated education product and service offerings capturing key aspects across the value chain of education industry. We intend to continue to optimize our product and service offerings by developing and upgrading more personal student tablets and our smart classroom solutions to drive more sales. To this end, we will actively rely on technology empowerments to upgrade functions and develop devices that are specifically designed for teaching and learning application scenarios. We expect to enhance our information technologies and infrastructure which not only support our scaling digital educational resource offerings, but also facilitate our digitalized operations. In addition, we are planning to establish a new big-data center in Zhuhai with a focus of developing software, big-data algorithm, and AI related technologies. Moreover, we have been in the process of developing devices adopting 5G technologies, in anticipation of the era of 5G, which will support faster transmission speed and lower latency. Such 5G devices, once launched to the market, are expected to deliver better user experience, which in turn, further differentiate us from our competitors. These initiatives will not only further differentiate our product portfolio from our competitors, but also further attract and retain end users. Such expanding user base, in turn, allows us to better understand current market trends and evolving learning needs and preferences on one hand, and provides stable potential user traffic to our online content on the other hand.

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We will continue to deploy innovative business initiatives to deepen the network effects of our product and service offerings. For example, we intend to deepen the cooperation with third parties or identify additional platforms to distribute our high quality digital educational resources. In addition, we intend to strengthen the collaboration with offline distributors to increase the user acquisition efficiency of their points of sales. We believe all such efforts will increase the attractiveness of our product and service offerings and offer additional revenue streams.

Deepen the reform of our distribution network and strengthen its penetration and leverage new and innovative marketing measures to expand end individual user base

As of the Latest Practicable Date, we had an aggregate of 129 offline distributors. We expect to accelerate the structural reform of our distribution network by promoting the single-layer distribution model while continuing to expand the geographic coverage of the network and deepen its penetration into additional lower-tier cities. We believe such enhanced market penetration will enable us to establish better presence in markets at different tiers. In addition to engage additional high quality offline distributors, the ongoing structural reform of our distribution network has proven to be effective in identifying offline distributors that have stronger marketing and management capabilities. In particular, to facilitate one of our strategies to further develop smart classroom solutions, we will also place a focus on identifying offline distributors who have the resources or capabilities and are able to approach more school customers for us. We expect to further support and motivate distributors to operate additional points of sales, which in turn, will enhance our market share. We expect the optimized distribution model will improve our ability to monitor our distributors, enhance their quality in distributing products and delivery services, increase our operating efficiency, thus, our profitability.

On the other hand, we believe constant high quality user experience is essential for smart learning device service providers. As such, we expect to urge and facilitate our distributors to enhance the in-store services they provide so as to increase user acquisition efficiency and user stickiness.

We will also upgrade our back-end and the store-level IT systems to further streamline the data sharing among us and our distributors, such as covering additional data in connection with inventory level and customer feedback. Through real-time data sharing and monitoring, together with our big-data capabilities, we are able to better manage our operations and exert active and timely inspections on our distributors, please refer to “– Our Distribution Network – Offline Distributors – Management and service support for offline distributors” for more details.

Besides the efforts in strengthening our offline distribution networks, we also introduce and implement new and innovative marketing measures, such as social media operations and online live streaming sales, to achieve the expansion of our end user base, which in turn will improve the traffic of our offline stores. In particular, we will enhance our presence on WeChat, Weibo and TikTok through online marketing activities and interactions with individual end user

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via our official accounts. In addition, we plan to collaborate with key opinion leaders to promote our products and build up our live streaming sales team to convert potential customers. In addition, we expect to establish an online-to-offline model, attracting potential individual end users reached by us through online channel to make purchase at offline stores.

Continue to enhance our educational resource development capability and further diversify the offering scope, aiming to deliver greater learning experience and efficiency

We plan to strengthen the cooperation with famous educational advisors and counsels to enhance our abilities to identify, collect and categorize educational resources. By leveraging their expertise and insights as well as our own accumulated experience, we will be able to further enhance our educational resource development capability and offer educational resources delivering greater learning experience and efficiency. We will also strengthen our cooperation with schools, universities and other education institutions in China by taking advantage of the branches under our Readboy Institute of Education Technology, which are either operated under the cooperation with our local partners or independently operated by us. We expect to identify and acquire advanced educational resources and additional educational resource research and development crew.

We intend to enhance our barriers to entry by constantly upgrading and optimizing the quality and scope of our digital educational resources, which is critical to attract and retain end users, fostering our brand image as a major smart learning device service provider in China. We closely track the regulatory and market changes so as to review and update our existing digital educational resources accordingly. Leveraging our IT capabilities and the first-hand feedback received from students, parents and teachers, we are able to collect and analyze our users' learning performance and progress and will continuously improve our methods and ability in identifying and developing digital educational resources that deliver greater learning experience and efficiency. We will also actively identify unsatisfied learning needs and develop new digital educational resources accordingly.

In particular, at current stage, we endeavor to actively promote the adoption of our smart classroom solutions nationwide. We plan to emphasize our educational resources research and development efforts on localized educational content and special teaching functions, so as to offer customized smart classroom solutions that better respond to the needs of different user.

Selectively pursue strategic investment or acquisition opportunities, extending the value chain of our education product and service offerings

We expect to realize further vertical extension of our value chain and expand our product and service offerings by pursuing strategic investments or acquisitions when appropriate opportunity rises. We currently target companies that engage in business or operations across the value chain of education industry that are supplemental to our existing product and service offerings, such as component suppliers with distinguished technologies and/or educational content developers. In selecting and assessing potential opportunities, we will consider synergies between the target and our existing operations, experience and skills of the

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management team, operation scale, technological capability, product portfolio, valuation and estimated costs, compliance status, as well as cultural fit. As of the Latest Practicable Date, we had not identified any investment or acquisition targets. The transaction size of our future investment or acquisition may vary from case to case and we expect to allocate a certain portion of the proceeds we receive from this Global Offering for such strategy, see “Future Plans and Use of Proceeds” for more details.

OUR BUSINESS

Our Smart Learning Devices

We design, develop, manufacture and market smart learning devices empowered by digital educational resources targeting primary and secondary school students in China, creating a flexible, efficient, effective, interactive and personalized learning experience. We design and develop our smart learning devices by utilizing our in-house research and development capacities, while the substantial portion of the manufacturing is fulfilled by ourselves.

We currently primarily offer our products under one brand, namely Readboy (讀書郎). Our Readboy brand was recognized as a reputable technology-powered education brand in China, including the Parents’ Most Trusted Education Brand for Kids in 2018 and the Technical Leading Education Brand in 2018 both recognized by Tencent News Annual Education Event, the Most Trusted Education Brand in 2019 awarded by Xinhua Net Education Forum. Our major product types include:

Personal student tablets

Our personal student tablets are designed for personal end users who are primary and secondary (including middle and high school) students aging from 6 to 18, equipped with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for compulsory school education, and certain selected featured learning resources. Courseware is pre-installed and is extendable while connecting to our online learning platform which offer pre-recorded video resources. For more details about the digital educational resources we offer, see “– Our Digital Educational Resource Offerings” above. These tablets are featured with colorful and easy-to-operate interface with skill-building educational resources to facilitate children’s development of cognition and creativity.

Our personal student tablets currently are available in over ten models with different feature configurations, catering to the needs of different end users. In addition to basic learning functions, high-end models are also embedded with larger memory storage, higher resolution display, and/or AI voice assistant and so on. We apply human-centered designs, such as eye-protection screens, to create a comfortable and safe learning environment. Our personal student tablets also provide parental control features which allow the parents to conveniently track and review the learning progress and control screen time of their children. The end users

generally use their personal tablets over a period of two years. However, the end users of our personal tablets may keep use their devices as long as they install the relevant software updates released by us from time to time. For a more detailed description of the applications of advanced technologies to our personal smart learning devices, please refer to “– Research and Development” below.

During the Track Record Period, the total shipments of our personal student tablets were 456.9 thousand units, 484.6 thousand units and 458.8 thousand units in 2019, 2020 and 2021, respectively, and revenue derived from such products amounted to RMB541.5 million, RMB664.9 million and RMB705.0 million, respectively, over the same periods. The decrease in total shipment from 2020 to 2021 was primarily due to the shortage in certain key materials, such as integrated circuits and display screens. The retail price of our personal student tablets mainly ranges from approximately RMB2,000 to RMB5,000.



Model C25



Model C18

Smart classroom solutions

Our smart classroom solutions typically refer to the smart educational devices embedded with smart classroom management functions, which provide a connected and interactive learning environment for school teachers and students on one hand and enable parents to monitor the learning status of their children on the other hand. Currently, primary and secondary schools are our target customers of smart classroom solutions and we expect our products will enhance the way of teaching and learning digitally, promoting teaching quality and efficiency. The hardware devices available under our smart classroom solutions to school students are generally similar with the personal student tablets we offer to individual customers. Except for a few samples of short-form animation courseware pre-installed on our personal student tablets, the educational content offered under smart classroom solutions, such as short-form animation courseware and pre-recorded video resources, can only be accessed online through our online platform and mobile APPs. The embedded education resources and certain associated functions are different from those on personal student tablets, which are customized to facilitate in-class interactive teaching and learning. In addition, the tablet devices for school teachers also provide teaching tools such as smart exam review and homework assignment system.

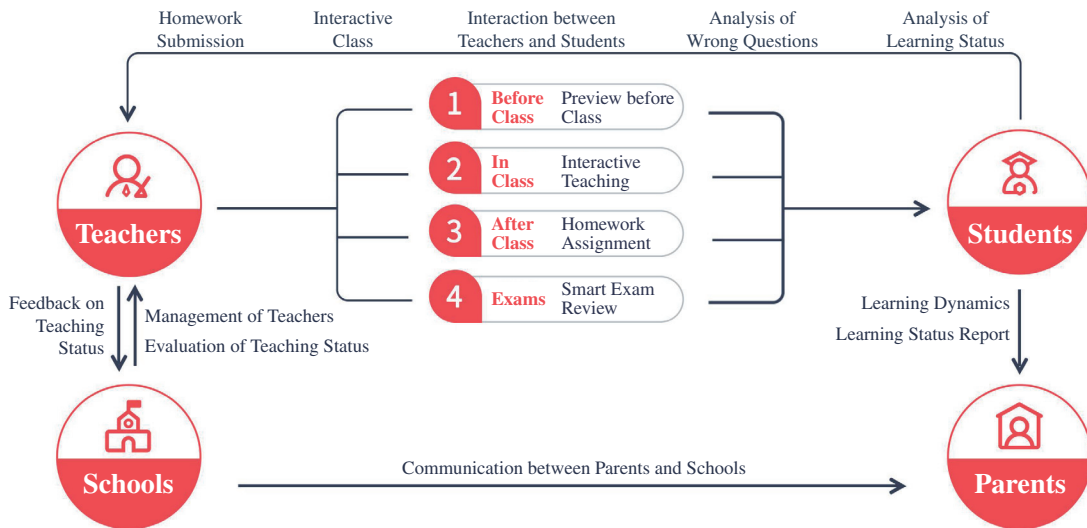
BUSINESS

Subject to the special needs and requests of each schools, we offer customized services, including modifying digital educational resources for them based on local curriculum standards which may vary slightly from region to region. To facilitate paperless teaching, and improve teaching efficiency we also develop courseware and interactive software and different digitalized experiment materials adaptive to our smart classroom solutions. In addition, we help schools to establish school-wise database and convert and archive their teaching materials to electronic versions. Such database allows real-time document sharing and exchange. We also provide after-sales services on a regular basis for device and system maintenance and upgrades.

As such, our smart classroom solutions enable the schools to achieve full digitalization in a cost efficient manner, and exert centralized and visualized management on teaching processes and quality. In light of teachers, our smart classroom solutions enable them to manage their teaching activities in an efficient way, including lesson preparation, in-class teaching, assigning and reviewing homework, and conducting tests and post-test review. Teachers can collect and generate digitized statistical data easily, assisting them to evaluate the performance of each students and adjust his/her teaching plans accordingly. With respect to students, our smart classroom solutions provide an engaging in-class and post-lesson learning experience where they are able to collaborate, interact and respond so as to better grasp knowledge and achieve better academic performance. Finally, through the smart classroom solutions, parents are able to easily understand the learning progress of their children and keep an informative and efficient communication with the teachers constantly. Under the recent new PRC education regulatory regime which, among other things, targets to enhance the quality of compulsory education and to improve the digital educational methods of schools, primary and secondary schools are highly encouraged to carry out digital transformation which creates intensified needs for sophisticated smart classroom solutions. As such, we believe our smart classroom solutions will not be subject to the impacts from the recent release of the Opinions and those follow-up policies, and will be recognized by more schools as an effective teaching tool during their process of developing a digital education environment.

During the Track Record Period, the total device shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. The decrease in total shipment from 2020 to 2021 was primarily because (i) in the fourth quarter of 2021, in progress of upgrading our strategy of smart classroom to smart campus, we allocated more resources to its research and development and less in marketing for our smart classroom solutions, and (ii) one major distributor of our smart classroom solutions shifted its business focus on assisting us in promoting smart homework systems and reducing its purchases from us as a result. We had supplied our smart classroom solutions to 65, 50 and 113 schools in 2019, 2020 and 2021, respectively. Revenue derived from smart classroom solutions amounted to RMB8.2 million, RMB22.3 million and RMB23.6 million, respectively, in 2019, 2020 and 2021, respectively. The retail price of the smart educational devices sold under our smart classroom solutions mainly ranges from approximately RMB1,998 to RMB4,898 per unit.

The following diagram illustrates the major components of our smart classroom solutions.



Wearable products

We believe wearable education gadgets play an increasingly significant role in the new era of education by providing a wireless and hand-free access to various visual and audio educational resources beyond classroom in pockets of time. Such devices have expanded education scenarios and fueled the students with additional fun and motivation in learning during fragmentary time. In this regard, we have developed smartwatches specifically focusing on educational features and functions. In addition to traditional functions of smartwatches for children, such as GPS, video calls, health monitoring and emergency assistance, our smartwatches also pre-install a suite of educational functions, such as Chinese and English Word of the Day to help vocabulary. We also design functions to help children shape healthy study habits, such as time tracker and class schedules and reminders with alarm. In addition to the basic cell phone function for children, subject to product specifications, our smartwatches are also equipped with advanced functions like touch screen, dual-camera and so on.

During the Track Record Period, revenue derived from wearable products continued to decrease, because certain key customers of such products who shifted their distribution strategies to focus more on 4G powered products, therefore reducing the purchase orders with us. In response to such changes in the purchasing policies of those customers and the general market trends, we decided to adjust our distribution and product development strategies in light of our wearable products. We believe there remain potential market opportunities for wearable products and we intend to continue to develop and market such products in the future. For more details, also refer to “—Production Capacity, Production Volume and Utilization Rate” below. During the Track Record Period, the total shipments of our wearable products were 380.9 thousand units, 112.2 thousand units and 188.5 thousand units in 2019, 2020 and 2021, respectively. Such downward trend in total shipments of our wearable products during the Track Record Period was primarily because (i) we reduced our marketing efforts in promoting existing wearable products as we plan to upgrade our offerings for wearable product and (ii) certain key customers of such products shifted their distribution strategies to focus more on 4G powered products, therefore reducing the purchase orders with us. Revenue derived from such products amounted to RMB111.8 million, RMB31.7 million and RMB53.7 million, respectively, in 2019, 2020 and 2021. The retail price of our wearable products mainly ranges from approximately RMB390 to RMB1,000.



Model A6E

Other products

We identify emerging market needs and trends and from time to time develop teaching and learning accessories that compatible to our smart learning devices, aiming to make learning more productive and efficient. We currently offer smart reader pens, which, working with our online content, can identify and read the Chinese or English words and sentences out loud. Our smart scanner pens are able to translate the selected Chinese or English sentences instantly without connecting to the Internet. We are also in the process of developing additional accessory products to explore education market opportunities, such as smart study lamps and smart printers to capture and identify wrong answers. We believe a broad product offerings of such accessories will further reinforce our brand recognition in our industry in China.

During the Track Record Period, revenue derived from these accessory products amounted to RMB6.0 million, RMB2.1 million and RMB17.9 million in 2019, 2020 and 2021, respectively.



Model E8



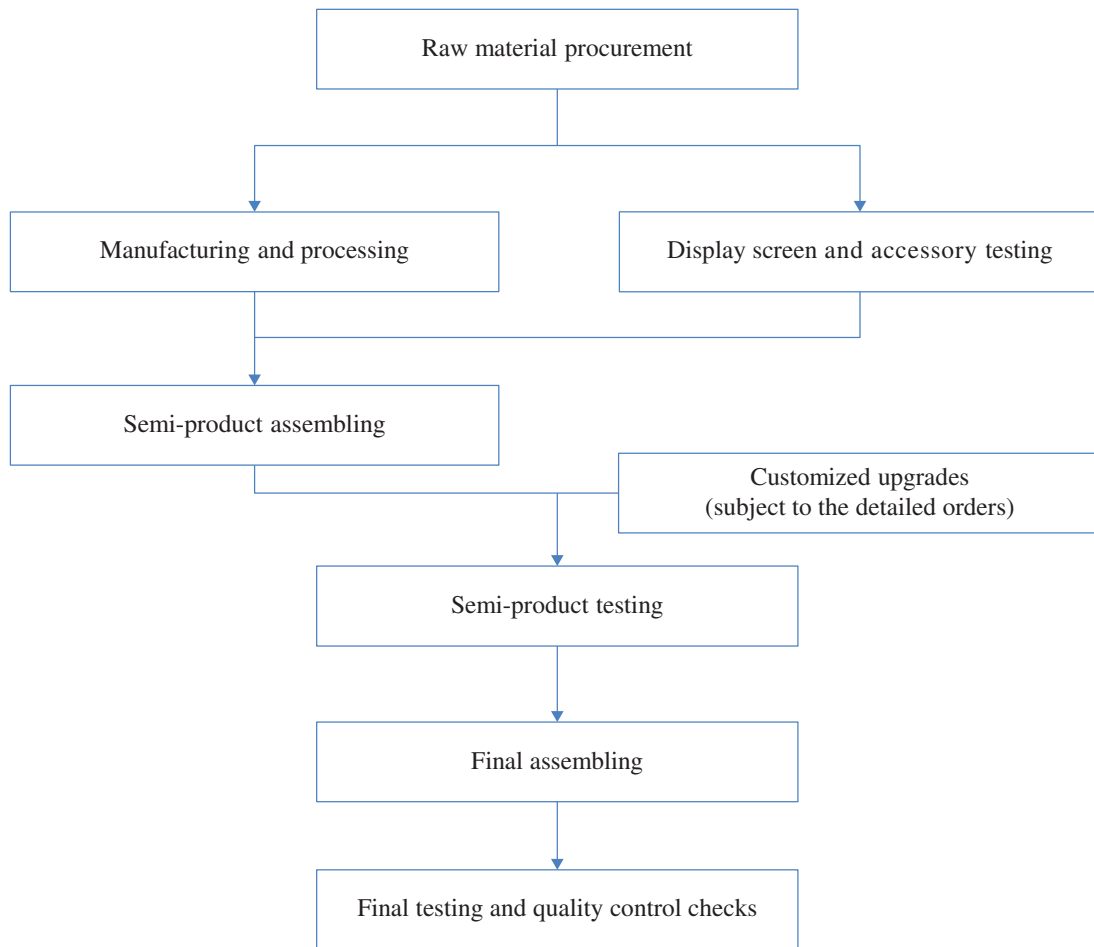
Model D1

PRODUCTION AND ASSEMBLY

Our smart learning devices are developed and designed by us, while substantially all of the manufacturing and assembling are completed at our in-house production and assembly facility. Since late 2020, we commenced to outsource the production and assembly of certain models of our smartwatches to a third-party manufacturer under the original equipment manufacturer agreement, or the OEM arrangement. Since the amount of such outsourced manufacturing is very limited, we do not expect it will have any material impact on our operating or financing performance.

In-house Manufacturing Processes

The typical manufacturing processes for certain key products are described below.



It generally takes three months for the production and assembly process for each type of our products, taking into account of the lead time for raw material procurement. Our personal student tablets are manufactured by batches. Without taking into account the lead time for raw material procurement, it generally takes 30 hours for us to complete the manufacture and assembly process for each batch production of personal student tablets.

BUSINESS

We continuously review the production and assembly processes and analyze relevant data to explore opportunities for productivity enhancement and to adopt more effective practices consistently across our production and assembly lines. We source a variety of raw materials from third parties, see “– Suppliers – Procurement” below for details. Our production and assembly processes require a stable and sufficient supply of utilities, such as water and electricity. We anticipate that our reliance on such supply of utilities will increase as we seek to expand our production capacity. During the Track Record Period, we did not experience any disruption in the supply of utilities that had a material impact on our business or operations.

Production and Assembly Facility

We currently operate one production and assembly facility located in Zhongshan, Guangdong Province with a total gross floor area of approximately 30,700 sq.m. Our Zhongshan facility commenced operation since 2006, which currently has four production and assembly lines and two packaging line. Production of our products is generally interchangeable with relatively quick configuration to production and assembly lines, which allows us to plan and adjust our production and assembly activities efficiently and flexibly to address market demands while incurring minimum fixed costs. Moreover, we have significantly invested in improving the automation level of our production and assembly facility. A large portion of the production and assembly lines and equipment are equipped with automated production capabilities.

We carry out inspections and maintenance at our production and assembly facility on a regular basis to ensure good working condition, and will replace or upgrade such machinery and equipment from time to time as more advanced technologies become available. Subject to the scale of the inspection and maintenance, our inspection and maintenance are scheduled on a daily, monthly and annual basis. Daily inspections include cleaning and greasing our equipment and machinery. Each month our technician inspects the degree of wear and tear, sensitivity of equipment and machines and whether all moving parts are working smoothly. Our technicians are also responsible for replacing any malfunctioning parts. Maintenance overhauls are carried out on the whole production and assembly facility each year.

During the Track Record Period, we did not experience any material production disruption due to unexpected failure of production flows or equipment.

Production Capacity, Production Volume and Utilization Rate

Our production capacity and volume are measured by volume, in units. In general, we take into account the working hours and working days that we consider normal in the region where our production and assembly facility is located when calculating our production capacity. We also take into account effective working hours (by excluding machine set-up and reconfiguration time, time for meals, workers’ resting time, training time and work handover time, where appropriate) and manpower limitations in the calculation of our production capacity.

BUSINESS

We endeavor to maintain an optimal utilization rate in order to benefit from economies of scale. On the other hand, we typically intentionally reserve a small portion of production capacity so as to promptly respond to seasonal fluctuation or unanticipated and urgent purchase orders. In addition, our manufacturing machinery and equipment can be efficiently reconfigured so that we are able to quickly switch the production and assembly for different products.

The following table sets forth the production capacity, volume and utilization rate data of our Zhongshan facility for the years indicated.

<u>Year</u>	<u>Main Products</u>	Number of Production and Assembly Lines in Operation	Designed Capacity⁽¹⁾	Actual Production Volume	Utilization Rate⁽²⁾
			<i>(unit)</i>	<i>(unit)</i>	<i>(%)</i>
2019	Educational tablets ⁽³⁾	2	600,000	531,025	88.5
	Wearable products	2	600,000	460,435	76.7
2020	Educational tablets ⁽³⁾	2	600,000	531,720	88.6
	Wearable products	2	600,000	98,399	16.4
2021	Educational tablets ⁽³⁾	2	600,000	527,360	87.9
	Wearable products	2	600,000	184,841	30.8

Notes:

- (1) The production capacity of the year is estimated based on the following assumptions: (i) all production and assembly lines are functioning in its full capacity; (ii) 8 hours per shift, one shift per working day and 250 working days per year throughout the Track Record Period.
- (2) Utilization rate is calculated by dividing the actual production volume during the year by designed production capacity of the year.
- (3) Represent the personal student tablets and the devices under the smart classroom solutions.

The utilization rate of our educational tablets continued to increase during the Track Record Period, which was in line with the growing sales of such products and reflected the gradual market acceptance of our educational tablets embedded with high quality digital educational resources. The utilization rate of our smartwatches declined during the Track Record Period, primarily due to the significant decreases in purchase orders, particularly from two major customers of such products who shifted their distribution strategies to focus more on 5G powered products. In response to such changes in the purchasing policies of those customers and the general market trends, we decided to adjust our distribution and product development strategies in light of our wearable products by reducing the production volumes of existing models and meanwhile, accelerating the development of smartwatches with more added-value, such as educational functions, and with higher technological competitiveness, such as being adaptive to 5G environment. We believe there remain potential market

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opportunities for wearable products. According to the Frost & Sullivan Report, the total shipment of kid smartwatches will reach about 32.1 million units, representing the total retailing market size of about RMB25.5 billion and a CAGR of 14.2% from 2021 to 2026. We intend to continue to develop and market such products in the future, in particular the products that are able to differentiate us from our competitors in the market.

Since most of our products, including the educational tablets and the smartwatches, share similar production and assembly processes, we are able to efficiently reconfigure our production and assembly lines and re-arrange our production plans for different products in accordance with the fluctuation in actual purchase orders from time to time. In slow seasons, we may temporarily suspend part of the production and assembly lines in operation to increase the production efficiency. Moreover, currently, our facility is able to maintain certain capacity flexibility. We maintained sufficient space for additional production and assembly lines without additional construction of facility. In particular, as of the Latest Practicable Date, our production and assembly facility located in Zhongshan still had an unutilized gross floor area of approximately 1,100 sq.m, which is able to accommodate additional three production and assembly lines. In addition, our current major manufacturing machinery and equipment in operation still reserves sufficient production capacity. With additional ancillary equipment, which generally does not incur significant costs and can be placed into operation in a few days, we are able to set up three additional production and assembly lines. As such, we are able to quickly set up two to three additional production and assembly lines without incurring significant investments in equipment and space. In the future, our further expansion in production capacity on main products, such as personal student tablets, will primarily be realized through in-house production and assembly facility and be supported by funds generated from our operations. As to products with lower selling prices, such as smartwatches and smart read pens, we may seek outsourcing cooperations with third-parties to expand our production capacity.

Critical Machinery and Equipment

We endeavor to equip our production and assembly facility with advanced and automated equipment, which we believe is essential to increase automation, ensure reliability, efficiency as well as cost competitiveness. The major machinery and equipment include customized automatic production and assembly lines, automatic screwing machines, dispensing machines, customized automatic functional testing tables and other various testing machines.

We purchase various machinery, equipment and parts from third parties which are then assembled in-house, some of which are imported from overseas countries, such as Japan. We typically maintain multiple suppliers for our production machinery and equipment and do not rely on any single supplier.

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Based on our replacement schedule, the expected useful lives of our major machinery and equipment are approximately 5 to 10 years. As of the Latest Practicable Date, the average age of our major machinery and equipment was approximately 5.6 years. We adopt the straight-line method over the estimated useful lives of the relevant equipment to calculate depreciation of our machinery and equipment.

Outsourcing Arrangements

Since late 2020, we commenced to outsource the production and assembly of certain models of our smartwatches to an independent third-party manufacturer under OEM arrangement with industry customary contractual terms. Our third-party manufacturer produces the designated products based on specifications and standards established by us and does not require production know-how and techniques from us for the production. We possess the key patents and technologies in relation to the production and assembly processes of the relevant products.

Given that our current in-house production capacity is relatively stable at a high level, we believe our strategic outsourcing arrangement has allowed us to focus our resources on main products and increase production capacity in a timely manner without incurring additional capital expenditure, especially when we expect to develop additional new products.

Our manufacturing partner has been accredited with ISO 9001, a standard and guideline relating to quality management systems. In order to ensure the quality of our products under the outsourcing arrangement, we carefully evaluate and review the manufacturing partner according to its production performance, quality control and compliance with applicable laws and regulations, we also conduct on-site inspection from time to time. We do not foresee any imminent risk of its failure to provide the manufacturing services on a similar scale to us.

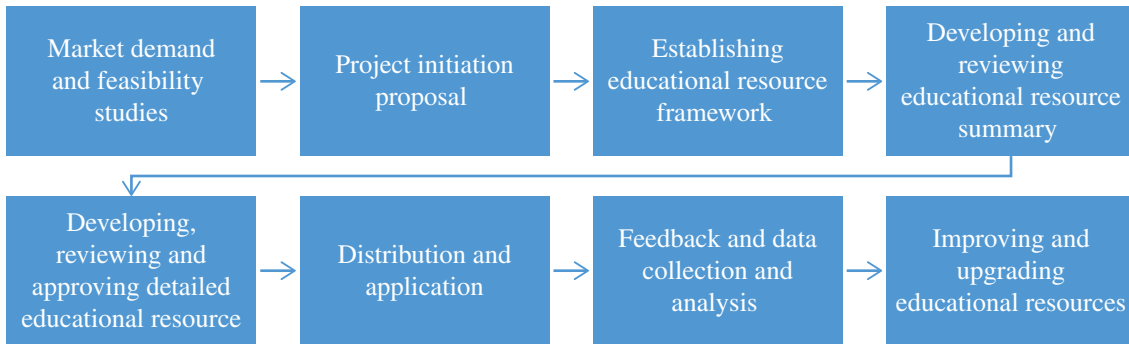
Our Digital Educational Resource Offerings

Educational Resource Research and Development

As of the Latest Practicable Date, we had an aggregate of 247 personnel dedicated to educational resource research and development, including full-time and part-time staff, many of whom were graduates from top universities in China and overseas. Approximately 69.2% of the staff under our Readboy Institute of Education Technology have a bachelor's degree, among which approximately 12.6% have a master's degree or above. We also engaged an external team consisting of 201 personnel dedicated to educational resource research and development for precise education studies.

BUSINESS

The following diagram illustrates the major steps in developing our digital educational resources:



To supplement our in-house educational resource research and development, we maintain close collaborative relationships with various interested parties in our industry, such as domestic education institutions and publishers specializing in educational books. For example, we from time to time enter into licensing agreements with publishers to use their copyrighted educational content. We generally do not directly offer such education content licensed in from third parties to our end users. Rather, we utilize those content as a part of the reference materials during our educational resource preparation and development. Currently, other than a very small portion of licensed-in courseware/video resources that are developed by third parties and placed in our devices for marketing collaboration purpose, substantially all of the digital educational resources we offer to the end users on our smart learning devices are self-developed. We also collaborate with third parties to jointly develop educational content. We typically agree to make a payment to the relevant third parties under such cooperation in order to obtain the copyright of the education contents under such joint development.

We emphasize not only the quantity but also the quality of our digital educational resources which is crucial to our reputation and sustainable success. We strive to develop comprehensive content offerings catering to the diverse learning needs of primary and secondary school students from 6 to 18 years old, facilitating them to develop more productive and efficient learning skills, and thus, better academic performance. We also intend to enrich our digital educational resource offerings as we continue to expand our student base.

Our Educational Resource Research and Development Crew

Retaining a team of passionate and high quality educational resource research and development crew is a key to maintaining and growing our reputation, competitiveness and market share. We have established well-developed procedures for identifying, hiring, training, evaluating and retaining qualified educational resource research and development crew, which include a rigorous recruiting process, periodic trainings, corporate culture and philosophy, as well as a competitive base salary coupled with performance-based bonuses. We believe that our

BUSINESS

competitive and incentivizing remuneration package, career advancement opportunities, and systematic training programs allow us to recruit, train, evaluate and retain top quality educational resource research and development crew in the industry.

Leveraging our well-established reputation and extensive experience, we have been able to effectively recruit and retain high quality and qualified educational resource research and development crew across our content offerings. Currently, we mainly identify and approach such crew through referrals and online recruitment. We primarily focus on the educational background, and working experience. We target prospective candidates who are passionate about education career and endorse our corporate culture. Our recruitment process includes, among others, resume screening and in-person interviews.

We have established systematic training programs to standardize and streamline the professional training of our educational resource research and development crew nationwide. For newly hired personnel, we provide trainings to improve and standardize their skills and abilities. We also arrange systematic training programs on an ongoing basis focusing on various topics, such as educational content studies, research methods, and our corporate values and so on.

As of the Latest Practicable Date, we had 247 educational resource research and development crew, including full-time and part-time staff, many of whom were graduates from top universities in China and overseas, such as Harvard University, Peking University and Tsinghua University. We maintain a rigorous evaluation system to appraise the performance of our educational resource research and development crew. For instance, we review their student satisfaction and student retention rate on a monthly basis. We also require ethical conducts. We may consider to suspend, or even terminate, the contract with an educational resource research and development crew if he/she remains underperforming for a prolonged period or severely violate our code of conducts. The turnover rate of our full-time educational resource research and development crew was approximately 11.8%, 17.2% and 26.5%, respectively, in 2019, 2020 and 2021.

We enter into an employment agreement with each of our full-time educational resource research and development crew, which specifies the academic subject he/she is responsible for and his/her major responsibilities, including preparing learning materials based on our standardized syllabus and curriculum framework, participating in the production of pre-recorded video resources in accordance with our requirements and standards. The employment agreements with our full-time educational resource research and development crew generally have a term of three years. We also enter into confidentiality agreements with our full-time educational resource research and development crew. The agreements with part-time educational resource research and development crew are generally on a project-by-project basis, which provide the number and duration of pre-recorded video resources he/she will be participating in during the term of the relevant agreement, as well as the compensation both parties agreed for the services provided. The educational content is subject to our review and approval and if the quality of certain educational content a crew delivers could not meet our requirements or standards, we can ask him/her to revise and redo the work or, in severe cases,

we have the right to terminate the agreement. Pursuant to these agreements, we are entitled to the ownership of the intellectual properties arising out of the performance of the agreements, such as the educational content in audio, video, written or other forms. We are entitled to continue to use the educational content after the relevant employment agreement expires and we also allowed to authorize, license or transfer such educational content to third parties, without obtaining the consent and paying additional compensation to the relevant personnel. In addition, under the employment agreement, the crew undertakes that he/she shall keep confidential all the relevant information he/she accesses in connection with the performance of the agreement, and shall not sell, transfer or gift such to any third parties without our consent and authorization. We are entitled to seek damages from the personnel if he/she breaches the agreement.

To further strengthen our academic advantages, we have engaged 11 external consultants who were renowned teachers or education experts having retired from reputable schools or education institutions in China. These consultants bring us their comprehensive understanding and insights in selecting not only high quality digital educational resources, but also resources that intend to deliver higher learning efficiency, based on their first-hand experience.

Readboy Institute of Education Technology (教育科技有限公司)

Readboy Institute of Education Technology is our in-house educational resource research and development center founded in 2017, which is mainly responsible for content research, educational resource design and development, courseware and pre-recorded video resource production and other relevant supportive services. We strive to explore educational resources and deliver the high quality digital educational resources to Chinese students. As such, under our Readboy Institute of Education Technology, we cooperate with a local education institution in Huanggang and self-operate three other branches across the country, namely in Beijing, Zhongshan and Zhuhai. Moreover, we have recently entered into a strategic agreement with the institute of technology of a renowned university in the United States, to explore cooperative opportunities in connection with statistics and data science and relevant real-life applications.

Synchronous lesson learning resources

Given the significance of primary and secondary school education in shaping students' personality and future academic and career paths, we have strategically focused on collecting, developing and offering various synchronous lesson preparation, review and learning materials for primary and secondary school students, which are designed to supplement students' regular school curricula.

Our synchronous lesson learning resources have covered all grades in primary and secondary schools and a wide range of academic subjects, including Chinese, mathematics, English, physics, chemistry and so on.

We also further classify such digital educational resources educational resources into multiple levels of difficulty for basic and advanced learners, which may contain differentiated learning skills and key study points. This differentiation approach efficiently suits the needs of students with different learning capabilities. In addition, due to the slight differences in the standard curricula textbooks published in different regions and by different education institutions, we may also modify the content accordingly.

Advanced learning resources

We believe one of our competitive strengths is our ability to offer differentiated educational instruction to meet the needs of students with different learning capabilities. In this regard, other than the digital educational resources educational resources adaptive to the compulsory primary and secondary in-school education, we have developed advanced learning resources for students who pursue higher academic achievements. For example, our phonics sessions offer the students a practicable tool to strengthen English vocabulary building without memorizing phonetic symbols. Our mathematical thinking training sessions focus more on improving the students' skills of calculation, time and space, and logic analysis.

Featured learning resources

In addition to those digital educational resources educational resources for academic subjects, we also design and offer a suite of featured learning resources, aiming to inspire and support students' various interests and skills, such as computer programing, calligraphy, safety education, STEAM and science exploration resources. In addition, we recently developed family education resources for parents, providing professional parenting advice.

Formats of Our Digital Educational Resources

We produce short-form animation courseware, each focusing on one knowledge point and lasting for about three minutes. As of the Latest Practicable Date, we had produced 3,319 such animation courseware.

In addition to courseware available on our smart learning devices, we also offer pre-recorded video resources held by us through our online learning platform. Such pre-recorded video resources cover a number of core academic subjects.

Once connected to our learning platform, the student is able to browse and select from a variety of pre-recorded video resources any time anywhere, which are personalized recommendations based on his/her current grade, learning progress and interests. As of the Latest Practicable Date, our online learning platform had hosted pre-recorded video resources lasting for over 12,192 hours. Except for a few samples of short-form animation courseware pre-installed on our personal student tablets, the educational content, such as short-form animation courseware and pre-recorded video resources, can only be accessed online through our online platform and mobile APPs.

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In 2017, we pioneered in our industry in offering dual-tutor live streaming classes in China among all domestic smart learning device service providers, indicating our outstanding teaching force and innovative attempt in advancing teaching methods. According to the Frost & Sullivan Report, our major competitors started to offer their live streaming classes since 2019, which was two years after our dual-tutor live streaming classes were launched. Nevertheless, on July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the “Opinions”) (《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》). According to the Opinions, after-school tutoring industry will be subject to more stringent regulatory restrictions while in-school education will receive more investments and play a more significant role for China’s primary and secondary school students. Please refer to the section headed “Regulatory Overview” for more details. It is uncertain at current stage whether the central and local education authorities will introduce additional and more stringent regulations to govern the after-school tutoring market, and when and how those detailed rules will be implemented, and how they still affect our industry and our business operations. If the PRC government continues to impose stricter regulations on areas we may be involved in, we could face higher costs in order to comply with those regulations, which could impact our profitability. In response to such regulatory change, we had reviewed our business operations and had discontinued to offer any self-developed live streaming classes since August 2021. We have thoroughly reviewed our online platform and mobile APPs to remove the access to any self-developed live streaming classes and we have terminated any application process for such classes. We have actively identified and made available access to additional online free educational resources on our smart learning devices to the extent permitted by applicable laws and regulations, including the Opinions. For more details about our actions in response to the Opinions, please refer to the section headed “– Recent Regulatory Changes and The Impacts on Education Resources” below.

Fees

Since our inception, we strive to differentiate ourselves from other competitors by offering high quality smart education hardware embedded digital educational resources and we strategically market our brand name as a technology-powered smart learning device service provider. Physical products are more visible, therefore, more easily to reach and be accepted by our target end users, comparing with other education industry players who generally face difficulty in promoting only courses, other educational content and various intangible services. As such, historically, we did not separately charge fees based on digital educational resources we have offered. Instead, we consider the value of our digital educational resources when pricing our smart learning devices. In determining the allocation of prices between the smart learning devices and the digital educational resources, we use expected cost-plus-margin approach to estimate the stand-alone selling prices for the devices and the digital educational resources, respectively, based on the anticipated costs and margins we expect each separate part will incur. We have considered all information that we think is reasonably available, including but not limited to, pricing of similar products by third parties in the market, costs incurred to provide the good or service, and related profit margins. For more details, see “Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition – Revenue from contracts with customers.”

Recent Regulatory Changes and The Impacts on Education Resources

It is noticed that local and central governments have issued a number of policies recently, promoting the healthy growth of after-school tutoring market, including but not limited to the restriction on class hours of after-school tutoring sessions, qualification of relevant teaching crew, requirements for operating online educational content and education APPs, regulating the pricing of online and offline courses and punishing false advertisements. In particular, in July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the “Opinions”) (《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》), which reaffirmed the government’s political strategies to promote the quality of compulsory in-school education and increase the diversity of educational services provided by schools, and indicated the government’s initiatives to strengthen the offering of free online education content and encourage students to utilize such education content. According to the Opinions, after-school tutoring industry will be subject to more stringent regulatory restrictions while in-school education will play a more significant role for China’s primary and secondary school students. As confirmed by our PRC Legal Advisor detailed in the following paragraphs, we are not an after-school tutoring service provider whose operations are directly regulated by the Opinions. Our smart learning devices are designed to encourage students’ learning interests and cultivate their learning habits, and the embedded digital education resources do not require compulsory attendance and are not intended to set up any specific learning goal. Regardless of the above, we took a prudent approach and with an eye on better complying with the government policies, we had reviewed our business operations and had discontinued to offer any live streaming classes since August 2021. We have thoroughly reviewed our online platform and mobile APPs to remove the access to any live streaming classes and we have terminated any application process for such classes. To continue to fulfill the relevant learning needs, we have been producing pre-recorded video resources for those educational resources and the users are notified and redirected to explore our pre-recorded video resources for the content they are interested in.

We believe the discontinuity of live streaming classes will not have a material adverse impact on our business and financial performance, on the basis that (i) historically we did not separately charge fees based on digital educational resources we have offered, and (ii) leveraging our strong educational resource development capability and experience, we are able to maintain the quality and diversity of the content offerings on our smart learning devices by improving other forms allowed by the new regulatory regime, such as courseware and pre-recorded video resources. Such belief is supported by an online survey research conducted by Frost & Sullivan in January 2022 with 1,000 students and parents across the country. According to the survey, Frost & Sullivan concluded that, among others, (a) there are a number of factors the students and parents may consider when making the purchasing decision, and the variety and quality of question bank and pre-installed educational materials provided by the smart learning devices are among the top considerations, while the inclusion of live-streaming classes or not is not a major concern, (b) an overwhelming majority of students and parents who responded to the relevant questions expressed the willingness to continue to use smart

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learning devices which discontinue to offer live streaming classes, and (c) a majority of the students and parents who responded to the relevant questions selected smart learning devices with educational content over private tutoring as a supplementary education resource after the recent regulatory changes in 2021. As such, we believe that the popularity and the customer demand for smart learning devices in China remain strong which are not materially adversely affected by the release of the Opinions and the discontinuity of the live streaming classes available on the smart learning devices, if any. Moreover, we believe our business growth in the past several years has been attributable to a number of factors, including but not limited to, (i) the continuous improvements in the quality and functionality of our smart learning devices by adopting the latest technologies, (ii) the quality and the increasing amount of education resources, which were provided in the format of pre-recorded video resources, courseware, and live-streaming classes (prior to its discontinuity), (iii) the expansion of our distribution network which facilitates the distribution and sales of the smart learning devices, (iv) other various marketing efforts we have made over years, and (v) the established reputation and brand recognition. In addition, we also believe that our business growth has been a result of the gradual accumulation of these factors over time, which could not be achieved instantly by an occurrence of any isolated event, i.e. the launch of the self-developed live streaming classes. To maintain the variety and quality of our education resources after the discontinuity of the live streaming classes, we have been producing and uploading pre-recorded video resources for those educational resources previously provided by the live streaming classes. We did not directly convert live-streaming classes to pre-recorded video format and upload online. Instead, we summarize the key points based on the compulsory education curriculum and syllabus frameworks and produce video content that organize and present the key points in a way that the students could understand better. Going forward, we will continue to compete by developing high quality student tablets embedded with appealing educational resources in various formats. We will continue to upgrade our pre-recorded video resources on a regular basis. We will closely monitor the changes in national and local compulsory education curriculum and syllabus frameworks and new technology and education market trends, so as to modify our education resources accordingly in a timely manner. Moreover, we continue to adopt advanced technologies to produce and upgrade our video content by increasing the video resolution and making the content more interesting and engaging. Given that changes in compulsory education curriculum and syllabus are generally moderate, and our annual budgets have included the technical upgrades for our pre-recorded video resources, we do not expect to incur material costs and expenses in any given period in this regard. Monthly total views of our pre-recorded video resources from August 2021 to May 2022 were generally higher than the corresponding periods in the previous year. Total views increased by approximately 40.9% in the eight-month period from January to August 2021, comparing with the corresponding period in 2020, indicating an increasing popularity of our online education resources.

We have also terminated the business plan in connection with selected paid courses. We believe that it will not have a material adverse impact on our overall business and financial performance because (i) historically we did not separately charge fees based on digital educational resources we have offered; (ii) paid courses were planned to be a supplement to our current business operations and our main revenue stream remains to be from the sales of smart learning devices, and (iii) the decision of not offering paid courses will not constitute any

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difficulty in implementing our other business plans. In addition, under the recent new regulatory regime which, among other things, targets to enhance the quality of compulsory education and to improve the online educational methods of schools, we believe our smart classroom solutions will become a significant strategic focus and advantage, as they are recognized by more schools as an effective teaching tool during their process of developing a digital education environment.

We have also reassessed and optimized our human resources to accommodate these adjustments to our business operations. In particular, we reviewed our full-time educational resource research and development crew who were primarily responsible for live-streaming classes, and reallocated them to content research and development, visual design, animation development and other teams, based on their respective skills and qualification. Except for a few employees resigned from us, we did not terminate employment relationship with any of such full-time employees. With respect to our part-time educational resource research and development crew who were primarily responsible for live-streaming classes, we terminated the business relationship with a majority of them and continued to engage the remaining personnel for the development of our pre-recorded video resources on a part-time basis. Since our agreements with part-time crew are generally on a project-by-project basis, we did not incur additional costs and expenses in connection with such termination of the part-time crew.

We believe the smart learning device service market in China remains to be broadly imbalanced and underserved, given that (i) according to the Frost & Sullivan Report, total K-12 students, our target users, in China was approximately 232.2 million in 2021 while our registered users were over 5.5 million as of the Latest Practicable Date, (ii) there are over 1,800 county level cities in China while our offline distributor network currently only covers 344 county level cities, (iii) there are over 220,000 primary and secondary schools in China while the number of schools to which we supplied our smart classroom solutions was approximately 320 as of the Latest Practicable Date; and (iv) under the recent new education regulatory regime, schools are highly encouraged to carry out digital transformation which creates intensified needs for sophisticated smart classroom solutions; all of the above indicate that our current penetrations, in terms of geographic coverage, student population or school coverage, are generally low and there remain huge market demands and opportunities for us. Despite the above adjustments we made, we believe our smart learning devices remain attractive and popular, regardless of abundant free online education resources and other mobile tablets on the market that are not specially designed for students. Our smart learning devices possess a number of competitive advantages, including (i) sophisticated educational device systems empowered by AI and other technologies benefiting from over 20 years of industry experience, such as a large amount of digital interactive courseware that inspire the interest in learning, and the personalized study reports and learning recommendation our products could generate, and (ii) specialized functions designed for students that deliver a comfortable and efficient learning experience, such as eye-protection and parental control features, which allow the parents to conveniently track and review the students' learning progress, for more details, please refer to "Business" in this prospectus. Moreover, we are one of the first movers in China to develop and offer smart classroom solutions, which business has experienced a rapid growth in the Track Record Period, and is expect to continue to develop, especially in the third- and

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lower-tier cities, riding on recent favorable policies to promote digital equity and improve balanced education opportunities across the country. During the Track Record Period, we had supplied our smart classroom solutions to 65, 50 and 113 schools in 2019, 2020 and 2021, respectively. Over the same period, revenue derived from smart classroom solutions increased from RMB8.2 million in 2019 to RMB23.6 million in 2021, representing a CAGR of 42.4%. In the period from January 1, 2022 to the Latest Practicable Date, we supplied our products to additional 39 schools across the country, 68.1% of which were located in third- and lower-tier cities.

To better understand and to properly comply with these new policies, we, together with the representatives of our PRC Legal Advisor and the PRC Legal Advisor to the Joint Sponsors, participated in a series of interviews with the local and central education authorities.

On August 11, 2021, we participated in an interview with a responsible officer from the After-school Tutoring Supervision Division, formerly known as the Education Supervision Division, under the Department of Education of Guangdong Province. We informed Department of Education of Guangdong Province that we have completed the adjustment to our operations by fully terminating the live-streaming classes shortly after issuance of the Opinions. In addition, we were advised, among other things, that (i) we are not an after-school tutoring service provider whose operations are directly regulated by the Opinions, therefore, according to the Non-state Education Promotion Regulation, the Opinion on the Development of After-school Training Institutions and the Opinions, our current businesses are not required to obtain the permit to commence (辦學許可); (ii) the provision of digital educational resources in the form of pre-recorded video does not constitute a form of after-school tutoring business strictly regulated by the Opinions and is permitted under current regulatory requirements; and the provision of online educational resources with quality without separately charging fees and the promotion of the development in educational resources and education equality are encouraged by the Opinions; and (iii) for the live-streaming classes provided during the Track Record Period prior to the issuance of the Opinions, we have completed the requisite filing procedures for its operations, including obtaining the Certificate of After-school Online Tutoring (《廣東省校外線上培訓備案證明》) issued by the Department of Education of Guangdong Province.

In light of new follow-up new policies, on October 9, 2021, we participated another interview with the same responsible officer from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province. We were advised, among other things, that (i) as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; (ii) we are considered as an education technology company after our business adjustments and not as an after-school tutoring service provider and it is not directly subject to the Opinions and the follow-up policies; (iii) after our business adjustments, our main business is the sale of smart learning devices and the provision of digital educational resources in the form of pre-recorded video

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through such smart learning devices; such business does not constitute a form of after-school tutoring business strictly regulated by the Opinions and the follow-up policies; and (iv) based on the principle of non-retroactivity of laws and regulations, the Opinions and the follow-up new policies do not have a retrospective effect on our provision of live-streaming classes prior to the release of the Opinions.

On November 1, 2021, we participated an interview with the director of the general office under the Department for Supervision of After-School Tutoring Institutions of the Ministry of Education. We were advised, among other things, that (i) the education authorities at each provincial level are responsible for the execution and implementation of the Opinions within their jurisdiction; as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province (with which we conducted the previous interviews on August 11 and October 9, 2021) is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; and (ii) we shall follow the advice and confirmations obtained from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in the previous interviews when conducting its business operations, and (iii) we shall seek advice from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in connection with the Opinions and other related policies in the future.

Based on the third interview conducted on November 1, 2021, we believe, and the Joint Sponsors concur, that the confirmations we received from the responsible officer during the interviews on August 11 and October 9, 2021, respectively, are valid, sufficient and properly authorized, and could be relied on to guide our business operations going forward.

In January and February 2022, we voluntarily requested the Department of Education of Guangdong Province to review whether our products and services are in compliance with the Opinions. For the review, we submitted our C30 personal student tablets, C18 personal student tablets, A9 smartwatches and D1X smart scanner pens (the “**Reviewed Product Models**”) as our product samples. On February 15, 2022, we obtained a written examination opinion (the “**Written Opinion**”) from the Department of Education of Guangdong Province. The Written Opinion confirms that (i) our business and our major products, namely personal student tablets, wearable products and other smart accessories, do not constitute a form of after-school tutoring business regulated by the Opinions; and (ii) we are not an after-school tutoring service provider and it is not directly subject to the Opinions and the follow-up policies. As (i) the Reviewed Product Models each individually was one of the top contributors to the sales amounts among their similar products and collectively accounted for 28.7% of our total sales amount for the year ended December 31, 2021, and (ii) the major differences among different models of personal student tablets, smartwatches and smart scanner pens are hardware performance rather than education content, our Directors are of the view that the Reviewed Product Models are representative products of our business.

According to our PRC Legal Advisor, pursuant to the Opinions and based on the information regarding to the responsibilities and functions of the Department of Education of Guangdong Province set forth on the official websites of the Ministry of Education and the Department of Education of Guangdong Province, (i) the Department of Education of Guangdong Province is responsible for enforcing and implementing education laws, regulations, guidelines and policies within Guangdong provincial area, thus the Department of Education of Guangdong Province is a competent authority to implement the relevant national rules, regulations and policies, including the Opinions, and the responsible officer is in charge of after-school tutoring matters and is authorized to give such confirmations, and (ii) based on the facts that (a) the Department of Education of Guangdong Province is the competent authority in responsible for the administrative management of after-school tutoring matters, (b) the Department of Education of Guangdong Province is the actual enforcement entity of the China's education laws and regulations, and (c) the confirmations provided by the responsible officer do not contradict with other policies, laws and regulations, including the Opinions, that have been released to the public so far, the likelihood that the confirmations provided by the responsible officer to be challenged by a higher level authority, including the provincial education department (i.e. the Department of Education of Guangdong Province) and/or other national authority, is low. In addition, based on the interviews, our PRC Legal Advisor is of the opinions, upon the adjustments to our business operations as described above, that (i) the provision of digital educational resources in the form of pre-recorded video would not be regarded as an indirect circumvention of the Opinions, (ii) we are not considered as engaging in the online tutoring operations strictly regulated by the Opinions, and we are not required to obtain additional permits or licenses for our existing operations going forward, and (iii) in terms of our previous business operations during the Track Record Period and prior to the promulgation of the Opinions, we have not been found in violation of the relevant laws and regulations.

Content Licensing

In that we have accumulated our brand recognition for digital educational resources, we established cooperative arrangements with third parties, usually online content distribution platforms or content streaming device systems with education-focused channels, such as intelligent TV box systems with selected pre-installed education content under which we licensed certain digital educational resources to such third parties, on a non-exclusive basis, to display on their platforms and share service fees charged from their users. Subject to the detailed arrangements with each third party platform, we were entitled to receive certain portion, typically 50%, of the proceeds that the platform generates from our digital educational resources. The third parties shall ensure their platforms are in compliance with the relevant laws and regulations and are able to maintain proper and stable operations. The third parties shall also promote our educational content on their platforms. We, on the other hand, shall ensure our licensed digital educational resources is in compliance with the relevant laws and regulations. Under the cooperative arrangements, we do not transfer the ownership of the intellectual property rights of the licensed digital educational resources to those third parties.

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OUR DISTRIBUTION NETWORK

We primarily rely on third-party offline distributors for the sales of our products. We also distribute through online channels comprising of our self-operated online storefronts on mainstream e-commerce marketplaces and a limited number of online distributors. Moreover, we commenced to generate a small portion of revenue from third parties who placed in-app advertisements with us since 2019. We also commenced to license our digital educational resources to third parties' platforms under profit-sharing arrangements since 2019.

The table below sets forth the revenue contribution by our sales channels.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Offline distributors	614,381	91.7	624,009	85.0	695,641	85.5
Self-operated online platforms	11,693	1.7	21,619	2.9	29,937	3.7
Online distributors	41,307	6.2	75,401	10.3	74,637	9.2
Others ⁽¹⁾	2,472	0.4	12,968	1.8	12,966	1.6
Total	669,853	100.0	733,997	100.0	813,181	100.0

Note:

- (1) Revenue derived from others during the Track Record Period represented the portion of revenue from (i) third parties who placed in-app advertisements with us and (ii) third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements.

Offline Distribution Network Summary

We have developed a nationwide offline distribution network, comprising of points of sales operated by third-party offline distributors. According to the Frost & Sullivan Report, offline distribution, under certain circumstances with the cooperation with employee-distributors, is the common sales and marketing strategy for the major market players in the smart learning device service industry to realize the organic business expansion due to the operating efficiency arising from the light-asset nature. As of the Latest Practicable Date, we contracted 129 offline distributors who controlled a total of 4,608 points of sales located in 344 cities covering 31 provinces and autonomous administrative regions, including municipalities, across China.

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We generally allow our offline distributors to engage sub-distributors that they consider appropriate. At the initial stage of our operations, there were a limited number of offline distributors who had local marketing, capital and human resources to facilitate our product distribution and customer services. These offline distributors were usually granted a relatively large designated distribution region and engaged sub-distributors to grow their businesses. Along with our rapid development, the increasing awareness of our brand name, and also partially benefitted from the evolutions in IT technologies, logistics, online payments and instant online communications, we have accumulated abundant experience and capabilities to directly engage and manage more offline distributors to support our expansion. As such, in order to further improve our ability to monitor our offline distributors, enhance their quality in distributing products and delivery services, increase our operating efficiency, thus, our profitability, since late 2019, we have commenced to reform our offline distribution network to establish a single-layer model at prefecture-level cities. We closely review the performance of existing distributors and identify and motivate those who have strong marketing and sales capabilities to expand their designated distribution areas. This approach also includes the identification and motivation of top-performing sub-distributors to directly contract with us and operate their points of sales as our contracted offline distributors. We also encourage offline distributors to simplify their multi-layer sub-distributors by consolidating the resources. With respect to underperforming offline distributors, we may consider to terminate the business relationship with them and re-allocate the relevant designated regions to competent ones. In that we do not rely on any single offline distributors under our single-layer distribution model and we strategically review nationwide coverage and penetration when considering such re-allocation, the structural reform of our distribution network does not have a material and adverse affect on our daily operations. To facilitate the distribution network structural reform, we are also in the process of upgrading our information management middle-platform and other related systems to enhance the management function over the offline distributors, see “— Management and service support for offline distributors” below for more details.

Nevertheless, our current distribution network structural reform does not strictly disallow our offline distributors to engage sub-distributors. Considering the large geographic coverage of certain regional markets and the difficulty in retaining competent distributors with sufficient experience and capabilities, we may, on a case-by-case basis, allow the relevant distributors to engage sub-distributors subject to the review of its ongoing performance, the market demands and the competition within its designated distribution region.

We consider our distribution network structural reform a process with dynamics and vibrations. We do not set forth a concrete timetable for such structural reform, rather, we constantly review and adjust our development plans, together with the efforts of our existing and new distributors, to achieve the optimal single-layer model at prefecture-level cities. As of the Latest Practicable Date, the points of sales controlled by our offline distributors had located in 344 county-level cities, among which approximately 23.0% had transformed to the single-layer distributorship.

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We do not expect to experience any material operational hurdles during our distribution network structural reform. We have well informed our policies and our business goals with our offline distributors. We also keep friendly discussions with and provide timely support to the offline distributors in connection with various execution plans, such as resource consolidation and re-allocation of designated distribution regions.

Offline Distributors

Selection and evaluation criteria for offline distributors

Engaging capable offline distributors is critical to our business growth. We have developed a systematic process with respect to the expansion planning and execution for offline distributors and their points of sales. We identify and select our offline distributors based on a number of criteria, including, among others, their local relationships and retail experience, financial conditions, operational and marketing capabilities, the number and location of their points of sales, legal compliance status, as well as their understanding of our culture and business model. Only candidates that pass our initial review subject to our selection and evaluation criteria will be qualified as our contracted offline distributors.

We enter into distribution agreements with each of the offline distributors which typically have a term of one year and are renewable subject to mutual consents. For more details about the arrangements under our distribution agreements, see “– Distribution agreements” below. As of the Latest Practicable Date, we had contracted a total of 129 offline distributors, a substantial majority of which are privately owned electronic device trading and distribution companies and/or education and education-tech related industry players, such as education publishers. The table below sets forth the changes in the number of our offline distributors, which is calculated based on the number of entities (natural person or company) entering into the distribution agreements with us, during the Track Record Period.

	Year Ended December 31,		
	2019	2020	2021
Beginning of the year	54	58	86
Additions	13	34	46
Terminations	9	6	9
Net increase	4	28	37
End of the year	<u>58</u>	<u>86</u>	<u>123</u>

* The number of offline distributors is based on the number of legal entities/individuals entering into the distribution agreements with us in the relevant period.

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We have maintained good business relationships with our offline distributors and we did not experience any material disputes with them, including those who terminated the distribution agreements with us, during the Track Record Period and up to the Latest Practicable Date. Certain of the offline distributors terminated the relationship with us primarily due to subpar performances, change and replacement of operating entity of the distributors, or change of key business scope of the offline distributors or other personal reasons who decided to close their business. During the Track Record Period, revenue contributed by the offline distributors who terminated the distribution agreements with us amounted to RMB5.4 million, RMB4.0 million and RMB5.4 million, in 2019, 2020 and 2021, respectively, accounting for approximately 0.8%, 0.5% and 0.6% of total revenue in the relevant periods.

During the Track Record Period, our offline distributors typically operate multiple points of sales within their respective designated regions. The table below sets forth the changes in the number of points of sales operated by our offline distributors during the Track Record Period.

	Year Ended December 31,		
	2019	2020	2021
Beginning of the year	2,865	2,905	3,386
Additions	691	838	1,057
Closure	651	357	141
Net (decrease)/increase	40	481	916
End of the year	2,905	3,386	4,302

During the Track Record Period, our offline distributors and their sub-distributors decided to close the points of sales due to different reasons, mainly including the subpar performance and strategic store relocations to meet the trend of consumption upgrade. In addition, certain points of sales were closed in response to the structural reform of our distribution network since 2019 as we re-allocated the designated regions for our offline distributors.

We strive to develop a nationwide offline distribution network with deep penetration. During the Track Record Period, the number of the points of sales located in third- and lower-tier cities accounted for approximately 68.6%, 69.7% and 70.9% of total points of sales in 2019, 2020 and 2021, respectively.

In the period from January 1, 2022 to the Latest Practicable Date, we newly contracted 24 offline distributors and terminated business with 18 offline distributors. The total number of the points of sales controlled by our offline distributors increased to 4,608 as of the Latest Practicable Date.

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We endeavor to establish a nationwide distribution network with deep penetration, especially into third- and lower-tier cities in China. During the Track Record Period, the majority of points of sales controlled by our offline distributors were located in those regions. The nationwide network ensures the visibility and availability of our brand and products, which particularly facilitates the delivery of high quality educational content powered by smart devices to students living in places where educational resources are typically inadequate. According to the Frost & Sullivan Report, in 2021, total K-12 students in all third- and lower-tier cities was approximately 169.5 million persons, corresponding to 73% of total K-12 students, and is expected to be 161.5 million person, corresponding to 72% of total K-12 students in China by 2026. Despite a mild decrease in the absolute number, the overall K-12 education market is still underserved mainly due to the limited number of industry players and presents remarkable opportunities. In addition, the continuous implementation of the “two-child policy” in 2016 and the recently announced “three-child policy” in 2021 by the central government would also boost the long-term population growth and improve the country’s population structure. In 2021, China’s birth rate remained at a relatively low level. Over the same period, per capital expenditure on education is estimated to grow from RMB1,074 in 2021 to RMB1,635 in 2026. We believe there are huge market opportunities in third- and lower-tier cities in China. In addition, the continuously growing internet penetration in third- and lower-tier cities also serves as a strong foundation for our future development. According to the Frost & Sullivan Report, the internet penetration rate in China’s third- and lower-tier cities has experienced a significant development, from approximately 45% in 2016 to 67% in 2021, and the expected internet penetration rate would reach 85% in 2025. Our distribution network with deep penetration not only enables us to distribute products and services efficiently. More importantly, it promotes fair and balanced education opportunities for every students and conveys our philosophy of education to study happily and efficiently to students across the country. To this end, we will not only strive to identify and maintain additional high quality offline distributors to facilitate us in expanding our geographic coverage, but also will strengthen our online operations through engaging more online distributors and enhancing our marketing efforts to promote our self-operated online platforms, so as to improve our brand recognition and broaden online reach.

Management and service support for offline distributors

Our management team has developed a rigorous and standardized distributor management system that allows us to exert effective management. Such management strengthens the integrity and reputation of our brand which are highly associated with consistent and high quality products and shopping experience.

We rely on our strong IT infrastructure to achieve the standardized management over our offline distributors. We implement an integrated information management middle-platform, which includes the EPR system, end-to-end service system, material management system, order management and other modules, and enables us to carry out real-time digitalized service supports and monitoring throughout the daily operations of their points of sales, allowing us to effectively track and monitor the sales of every point of sales. To be specific, our information management middle-platform is connected to all points of sales and promptly

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captures the quantities of devices ordered by each offline distributor, which is a major indicator we use to evaluate the performance of our offline distributors. We also ask the offline distributors to complete the store-level connection with our information management middle-platform as soon as practicable when it or its sub-distributor starts a new point of sale. On the other hand, the system reflects the sales data once a device is sold by a point of sale. Since we do not directly enter into any contract with sub-distributors, our current system does not differentiate the points of sale operated directly by an offline distributor from those operated by a sub-distributor. Instead, the aggregate purchases or sales of all points of sale within a designated distribution region, directly or indirectly controlled by an offline distributor, will be counted as the purchases or sales of this offline distributor by our system. As such, we are able to constantly review and ensure the healthy inventory level of each distributor within a designated distribution region, representing the balance of its ordered amount and the amount sold in its designated distribution region in a given period. Moreover, we also monitor the soundness of the inventory level of our distributors by reviewing their trade receivables. The offline distributors are generally required to make full payment before the shipment, or on a case-by-case basis, we may extend a short credit term of 30 days to certain offline distributors. We do not provide any financial support to our offline distributors. As such, we are able to assess whether there is potential risk of channel stuffing by monitoring the level of trade receivables from each offline distributor. By leveraging the data technologies, our information management middle-platform is able to record, archive and analyze a large amount of data as discussed above. Through comparing the purchase and sales data of an offline distributor in a given period with its performance in a previous comparable period or with the performance of other offline distributors, we are able to adopt prompt measures in case any irregularity in the inventory balance or trade receivable settlement of a distributor is identified.

To support our distribution network structural reform, we are also currently in the process of upgrading our information management middle-platform to enhance the management over distributors, including over the sub-distributors. In particular, in order to retrieve more accurate data on the inventory balance of each of the offline distributors and their sub-distributors in a designated distribution region, we improved the digitalized information collection process. Since the second quarter of 2021, we commenced to ask our offline distributors to submit monthly inventory reports for reference, which shall also separately identify and present the inventory balance of different layers of distributors in a designated distribution region. In addition, to ensure more timely and accurate records of the distributors' sales data, we encouraged the distributors (and asked them to encourage their sub-distributors) to use the e-warranty card when selling and activating the devices. Comparing with traditional warranty paper which is subject to manual input to our system, digitalized e-warranty is automatically recognized by the system, increasing the efficiency and accuracy when activating the device. We updated our distributor performance evaluation policies, pursuant to which only sales adopting e-warranty will be recognized for performance evaluation purpose. This highly motivated the distributors and sub-distributors to shift to the use of new e-warranty. All these measures better facilitate us to collect purchase and sales data, estimate and monitor the amount of products remained unsold by the offline distributors and their sub-distributors. We will continue to upgrade our information management middle-platform to cover more data, particularly the detailed data from sub-distributors.

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We deem the distributors our valuable business partners who share the same long-term visions and help to serve the customers in store under our brand name. Therefore, we provide various trainings for distributors and their staff with respect to our business philosophy, development strategies, industry insights, store operational knowledge, and marketing skills. We have a marketing support team comprising of 46 people who are assigned to support and monitor the distributors and promptly act in response to their suggestions or enquiries. In addition, we value our distributors' opinions and first-hand feedback, which enable us to constantly modify and improve our distributor management strategies. To ensure full compliance with the distribution agreements and our retail policies and operating procedures which assure the product quality, consumer experience and our reputation, we conduct both scheduled and unannounced inspections on the points of sales by regional supervisors so as to identify and correct any irregularity in a timely manner. We also leverage social media platforms to maintain a close and active connection with our offline distributors. For example, our marketing personnel host and maintain WeChat groups with the offline distributors under their respective supervision, which allows instant communications for service support or feedback. Moreover, we, from time to time, offer additional support to motivate our offline distributors by supporting their new store opening or existing store upgrades, such as decoration and furnishing.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any of our offline distributors committing any material breach of their distribution agreements or being in violation of our retail policies.

Distribution agreements

Our offline distributors are our customers not our agents. We enter into distribution agreements with each of the offline distributors, which typically have a term of one year and are renewable subject to mutual consents. Products sold from us to our offline distributors belong to them upon acceptance and cannot be returned. Our sales to the offline distributors are not on the back-to-back basis and are without recourse. There is no obsolete stock or repurchase arrangements between our offline distributors and us. Other key terms of our distribution arrangements include:

- **Exclusivity:** Without our prior written consent, our offline distributors are prohibited from selling any competitive products sourced from other suppliers or providing any services that are not authorized by us.
- **Designated location and avoidance of cannibalization among offline distributors:** Each of our offline distributors is granted the exclusive distributorship in their designated regions and is required to operate their points of sales in the designated premise as specified under the relevant distribution agreement. We typically contract one offline distributor in each designated region. We review the distance between the points of sales based on our market analysis as well as commercial considerations to minimize unhealthy competition among points of sales. Non-compliance may result in penalties, and in severe cases, termination of the distribution agreement.

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- Suggested retail prices and discount: We set a suggested retail price as well as a maximum retail price for each of our products. With our prior consent, our offline distributors may slightly adjust the actual selling prices in store based on the suggested price which shall not exceed the maximum retail price.
- Sales target: We generally do not set any sales targets or annual minimum purchase requirement for our offline distributors under the distribution agreement; however, a few new offline distributors, who started business relationship with us after July 2021, voluntarily provided separate undertakings on their annual minimum purchase amounts for the year 2022 to enhance their cooperation with us; we regularly review, discuss and assess their sales and operational performance, and will monitor such on a regular basis.
- Payment and credit terms: Our offline distributors are generally required to make full payment before the shipment arranged by us. On a case-by-case basis, we may extend a credit term of 30 days to certain offline distributors that have good credit records or make relatively large purchases from us.
- Marketing: Our offline distributors shall participate in our marketing and promotional campaigns and display our brand and products at predominant location in their stores; we may grant certain sales rebates to support and compensate their marketing expenses. In addition, we may grant sales rebates to offline distributors under certain circumstances, such as when their total purchase amounts in a period exceed a mutually agreed amount, or when they participate in our periodical marketing and promotional plans. During the Track Record Period, the sales rebates provided to our offline distributors ranged from 2.5% to 8.6% of the total purchase amount as stipulated in the distribution agreement. For the years ended December 31, 2019, 2020 and 2021, an aggregate amount of RMB52.4 million, RMB63.4 million and RMB51.5 million, respectively, were granted to our offline distributors in sales rebates. The sales rebates were directly deducted from our revenue during the Track Record Period.
- Logistics: We are responsible for the logistic arrangements from our warehouse to one location designated by each offline distributors at our own expenses, but are not responsible for the expenses in connection with distributing the products to various points of sales controlled by them.
- Sub-distribution: We generally allow our offline distributors to engage sub-distributors that they consider appropriate. However, we do not enter into contracts with any sub-distributors. Instead, we rely on our offline distributors to manage and monitor the performance of their respective sub-distributors. The offline distributors shall make a filing with us for record and shall be responsible for the activities of

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their sub-distributors. We require our offline distributors to educate and monitor their sub-distributors to fully comply with our retail processes and operating procedures. We are currently reforming our distribution network to establish a single-layer model.

- **Product return and exchange:** We are obliged to comply with the after-sales warranty policies as required by the relevant government authorities, see “– Quality Control and Product Warranty” below for more details about our warranty policies. We generally do not allow product return, but our offline distributors may request for product replacement if the product does not meet the expected quality standards.
- **Access to information:** Offline distributors should cooperate and provide us with various information in connection with our products, including sales data and purchase data.
- **Termination:** The distribution agreement may be terminated under certain circumstances. We may terminate the agreement if the conditions agreed by our offline distributors are not met and the offline distributors may terminate the agreement if we fail to deliver the products. Distribution agreements are also terminable by mutual agreement of both parties. The agreement may be terminated due to in the event of force majeure.

Online Channels

Self-operated Online Channels

To capture opportunities presented by the rapidly growing e-commerce in China and fulfill customer demand for more convenient shopping experience, we have developed online channels to supplement our offline distribution network. We have established the presence on mainstream e-commerce marketplaces, including the Tmall flagship store, the storefront on Pinduoduo, and the in-app store on WeChat. Our online channels currently distribute all product categories.

We entered into cooperative agreements with third-party e-commerce marketplaces to promote and sell our products, which are typically in the standard form provided by such marketplaces. Pursuant to those agreements and subject to the policies released by the marketplaces from time to time, we currently pay processing fees to these marketplaces, typically at a rate varying from 1% to 18% of total transaction value. The settlement cycle is typically within one day and up to three months, subject to the detailed settlement policies of different marketplaces. These marketplaces deploy the online payment systems certified by them and collect payments from online users. Sales proceeds are settled with us at the end of each settlement cycle and the relevant amounts are transferred to our designated accounts after both parties reconcile and confirm the transaction records. Furthermore, the third-party marketplaces generally adopt their form agreements, which provide, other than the above mentioned payment arrangements, terms and conditions that the marketplaces shall maintain

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stable operations and shall provide necessary services facilitating the completion of online transactions, such as product display, order management, delivery allocation and online payment. We undertake that we have obtained the requisite qualifications for our operations and make product quality assurance in the cooperative agreements. During the Track Record Period, we had not received any material claims against our product quality and safety.

Online Distributors

We engage online distributors to facilitate the sales of our products through their own online resources on major e-commerce marketplaces, including Tmall, JD.com, Suning, Pinduoduo and Dangdang. Our online distributors are e-commerce business operators mainly specialized in electronic device distribution. By contracting with these third party online distributors, we are able to quickly expand the coverage across various e-commerce channels, which have contributed to our online sales and brand awareness.

We have experienced a significant growth in the sales of online distributors and we expect such online sales will continue to increase. Nevertheless, we do not expect it will materially and adversely affect the performance of our offline distribution network at current stage. Based on our observation and researches, we believe our online sales mainly serve the purchasing needs of end users located in first- and second-tier cities where e-commerce is relatively mature with logistic and other supporting services well developed, while our nationwide offline distribution network penetrates into lower-tier cities and mainly target end users there. In addition, we constantly monitor the performance of our online and offline distributors and may from time to time review and modify our distributorship policies to mitigate unhealthy competition, if any. We believe the integrity of our brand and reputation relies on contribution from all of our offline and online distributors. First of all, we engage open and constant communication with offline and online distributors to understand their needs, and to inform them about our business development strategies. Secondly, we fully consider the benefits of both offline and online distributors when pricing our products and scheduling differentiated online and offline marketing events, such as different timing, regions and product models involved. We may offer customized product models only to online distributors which the end users could not purchase from offline points of sales and do not carry a directly comparable price offline. Meanwhile, we continue to emphasize the value of in-store experience and after-sales services to attract and retain offline purchasers. Due to the large potential user base, we believe current competition between our online and offline distributors are not unhealthy and manageable.

We generally enter into short-term distribution agreements with our online distributors. Our sales to the online distributors are not on the back-to-back basis and are without recourse. Such agreements specify a variety of terms, including the payment method, pricing policies and delivery arrangements. Set out below are the key terms of the distribution agreements we typically enter into with our online distributors:

- Contract terms: Our distribution agreements with online distributors generally have a term of one year, and may be renewed subject to mutual consents.

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- Designated platforms and prohibition of cross region sales: Our distribution agreements specify the designated e-commerce platforms on which the relevant online distributor may sell our products. Online distributors are not allowed to sell or resell our products outside of their designated platforms; violations may lead to penalties, cancelation of marketing or promotional support, and in severe cases, termination of the distribution agreements. We have a dedicated team of staff to actively monitor online distributors' sales activities on various e-commerce platforms. Currently, the designated platforms of some of our online distributors overlap on certain major e-commerce platforms, such as Tmall. We believe such overlapping has not resulted in any material cannibalization risk because we are still at an early stage of growing our online channels and had a limited online presence with 16 online distributors as of the Latest Practicable Date. As we gradually build up our online distribution network, we will review the relevant policies on a regular basis and may re-design the online distribution strategies in the future if needed.
- Payment and credit terms: Online distributors are generally allowed to settle their payments on a monthly basis; in addition, online distributors are required to pay an upfront guarantee fee which will be refunded upon termination of the relevant distribution agreement.
- Marketing: Online distributors shall participate in our marketing and promotional campaigns and display our brand and products at predominant location in their online stores; we may grant certain sales rebates to support and compensate their marketing expenses. In addition, we may grant sales rebates to online distributors under certain circumstances, such as when their total purchase amounts in a period exceed a mutually agreed amount, or when they participate in our periodical marketing and promotional plans. During the Track Record Period, the sales rebates provided to our online distributors ranged from 1.8% to 4.5% of the total purchase amount as stipulated in the distribution agreement. For the years ended December 31, 2019, 2020 and 2021, an aggregate amount of RMB1.5 million, RMB5.0 million and RMB4.3 million, respectively, were granted to our online distributors in sales rebates. The sales rebates were directly deducted from our revenue during the Track Record Period.
- Minimum purchase requirements: We specify in the relevant agreements the annual minimum purchase requirement with monthly schedules for our online distributors; if the online distributors fail to meet the minimum purchase requirements, we are entitled to amend the contract terms in the upcoming year, including revising the selling prices or terminating the agreement.
- Logistics: Our online distributors are responsible for the logistic arrangements at their own expense.

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- **Product return and exchange:** We are obliged to comply with the after-sales warranty policies as required by the relevant government authorities, see “– Quality Control and Product Warranty” below for more details about our warranty policies. We generally do not allow product return, but our online distributors may request for product replacement if the product does not meet the expected quality standards.
- **Access to information:** Online distributors should cooperate and provide us with various information in connection with our products, including sales data and purchase data.
- **Pricing policy:** We set the suggested retail price range for our online distributor and retain the right to adjust such retail price range based on market conditions from time to time; online distributors are not allowed to adjust the retail prices without our prior consent.
- **Termination:** The distribution agreement may be terminated under certain circumstances. We may terminate the agreement if the conditions agreed by our online distributors are not met and the online distributors may terminate the agreement if we fail to deliver the products. Distribution agreements are also terminable by mutual agreement of both parties. The agreement may be terminated due to any event of force majeure.

We identify and select our online distributors based on a number of criteria, including, among others, their e-commerce experience, operational and marketing capabilities, legal compliance status, as well as their understanding of our culture and business model.

During the Track Record Period, we engaged 8, 9 and 16 online distributors in 2019, 2020 and 2021, respectively. Revenue contributed by our online distributors amounted to RMB41.3 million, RMB75.4 million and RMB74.6 million, respectively, over the same periods. As of the Latest Practicable Date, we have 16 online distributors.

Others

We commenced to generate a small portion of revenue from third parties who placed in-app advertisements since 2019. We also commenced to license our digital educational resources to third parties' platforms under profit-sharing arrangements since 2019.

Independence of Distributors

During the Track Record Period, ten of our distributors were owned or controlled by eight of our former or then employees (the employee-distributors). Among these employee-distributors, two were our former employees who started their business after they left our company. Three remained as our employees when they became our distributors, who had submitted their resignation applications but had not officially completed the internal administrative process in connection with resignation with us. These three were no longer our employees after they completed the resignation process and left us. Two employee-distributors

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started their business investment as a shareholder of the respective distributors but were not actively involved in the daily operation prior to the Track Record Period, both of them exited such equity investment in late 2020. As of the Latest Practicable Date, one of them remained as our current employee, and the other one resigned from us in late 2021 and started his own business as our distributor in March 2022. In addition, one former employee of us invested in an offline distributor in Zhejiang Province which commenced business with us since January 2021. In April 2021, this former employee resigned from us and relocated himself to Sichuan Province due to personal reasons. He decided to continue to pursue the business opportunities of acting as a distributor of us. As such, he invested in a second distributor in Sichuan Province in April 2021. He quitted the business of the first distributor in Zhejiang Province and transferred his equity interest to an independent third party in July 2021. In addition to the factors we typically consider in selecting distributors, including their local resources and experience, access to sales channels and marketing capability, we chose to cooperate with these employee-distributors as we believed their employment background with us, their understanding about our company and our products, and their passion to pursue cooperation with us could offer them a significant advantage over others in the designated areas. According to the Frost & Sullivan Report, this model was not uncommon for the sales and marketing of smart learning devices embedded with digital educational resources in China. These employee-distributors included two online distributors and eight offline distributors, who mainly operated in Guangdong, Guangxi, Zhejiang, Sichuan and Fujian provinces and controlled a total of 196 points of sales as of the Latest Practicable Date. In 2019, 2020 and 2021, total revenue contributed by these employee-distributors amounted to RMB18.7 million, RMB24.2 million and RMB33.8 million, respectively.

In 2020, three of our former or then employees were appointed by three distributors as the supervisors of their respective companies. Such supervisors were not actively involved in the daily operations of those distributors and their controlled points of sales. The appointments were merely our support for the relevant distributors in establishing their relevant companies at the initial stage of their business. Two of these employees, who remained as our current employees as of the Latest Practicable Date, had quitted their supervisorship in April 2021. The other employee served his supervisorship since late 2020, which was after he left our company in late 2019. The three distributors mainly operated in Yunnan, Guangxi and Anhui provinces and controlled a total of 90 points of sales as the Latest Practicable Date. Total revenue contributed by these distributors amounted to RMB1.0 million and RMB3.0 million in 2020 and 2021, respectively.

Furthermore, during the Track Record Period, the spouse of one of our minority shareholders was a shareholder of two distributors located in Shanghai and Jiangsu Province. As of the Latest Practicable Date, one of them located in Shanghai controlled a total of 15 points of sales, and the other one ended relationship with us in mid 2020. Similar with the previously mentioned former employees, we chose to cooperate with this distributor after we evaluated its local resources and experience, marketing capabilities and its passion to pursue business cooperation with us. During the Track Record Period, total revenue contributed by these two distributors amounted to RMB8.6 million, RMB2.8 million and RMB1.3 million, in 2019, 2020 and 2021, respectively.

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The distribution agreements that we entered into with the above-mentioned distributors contained the same terms and conditions, including the pricing terms, that we offer to other distributors. For details of the contractual terms of our distribution agreements, please refer to “– Offline Distribution Network Summary – Offline Distributors – Distribution Agreements” and “– Online Channels – Online Distributors” above. Other than the above, we did not provide financial or other special supports to these distributors. We believe the revenue generated by these distributors during the Track Record Period was insignificant, comparing with the total revenue in the relevant period.

During the Track Record Period, out of the trust in our reputation, a number of our distributors used our tradename, namely Readboy (讀書郎), in the name of their business entities. Since we have increased our efforts to protect our intellectual property rights and we have caused all relevant distributors to change their business names by removing our tradename. To the best of our knowledge, as of the Latest Practicable Date, all of such relevant distributors had completed the administrative procedure to change their business names.

Save as the relationships disclosed above, none of them had other relationships with us, our Directors, senior management and their respective associates.

INFORMATION TECHNOLOGIES AND INFRASTRUCTURE

Our continuous development in technology capabilities has contributed to our sustained success. We believe our strong IT capabilities enable us to deliver a pleasant learning experience and improve our operational efficiency. We employ experienced research and development personnel to build, maintain and upgrade our IT technologies and systems.

Since our inception, we have accumulated strong IT capabilities which have navigated us to continuously develop and launch high quality smart learning devices. As of the latest Practicable Date, we owned 96 software copyrights and 212 patents and we are in the process of applying for additional 459 patents, the majority of which are IT related. Our IT capabilities are highlighted as follows:

Award-winning Research and Development Center

We were recognized as one of the first research and development centers under the engineer and technology research and development center plan of Guangdong Province in 2009. We received numerous recognitions from relevant government authorities awarding our achievements in IT technology innovations, including but not limited to Privately-owned Technology Enterprise in Guangdong Province, Software Enterprise in Guangdong Province, and Hi-Tech Enterprise in Guangdong Province.

LearningOS and Cross-platform Development Capability

We developed our proprietary LearningOS system in 2016, which is a customized Android-based device operating system specially designed for various educational scenarios. Currently, all of our smart learning devices are powered by our LearningOS system.

In addition, we have possessed the ability to develop and fine-tune our device operating system to be adaptive to multiple mobile platforms empowered by different mainstream technologies and chipsets, which has well prepared us to launch product models promptly in response to changing market trends.

Big-data Capacities

Throughout our long operating history, we have accumulated a huge amount of industry insights and experience, student data, including complex students' learning behavior and performance data, such as the class attendance rate, interactive behavior data during classes, and after-class reading and exam time, and extensive data on developing digital educational resources. Despite the scale of such data, we have maintained a high standard of data protection and privacy, and our internal legal compliance team is responsible for constantly review our data security practice to ensure the full compliance with the applicable laws and regulations, see “– Data Privacy and Security” below for more details and “Risk Factors – Risks Relating to Our Business and Industry – Our business is subject to complex and evolving laws and regulation regarding data security and privacy.” We have built strong big-data analytics capabilities using algorithms, models and data analytics tools. As our business continues to grow, we are well positioned to continue to advance and evolve our data analytics capabilities. Our big-data capacities only leverage device-level information, i.e. the data and information generated from the device during the daily usage by the end users, which is used to support the teaching/learning processes and is not used to match and identify the personal identity of the individuals for advertising or other improper purposes. We only collect personal information on a necessary basis for user identification purpose when the user is activating a device and/or registering for the online resources, such as user name, gender and mobile number. We explicitly inform the users about the data to be collected and how it will be used and we obtain consent from the users. For smart learning devices used by schools as a part of the smart classroom solutions, the students will also provide the grade and class he/she is in.

Precise marketing. Our extensive student profile data allow us to visualize students' learning needs and market trends, which navigate us to form precise marketing and promotional strategies.

Improving learning material quality. Students' in-class behavior data and their feedback provide an efficient basis for our educational resource research and development crew to review and improve their methods in designing, developing and producing the relevant educational resources in a timely manner. On the other hand, our Readboy Institute of Education Technology also constantly review and analyze such data so as to fine-tune our digital educational resources.

Empowering individual users. With the support our AI technologies, the accumulated device-level information enables the personal student tablets to establish personalized learning model, which generates personalized study reports and learning recommendation accordingly.

Empowering institutional users. Our smart classroom solutions have integrated various modules for administrative functions, including school administration management function, smart exam review, smart lesson preparation function, and auto-scoring function, and class-based learning progress analysis function. Those school teachers are able to leverage the relevant results generated by our smart classroom solutions to further enhance their customized teaching methods and achieve teaching efficiency. This, in turn, strengthens their confidence in us and the stickiness to our education product and service offerings. See “– Research and Development” below for more details about these functions.

AI-powered Technologies

Our access to a vast amount of student data enables us to develop and refine robust AI technologies. We have developed a series of AI-driven learning tools to improve teaching and learning efficiency.

Interactive courseware. We have developed a large amount of digital interactive courseware which standardizes learning materials and provides more interaction among teachers and students. Certain of our courseware have also featured with AI voice assistant that enables real-time interaction between the student and the smart device. The exciting while effective learning environment enhanced learning motivation, especially for those students of lower grades.

Personalized study reports. Leveraging our big-data resources and device-level information, we are able to identify each individual user’s learning performance and learning progress, and generate personalized study reports and learning recommendation accordingly.

Application of 5G

In anticipation of the era of 5G, we have commenced the development of smart learning devices adopting 5G technologies, which will support faster transmitting speed and lower latency. Such 5G devices, once fully launched to the market, are expected to deliver better user experience, which in turn, further differentiate us from our competitors. In 2021, we introduced our C9 model personal student tablets which is one of the first 5G powered educational tablet models commercialized in China. In the future, we plan to enhance our research and development efforts in 5G technologies and intend to apply AR/VR technologies to further increase the user experience.

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In connection with the development of 5G technology and its applications, we have built a darkroom measurement and testing system in 2016 which highly enhanced the testing capability for high-performance signals. We continued to improve the measurement and testing system by upgrading the testing sensors and optimizing the testing system, which further increase the testing accuracy and efficiency.

Our current research focuses on applications of 5G technology in our products and services include:

- Leveraging the fast speed, low latency and high reliability nature of 5G, to considerably improve the users' visualized and interactive learning experience with our smart learning devices which require massive data exchange among devices and servers generated by AI and other technologies;
- To design and upgrade 5G powered smart learning devices with an eye on future AR (augmented reality) and VR (virtual reality) technologies to be adopted by new forms of educational content, which also require massive and stable data exchange;
- To facilitate the data transfer of 4K and other high resolution video signals, which will significantly improve the video quality on our smart learning devices; and
- With full Wi-Fi coverage on campus, to upgrade the 5G powered smart classroom solutions which provide a more customized and dynamic learning method for students and teachers in schools anytime anywhere.

Our IT Systems and Infrastructure

We believe that robust and reliable IT systems are essential to sustain our expanding operations. As such, we continuously invest in the development, upgrade and integration of our IT systems. We have established integrated IT systems to support all major aspects of our operations, covering from procurement, manufacturing, inventory management, user data management, to financial data management and other administrative functions.

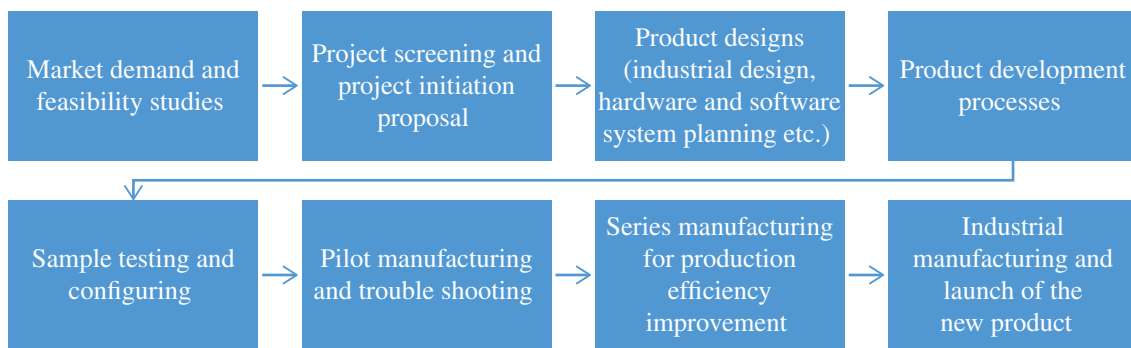
One of our ongoing focuses is to maintain reliable systems. We have implemented performance monitoring for all key IT systems to ensure us to respond quickly if any potential problem occurs. We deploy cloud-based data servers together with local physical data servers located in Zhongshan to archive and process our digitalized data, which provides a flexible and reliable solution for data backup and server failure.

We have established a strong internal IT team and maintained good business relationship with our external IT service providers for technical and equipment support. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material incident to our IT systems that has a material impact on our operations.

RESEARCH AND DEVELOPMENT

Continuous research and development is fundamental to our brand recognition and is critical in maintaining our market position in our industry. Our research and development efforts focus on the development and improvement of our smart learning devices embedded with various digital educational resources, which also includes the research and development of IT technologies supporting our operations and products.

Subject to the complexity of each products, it generally takes approximately six months to complete the product design and development process. The following diagram illustrates the major research and development procedures for our smart learning devices:



We believe we have established strong technical advantages. For example, according to Frost & Sullivan, our smart classroom solutions deliver the most comprehensive set of services deploying a number of information technologies, including but not limited to big-data, cloud and AI technologies, among the major smart device service providers in China. Our strong research and development capabilities have yielded a number of advanced high-tech functions utilized by our products. Our current applications of advanced technologies to our smart learning devices include:

- **Smart teaching system.** Our smart teaching system represents the core part of our smart classroom solutions, which includes various modules for administrative functions, such as school administration management function, smart exam review, smart lesson preparation function, and auto-scoring function, and class-based learning progress analysis function. Our smart teaching system relies on cloud technologies which ensure the connection and data sync among all tablets within one campus network. Smart exam review function is a powerful tool for school teachers to conduct the review and scoring processes online efficiently. Teachers are able to scan and digitalize the exam papers and complete the scoring process of objective-type questions automatically/semi-automatically by applying the pre-set correct answers. Moreover, by taking advantage of the big-data capacities, the smart exam review function centralizes and analyzes a class-based exam review, such as correct rates, which provides the teachers with a better understanding of learning progress of all students and facilitates them to re-evaluate and improve their teaching

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methods. The function also could serve as a base for the school to review the performance of its teachers. Smart lesson preparation function, on the other hand, allows all teachers in a school to use a centralized database to share various lesson preparation materials, such as the standardized course syllabus, ready-to-use courseware and other teaching resources, and tutorial schedules. This largely improves the teachers' efficiency in lesson preparation and ensure the standardization of the teaching materials for students in the same grade which used to vary significantly from teacher to teacher. We have obtained several patents of invention in connection with the technologies adopted in our smart classroom system.

- **Smart and Precise Education Function.** Our smart classroom solutions offer smart and precise education function which generally refers to a series of digital teaching tools the school teachers could adopt to deliver more efficient and more individualized tutoring instruction. Relevant technologies include optical character recognition and image recognition and paring technologies, automatic text paper zoning technology, handwriting recognition technology and so on. According to the Frost & Sullivan Report, we are currently the only company among the major smart device service providers in China that offer smart classroom solutions with such comprehensive smart and precise education function.

We endeavor to continue to enhance our research and development capabilities and deliver products with best-in-class quality and functionality. As of the Latest Practicable Date, our in-house research and development team had a total of 124 employees, approximately 90.3% of which has a bachelor's degree. During the Track Record Period, we recorded research and development expenses of RMB36.4 million, RMB30.2 million and RMB43.9 million, respectively, in 2019, 2020 and 2021, respectively.

Please refer to “– Our Business – Our Digital Educational Resource Offerings” above for more details about the research and development of our digital educational resources.

MARKETING AND BRANDING

We place great emphasis on our brand building and strive to promote our brand awareness among target customers. We primarily attract prospective customers through our well-established brand name, the quality of our products, and the wide range of digital educational resources available on our devices. In addition to word-of-mouth referrals, we also leverage the points of sales controlled by our distributors across the country to promote our brand and products. We partnered with the relevant distributors to organize a number of offline events in the 4S experience stores. From time to time, we invite college students from China's most reputable universities, such as Peking University and Tsinghua University, to host experience sharing sessions. Such in-store events not only improve the user stickiness and foster the high referral rate among end users.

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Our marketing department is leading the establishment of our marketing strategies and we have a dedicated marketing team of 155 personnel as of the Latest Practicable Date. We constantly collect market insights and intelligence from various sources, and analyze the performance and market responses of our products against competitive products, which provides us with a solid basis for product upgrades and improvement of marketing effectiveness. We communicate with our distributors and end customers on a regular basis to understand the feedback and potential customer needs. During the Track Record Period, we placed advertisements to market our products and brand on television, Internet, and other new media channels. In addition, we engaged a number of artists as our brand ambassadors to promote us through different channels.

Our marketing team may design and release our own advertisements or may collaborate third-party advertising agencies to produce advertisements subject to our detailed requirements. To ensure the accuracy of the advertising content to be released to various media channels, our marketing personnel are required to verify the statements, graphics or other materials used in the advertisements, subject to the final approval from our general manager and our internal legal team who should ensure the advertisements, in form and substance, are in compliance with the relevant laws and regulations. Moreover, we have established a dedicated public opinion analysis team led by our human resource department, which is responsible for constantly monitoring the negative publicities on various media channels about our company, our products, our distributors and so on.

PRICING

We take into account a number of factors in determining the price of our products, including costs relating to procurement and production, market demands, spending patterns of our target consumers, the prices set by major competitors, and the anticipated profit margins for us. We have in place product pricing procedures, pursuant to which, the pricing of a new product model shall be subject to the review of our marketing and finance departments and the final approval of our general manager. In addition, our legal team shall also review and ensure the pricing is in compliance with the relevant laws and regulations. We generally price our products at a similar level with the products offered by our major competitors which have a similar level of hardware performance. We differentiate our products mainly through our efforts in educational content offering, customized learning features and after-sale and operational services.

We adopt a uniformed selling price strategy and typically offer a discount/rebate rate to our distributors. The purchase prices set for our distributors currently represent approximately 52% of the suggested retail price we set out for end users in the relevant period. Our revenue is stated net of such sales discounts/rebates. In light of the sales by our distributors to end users, we set a suggested retail price for each of our products as well as a maximum retail price that our distributors shall follow. Offline distributors may slightly adjust their selling prices with our prior consent. To avoid unhealthy competition, selling prices of the products available in our online storefronts are generally consistent with that of the products of same model sold to end users through our distributors, both offline and online.

DATA PRIVACY AND SECURITY

We have accumulated a huge amount of industry insights, student data, including complex students' learning behavior and performance data, and extensive data on developing digital educational resources. Despite the scale of such data, we maintain a high standard of data protection and privacy and have established and implemented stringent data security policies, covering data collection, processing and usage.

To ensure the confidentiality and integrity of our data, we maintain comprehensive and rigorous data security measures. We anonymize and encrypt confidential personal information and take other necessary technological measures to ensure the secure processing, transmission and usage of data. We have also established stringent internal protocols under which we grant classified access to confidential personal data only to limited employees with access authorization. Without proper authorization, our employees are not allowed to access, transfer or edit any privacy data on our system. They are also not allowed to install unauthorized software and shall update their log-in password on regular basis. Our system will notify relevant IT managers if an irregular operation is identified, such as multiple account breaches or abnormally constant access, and the relevant computer or user account will be automatically locked until the IT managers investigate and confirm the safety of the relevant computer or account. We also encrypt our network to prevent sensitive data leakage from network sniffing. For external interfaces, we utilize firewalls to protect against potential attacks or unauthorized access. We provide regular company-wide training to ensure that all of our employees are well aware of the significance of and the measures we adopt for data security. Moreover, our subsidiaries have obtained the filing certification of information system security multi-level protection from the local Ministry of Public Security of Zhongshan city and Zhuhai city.

We have built a backup system that runs on different servers to minimize the risk of data loss. Our backend security system handles malicious attacks to safeguard the security of our data. See “– Information Technologies and Infrastructure – Our IT Systems and Infrastructure” above for more details.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material hacking incident or IT system failure.

INTELLECTUAL PROPERTY

Our trademarks, copyrights, trade secrets and other intellectual property rights distinguish our services and products from those of our competitors and contribute to our competitive advantage in our target markets. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright and trade secrets laws as well as confidentiality agreements with our employees and others. As of the Latest Practicable Date, we had many works of art copyrights and software copyrights in China relating to various aspects of our operations, and 215 main trademark registrations in China, of which “Readboy” been recognized as a “well-known trademark of Guangdong Province.” Our main websites are located at www.readboy.com and www.readboy.com.cn. In addition, we have registered other domain names, including readboykids.com, readboydata.com and okzm.cn.

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We have adopted guidelines, procedures and safeguards designed to educate our employees regarding the importance of respecting the intellectual property rights of third parties, and detect and prevent any conduct or activities by our employees that infringe or have the potential to infringe upon such third-party rights. The guidelines specify certain key principles and policies that we require all of our employees to uphold as a fundamental condition of their employment. The procedures and safeguards we have implemented to ensure compliance with these principles and policies include the assignment of dedicated staff to monitor and enforce compliance with these intellectual property guidelines, including in particular our content control group, which reviews our educational resources to ensure that no infringing materials are used in our products. We have also made efforts to ensure that our marketing materials are reviewed and approved by appropriate management before being distributed to the public. We believe these guidelines, procedures and safeguards increase our ability to avoid infringing or potentially infringing activities, reduce our exposure to third party claims and protect our reputation as a company that respects the intellectual property rights of third parties.

SEASONALITY

Our operations have experienced, and are expected to continue to experience, seasonal fluctuations, primarily in line with the school opening seasons and the changes in students' purchasing pattern. We typically record year-round highest sales of our smart learning devices during the summer and winter vacations, which run from July to September and January to February of each year, respectively. A significant number of students tend to acquire new learning devices with suitable digital educational resources to get prepared for the upcoming new semesters. In addition, we may also experience seasonal higher sales due to the online promotional events, such as the 11.11 and 618 online shopping festivals led by mainstream e-commerce platforms. We expect the seasonal fluctuations in our operations to continue.

CUSTOMERS

Our customers primarily consist of third-party distributors who market and sell our smart learning devices and smart classroom solutions to individual end users and school users, respectively. We also sell products through our online channels directly to end users.

During the Track Record Period, revenue derived from our top five customers or customer groups in each of the period accounted for 29.5%, 25.9% and 29.8% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively. Revenue derived from the respective largest customer or customer group over the same periods accounted for 9.3%, 6.7% and 10.0%, respectively. We have maintained long-term and stable relationships with our customers. As of the Latest Practicable Date, we had an average of approximately 10.1 years of business relationship with our top five customers in each of the period. As of the Latest Practicable Date, we had an average of approximately 4.6 years of business relationship with our customers. We believe such long-term and stable relationships with our major customers indicate the market recognition on the competitiveness and popularity of our products. During the Track Record Period, all of our top five customers in each of the period were our distributors.

None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest customers during the Track Record Period.

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The following tables set forth certain information of our five largest customers or customer groups during the Track Record Period.

For the year ended December 31, 2019

Customer	Background	Registered Capital**	Sales amount (RMB'000)	% of total sales	Products	Length of relationship with us	Major credit terms from invoice date
Customer A*	A state-owned telecommunication enterprise providing full range of telecommunication services nationwide, including mobile voice, Internet and multimedia services and related mobile devices	N/A ⁽¹⁾	62,047	9.3	mainly smartwatches	since 2017	payment upon receipt of the invoice
Customer B	A private company located in Shandong Province, specializing in the distribution of a variety of products, mainly mobile devices, teaching materials, computing devices and software and so on	RMB3.0 million	45,826	6.8	all product categories	since 2003	30 days
Customer C	A private company located in Henan Province, specializing in the distribution of electronic products and the provision of related maintenance services	RMB1.0 million	32,969	4.9	all product categories	since 2009	30 days
Customer D*	A private company located in Hunan Province, specializing in the distribution of electronic products and the provision of related services	consisted of two companies with registered capital of RMB1.0 million and RMB550,000, respectively	29,428	4.4	all product categories	since 2016	30 days
Customer E*	A private company located in Jiangxi Province, specializing in the distribution of electronic products and the provision of related services	consisted of four companies with registered capital of RMB1.0 million, RMB0.5 million, RMB1.0 million and RMB30,000, respectively	27,732	4.1	all product categories	since 2009	30 days

- (1) Consisted of three companies, one has a registered capital of RMB620 million with the remaining two having no publicly available information for the registered capital in 2019; the holding company of such Customer A is a state-owned company listed on the New York Stock Exchange and the Hong Kong Stock Exchange, based on publicly available information, in 2019, total assets, total net assets and net profit of the listed holding company was RMB1,593,940 million, RMB1,071,989 million and RMB106,475 million, respectively.

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For the year ended December 31, 2020

Customer	Background	Registered Capital**	Sales amount	% of total sales	Products	Length of relationship with us	Major credit terms from invoice date
			<i>(RMB'000)</i>				
Customer C	A private company located in Henan Province, specializing in the distribution of electronic products and the provision of related maintenance services	RMB1.0 million	49,326	6.7	all product categories	since 2009	30 days
Customer B	A private company located in Shandong Province, specializing in the distribution of a variety of products, mainly mobile devices, teaching materials, computing devices and software and so on	RMB3.0 million	41,005	5.6	all product categories	since 2003	30 days
Customer F	A private company located in Guangdong Province, specializing in the distribution of electronic products and the provision of related maintenance services	RMB1.0 million	36,854	5.0	all product categories	since 2015	30 days
Customer D	A private company located in Hunan Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	33,881	4.6	all product categories	since 2016	30 days
Customer E*	A private company located in Jiangxi Province, specializing in the distribution of electronic products and the provision of related services	consisted of four companies with registered capital of RMB1.0 million, RMB0.5 million, RMB1.0 million and RMB30,000, respectively	29,292	4.0	all product categories	since 2013	30 days

BUSINESS

For the year ended December 31, 2021

Customer	Background	Registered Capital**	Sales amount	% of total sales	Products	Length of relationship with us	Major credit terms from invoice date
			<i>(RMB'000)</i>				
Customer C	A private company located in Henan Province, specializing in the distribution of electronic products and the provision of related maintenance services	RMB1.0 million	81,567	10.0	all product categories	since 2009	30 days
Customer B	A private company located in Shandong Province, specializing in the distribution of a variety of products, mainly mobile devices, teaching materials, computing devices and software and so on	RMB3.0 million	61,934	7.6	all product categories	since 2003	30 days
Customer F	A private company located in Guangdong Province, specializing in the distribution of electronic products and the provision of related maintenance services	RMB1.0 million	36,307	4.5	all product categories	since 2015	30 days
Customer E*	A private company located in Jiangxi Province, specializing in the distribution of electronic products and the provision of related services	consisted of four companies with registered capital of RMB1.0 million, RMB0.5 million, RMB1.0 million and RMB30,000, respectively	32,031	3.9	all product categories	since 2009	30 days
Customer G	A private company located in Hebei Province, specializing in the distribution of electronic products and the provision of related services	RMB3.0 million	30,782	3.8	all product categories	since 2010	30 days

* Represented a customer group consisted of multiple companies under common control.

** Based on publicly available information.

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Customer Services

We endeavor to delivery high quality products and outstanding services to our customers. With respect to our distributors, we maintain a marketing support, customer service and supervisor team currently comprising of 124 people who are assigned to support and monitor the distributors and promptly act in response to their suggestions or enquiries.

With respect to individual end users, we proactively interact with them mainly through our official website and mobile APP and various social media platforms, such as our official accounts on WeChat, Weibo and TikTok. We operate a customer service hotline to respond to their inquiries and complaints and to collect their feedback. We typically require our customer service staff to respond and report internally to the relevant departments within 24 hours. We also rely on our distributors to provide customer services through their points of sales.

SUPPLIERS

Procurement

Our raw materials primarily consist of custom metal and plastic components, electronic components, lithium-ion batteries, liquid crystal displays and so on. Raw materials essential to our business are generally available from multiple sources, and we currently do not rely on any single supplier for key raw materials. However, we have been competing for various components with other participants in the markets from time to time. Therefore, certain components used by us, even available from multiple sources, may be at times subject to industry-wide shortage and significant commodity pricing fluctuations. Substantially all of our suppliers are located in mainland China, though some raw materials may be sourced from overseas.

We implement collective procurement policy to procure key raw materials which ensures us to better control quality and obtain more favorable prices by leveraging our operational scale. We adopt prudent procurement policies, and generally procure raw materials based on our projected volumes of sales to customers. We typically enter into purchase agreements or purchase orders with our suppliers. Purchase agreements generally have a term of two years, subject to automatic renewal upon mutual agreement.

For the years ended December 31, 2019, 2020 and 2021, cost of raw materials amounted to RMB429.4 million, RMB459.4 million and RMB564.8 million, respectively, representing 86.7%, 86.3% and 87.7%, respectively, of total cost of sales for the same periods.

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Suppliers

We have established a dedicated procurement team at our headquarters. We generally approach and identify suppliers through our market research and word-of-mouth referrals. Prior to entering into the procurement contract with a potential supplier, we evaluate the candidate based on a number of factors, including its overall track record, technical strengths, production capacity, ability to control quality and timely delivery, and prices. We may also request the candidate to provide certain samples for inspection.

We closely communicate with and monitor our suppliers and perform monthly evaluation to ensure the raw materials provided by them meet our stringent internal and relevant national quality standards. We may consider to terminate the business relationship with the suppliers who fail to meet our quality standards. We currently maintain cooperative relationships with approximately 220 third-party suppliers.

During the Track Record Period, purchases from our top five third-party suppliers in each of the period in terms of dollar amount in aggregate accounted for approximately 27.3%, 28.3% and 26.1%, respectively, of our total purchase costs in 2019, 2020 and 2021. Purchase from the respective largest supplier in terms of dollar amount accounted for approximately 7.9%, 6.7% and 12.7%, respectively, of our total purchase costs in such periods. As of the Latest Practicable Date, we had an average of approximately 2.8 years of business relationship with our top five suppliers in each of the period.

The following tables set forth certain information of our five largest suppliers or supplier groups during the Track Record Period.

For the year ended December 31, 2019

Supplier	Background	Purchased amount	% of total purchases	Products/ services provided	Relationship with us	Major credit terms from invoice date
<i>(RMB'0000)</i>						
Supplier A	A private company located in Guangdong Province, specializing in the development and distribution of LCD displays	59,772	7.9	LCD displays	since 2016	30 days
Supplier B*	A private company located in Guangdong Province and Hong Kong, specializing in the development and distribution of telecommunication related products	44,959	6.0	circuit board and related products	since 2016	21 days or 7 days upon receipt of the products depending on the companies
Supplier C	A private company located in Guangdong Province, specializing in the manufacturing and distribution of precision electronics, plastic and rubber components and parts	36,126	4.8	metal shell	since 2017	30 days

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Supplier	Background	Purchased amount	% of total purchases	Products/ services provided	Relationship with us	Major credit terms from invoice date
		<i>(RMB'0000)</i>				
Supplier D	A private company located in Shanghai, specializing in the distribution of telecommunication related products	35,395	4.7	circuit board and related products	since 2017	7 days upon receipt of the products, with 30% prepayments
Supplier E	A private company located in Guangdong Province, specializing in the development and distribution of electronic and lighting devices and parts	29,235	3.9	LCD displays	since 2017	30 days

For the year ended December 31, 2020

Supplier	Background	Purchased amount	% of total purchases	Products/ services provided	Relationship with us	Major credit terms from invoice date
		<i>(RMB'0000)</i>				
Supplier C	A private company located in Guangdong Province, specializing in the manufacturing and distribution of precision electronics, plastic and rubber components and parts	43,768	6.7	metal shell	since 2017	monthly settlement
Supplier A	A private company located in Guangdong Province, specializing in the development and distribution of LCD displays	42,412	6.5	LCD displays	since 2016	monthly settlement
Supplier F	A private company located in Guangdong Province, specializing in the distribution of telecommunication related products	41,433	6.3	LCD displays	since 2017	7 days upon receipt of the products
Supplier G*	A private company located in Chongqing and Hong Kong, specializing in the development and distribution of electronic devices and the provision of information technology related consulting and development services	34,585	5.3	integrated circuit	since 2020	7 days upon receipt of the products
Supplier H	A private company located in Guangdong Province, specializing in the development and distribution of telecommunication related products	23,192	3.5	integrated circuit	since 2019	7 days upon receipt of the products

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For the year ended December 31, 2021

Supplier	Background	Purchase amount	% of total purchases	Products/services provided	Length of relationship with us	Credit terms from invoice date
		<i>(RMB'000)</i>				
Supplier F	A private company located in Guangdong Province, specializing in the distribution of telecommunication related products	118,887	12.7	LCD displays	since 2017	7 days upon receipt of the products
Supplier A	A private company located in Guangdong Province, specializing in the development and distribution of LCD displays	43,576	4.6	LCD displays	since 2016	monthly settlement
Supplier C	A private company located in Guangdong Province, specializing in the manufacturing and distribution of precision electronics, plastic and rubber components and parts	27,884	3.0	metal shell	since 2017	monthly settlement
Supplier I	A private company located in Guangdong Province, specializing in the development and distribution of battery, plastic and rubber components and parts, and accessory products for mobile phones	27,852	3.0	battery and related products	since 2020	monthly settlement
Supplier J	A private company located in Guangdong Province, specializing in the development and distribution of chipset, electronics, digital and electronic products	26,856	2.8	integrated circuit related products	since 2020	monthly settlement

* Represented a supplier group consisted of multiple companies under common control.

None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of major suppliers was at the same time our major customers.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material delay or shortage in the supply of any raw materials that interrupts our business operations.

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, packaging materials, semi-finished products and finished products. We use our information management middle-platform to track our inventory level, which enables us to monitor our inventory on a timely basis in order to maintain sufficient levels of raw materials, finished and semi-finished products. We procure raw materials and plan our production activities based on our sales forecasts as well as the actual sales activities and purchase orders. Subject to the availability of the raw materials, we usually maintain a total of one- to three-month's worth of main raw materials that are commodities and one-month's worth of other raw materials as a safety inventory level, which is the estimated amount of raw materials we consider necessary to meet any increase in demand for products, and to ensure that there are no disruptions in supply of products. This safety inventory level is estimated based on our historical sales and future projections. Once the finished products are produced, we endeavor to deliver them to our customers at the earliest possible time. We believe that we manage our inventory at a reasonable level based on historical sales and management's assessment, which minimizes storage space, carrying costs, and enhances working capital efficiency.

Leveraging the information management system connecting the points of sales to our operating system, we are able to manage the inventory level of our distributors through review of their monthly sales reports and regular communication with the responsible personnel.

QUALITY CONTROL AND PRODUCT WARRANTY**Quality Control**

We implement stringent product safety and quality control standards and measures throughout our entire production and assembly processing processes, covering from supply chain, manufacturing, inventory to logistics, to ensure the full safety and high quality of our products. We conduct sample inspection on each batch of the raw materials upon delivery and will decline to accept such materials in case of any defects. With respect to the production and assembly, we have been accredited with ISO 9001 and ISO 14001 accreditation from SGS, a world's leading inspection, verification, testing and certification entity. All of our product models have obtained the 3C quality assurance certificate. We have passed the inspections conducted from time to time by local and national SAR and other government authorities.

We have a designated quality control team over 50 personnel, which is primarily responsible for formulating and supervising our quality management system, and conducting various inspections on raw materials, work-in-progress and finished products in accordance with our internal and relevant national quality standards. There is also a testing team designing and performing reliability tests on sample products to ensure that all software and hardware embedded can work properly. Moreover, our quality control team is also responsible for the maintenance and renewal of our quality standards.

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As a result of our commitment to stringent quality control, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies, (ii) receive any material products return requests from our distributors or customers or (iii) receive any material complaints from consumers in terms of product quality.

Product Return and Warranty

We are obliged to comply with the after-sales warranty policies as required by the relevant government authorities and our products are generally subject to the 3R policies that if a device, in its original condition and without man-made damages, is found to have performance failure, it (i) may be returned and refunded with no reason within seven days, (ii) may be replaced for quality issue within 15 days, and (iii) is subject to warranty services of repair for free for malfunction under normal usage within one year, in each case, from the date of purchase. We also offer out-of-warranty repair services but will charge certain service fees. In addition, our end users may contact us for product warranty service information conveniently through the pre-installed help function on their devices.

Historically, our end users may make the return to the relevant distributors and make replacement or repair claims through the relevant distributors who sold the devices. Lately, we launched the mail-in repair and maintenance services that our end users may directly contact us for such 3R services.

Moreover, for end users who purchase from our self-operated online channels, we also offer certain additional warranty services subject to the rules of each e-commerce platforms.

During the Track Record Period, we did not experience any material product return or replacement claim, nor did we receive any material warranty claim or conduct any product recalls.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions as of the Latest Practicable Date.

<u>Awards/Recognitions</u>	<u>Awarding Institutions/Authority</u>	<u>Date</u>
Guangdong Intellectual Property Demonstration Enterprise	Guangdong Intellectual Property Protection Association	December 2021
Model Innovative Company of Zhongshan	Science and Technology Bureau of Zhongshan City	December 2020

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Awards/Recognitions	Awarding Institutions/Authority	Date
Anti-pandemic Social Responsible Award among China Education Companies	Good Education of China	September 2020
Enterprise with Good Credit in Honoring Contracts in Guangdong Province	Guangdong Administration for Market Regulation	2007 to 2019
Most Trusted Education Brand in 2019	The 10th Xinhua Education Forum by Xinhua.net	November 2019
Parents' Most Trusted Education Brand for Children in 2018	Tencent Education Ceremony by Tencent Education Channel	November 2019
Education Brand with Leading Technologies in 2018	Tencent Education Ceremony by Tencent Education Channel	November 2019
Famous Brand of Guangdong Province	Guangdong Administration for Industry and Commerce	December 2014
Innovative Industry Demonstration Base for Privately-owned Enterprises of Guangdong Province	Guangdong Commission of Economy and Informatization	December 2013
High and New Tech Enterprise of Guangdong Province	Department of Science and Technology of Guangdong Province	December 2008
High Quality Famous Brand of China	National High Quality Famous Brand Joint Unit	December 2008

LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits in order to operate our business. Our legal department is responsible for monitoring the validity status of our licenses and permits and make timely applications for renewal to relevant government authorities. As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in the PRC and such licenses, approvals, and permits were valid and remain in effect as of the Latest Practicable Date.

Please refer to the section headed “Regulatory Overview” for further information on the laws and regulations that we are subject to.

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EMPLOYEES

We had 556, 595 and 574 full-time employees as of December 31, 2019, 2020 and 2021, respectively. We had 536 full-time employees as of the Latest Practicable Date, including 46 full-time educational resource research and development crew. Substantially all of our employees are located in China.

The table below sets forth our full-time employees by functions as of the Latest Practicable Date.

<u>Department/Function</u>	<u>Number of Employees</u>	<u>%</u>
Administration	18	3.4%
Finance	9	1.7%
Marketing support and customer service and distributor supervision	155	28.9%
Institute of Education Technology and educational resource research and development crew	46	8.6%
Research and development (devices and related operating systems) and IT	124	23.1%
Logistic arrangement and support	25	4.7%
Production and assembly	123	22.9%
Quality control	36	6.7%
Total	<u>536</u>	<u>100%</u>

We enter into employment contracts with our full-time employees which contain standard confidentiality provisions. We also enter into standalone confidentiality agreements with key management and research and development staff.

We have in place an anti-bribery and corruption policy that our employees should comply with to safeguard against any corruption within our company. The policy explains potential bribery and corruption conducts, including but not limited to receiving kick-backs, embezzlement and misappropriation, engage or cause to engage fictitious transactions or false accounting. Our policy also specifies the anti-bribery and corruption investigation procedures and measures. We make our internal reporting channel open and available for all of our staff to report any bribery and corruption acts. To this end, we have established a whistleblower hotline and email address. Our internal audit team is mainly responsible for the internal investigations. In addition, we have also established the anti-bribery and corruption policy that will be distributed to our business partners, including our distributors, suppliers and consultants, and urge those parties to comply with such policy in order to jointly foster a healthy business environment. The policy explains potential bribery and corruption conducts they should not carry out when they transact with us, such as paying cash, giving extravagant

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or inappropriate gifts or entertainment to our employees, government officers or other parties with corrupt intention. If there is any material violation against our anti-bribery and corruption policy by our business partners, we may notify such party to rectify immediately, and under severe circumstance, may terminate the business relationship. We have established a whistleblower hotline and email address that our business partners could report any potential corruptive misconducts to our internal audit term.

We believe our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. During the Track Record Period, we recruited our employees primarily through on-campus recruiting programs, advertisements on recruitment websites and headhunters. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process. As part of our retention policies, we provide various tailored training programs to employees of different departments and positions, in order to enhance their professional skill sets and the understanding of our company culture and the industry.

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

One of our subsidiaries has established labor unions that represent the relevant employees with respect to labor disputes and other employee matters. Relevant employees are also covered by collective bargaining agreements. We believe we have maintained a good relationship with our employees and we did not have any material labor dispute during the Track Record Period.

INSURANCE

We have purchased employer liability insurances covering all of our employees. We also provide social security insurance for our employees as required by PRC law. We review our insurance policies from time to time for adequacy in the breadth of coverage. Please refer to the section headed “Risk Factors – Risks relating to our Business and Industry – We have limited insurance to cover our potential losses and claims” for further details.

We consider our insurance coverage to be adequate and is standard for our industry. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us. We consider our insurance coverage to be in line with that of peer industry players in China.

COMPETITION

The smart learning device service industry in China is rapidly evolving and relatively fragmented at current stage. According to the Frost & Sullivan Report, in terms of total retailing market value in 2021, the top five smart learning device service providers accounted for close to 50% of the market share. But except for the largest player, each of the remaining players occupied a market share less than 10%. According to the Frost & Sullivan Report, we ranked second among China's smart learning device service providers in terms of total retailing market value and ranked fifth among China's smart learning device service providers in terms of total device shipment in 2021.

We face competition not only from existing domestic smart learning device education service providers, but also from new comers who may have little or no experience in hardware, such as previously online education service providers. We compete primarily on a number of factors, including the quality and experience of our product design crew, educational resource research and development crew, the scope and quality of our smart learning devices and educational resources, our technology infrastructure and data analytics capabilities, our brand recognition, competitive prices, as well as the scalability and efficiency of our distribution network. Some of our competitors may have access to greater financial resources, ability and experience in content and product innovation, being a significant challenge to us. Nevertheless, we believe that our well-recognized brand name which is associated with high quality and diverse product offering, strong research and development capabilities, nationwide distribution network have established strong barriers to entry and distinguished us from our competitors.

PROPERTY, PLANTS AND EQUIPMENT**Owned Properties**

As of the Latest Practicable Date, we obtained the property title certificates for two properties with an aggregate GFA of approximately 32,213 sq.m., located in Zhongshan and Wuhan cities in China. The property located in Zhongshan city is primarily used as production and assembly facilities, warehouses and offices and dormitories and the property in Wuhan city is held by us as investment for rental incomes.

In addition, as of the Latest Practicable Date, we were in the process of completing the transaction in connection with the purchase of one property located in Huanggang city, for which we had not received the relevant property title certificate. The property has a total gross floor area of approximately 1,748 sq.m. and we expect to use it as our office space. We do not expect there will be any obstacle for us to obtain the relevant property title certificate. Our PRC Legal Advisor confirmed that, save as disclosed in this prospectus, we had obtained all certificates of real estate registration of the above mentioned properties and land use right.

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As the carrying amount of the properties owned by us located in Wuhan city, which is held by us as investment for rental income, accounted for 1% or more of our Group's total assets and therefore, a property valuation report on such property interests is included in Appendix III to this prospectus pursuant to Rule 5.01A(1) of the Listing Rules. According to the property valuation report, the property was valued at approximately RMB20.7 million as of May 31, 2022.

Leased Properties

As of the Latest Practicable Date, we had entered into six lease agreements to lease properties with an aggregate GFA of approximately 2,551.9 sq.m. from third parties, including one of our related parties, to support our business activities and operations in China. These leased properties are mainly used as office spaces. Such properties are located in Zhuhai and Beijing. The leases have a term of/ranging from one year to seven years. We will consider to renew the leases upon their expiry.

In addition, as of the Latest Practicable Date, we also entered into three lease agreements as the landlord to lease the properties to third parties. Such properties have a total gross floor area of approximately 2,726 sq.m.

As of the Latest Practicable Date, all of these nine lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC. With respect to the leases under which we are the tenant, the relevant landlords failed to provide necessary documents for us to register the leases with the local government authorities. With respect to one of the leases under which we are the landlord, the relevant tenant failed to cooperate with us to provide requisite documents for the purpose of registering the lease. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties.

However, the relevant government authorities may impose a penalty ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed. The aggregate amount of maximum fine will be approximately RMB90,000. Based on the number of these properties and the cities where they are located, we believe the failure to register and file all the relevant lease agreements will not have a material and adverse effect on our business operations.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

From time to time, we may be subject to legal or regulatory proceedings, investigations and claims incidental to the conduct of our business. For example, in 2019, two publishers brought lawsuits against us with local people's courts, claiming that we had violated the copyrights relating to certain content owned by them by duplicating and distributing such content without their authorization. We decided to settle with those counter parties and agreed to pay the settlement fee in an aggregate amount of approximately RMB0.6 million. We had

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fully paid up the settlement fee by the end of 2019. Since these lawsuits were settled by mediation and case withdrawal by the plaintiffs, in terms of either case, no court decision was made to determine whether we have infringed the copyright of the plaintiffs. We decided to make the settlement with the plaintiffs mainly because we intended to minimize the potential damage to our reputation arising from the lawsuits and to maintain a healthy business relationship with all interested parties in our industry.

In addition, in late 2020, a third party brought a lawsuit against us, claiming that one of our smartwatch product model had infringed its design patent and requested us, among others, to rectify the infringement and pay a compensation. In June 2021, we received a decision from the relevant court in favor of the plaintiff and ordered us to pay a compensation. In November 2021, we received a court decision after our appeal in favor of the plaintiff. We were ordered to make a compensation in the amount of RMB0.3 million which had been fully paid as of the Latest Practicable Date. Despite the lawsuit, the sales volume of this smartwatch model was very limited in a total amount of less than 150 units before we stopped to sell this model due to this lawsuit. We believe the adverse impact of stop selling this model on us is insignificant.

We believe the aggregate amount we incurred in connection with the above-mentioned lawsuits during the Track Record Period is insignificant.

Enhanced Internal Control Measures for Intellectual Property Protection

We believe the above-mentioned lawsuits with publishers occurred mainly because the personnel from our educational resource research and development team then in charge of reviewing the relevant education content sourced from third parties lacked practical skills in differentiating common knowledge from copyrighted content. None of our Directors were personally involved in these incidents. We demoted the then department head of our Readboy Institute of Education Technology and have adopted enhanced measures since then to prevent future occurrence of such incidents.

Our legal team will organize annual trainings on intellectual property rights for employees from departments of research and development, our Readboy Institute of Education Technology, marketing and administration. Such trainings cover topics from basis explanation of intellectual property protection, classification of intellectual property rights, application regulations and laws and their implementation, to reasonable use and infringement of intellectual property rights. In addition, our legal team will also conduct regular communications with relevant personnel to provide legal supports in a timely manner during their daily operations, such as advice on patent protection for product designs and technologies for research personnel, or citation of third-party content for content development personnel. All of these measures enhance the awareness of our employees and minimize the risks of potential infringements. Moreover, the contracts with our educational resource research and development crew and other relevant parties generally contain terms specifying the rights and duties of both parties and the ownership of the intellectual property arising out of the performance of the contracts. For example, pursuant to the employment agreements with our educational resource research and development, we are entitled to the ownership of the

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intellectual properties arising out of the performance of the agreements, such as the educational content in audio, video, written or other forms. Our agreements also typically provide that if the crew or other relevant parties infringe a third party's intellectual property right when performing their duties under the agreements, we are entitled to terminate the agreements and claim the damages we have incurred resulting from such infringement. Finally, our legal team will conduct, or engage outside intellectual property agencies, to conduct public searches on websites or public data of intellectual properties, including but not limited to patents of invention or copyrights, on a regular basis, so as to further reduce the risks of unknowingly causing intellectual property infringement in the future.

In addition, in 2020, mainly due to the disagreement on the quality of services provided, an independent individual brought a lawsuit against us with local people's court, claiming that we delayed in making the payment under a technology services contract. The lawsuit had been settled in late 2020 and we made the payment of service fee and related interest in an aggregate amount of RMB0.5 million.

We believe the aggregate amount we incurred in connection with the settlement of lawsuits during the Track Record Period is insignificant.

Our Directors have confirmed that, as of the Latest Practicable Date, there was no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Our ESG Governance

We are committed to promoting corporate social responsibility and sustainable development and 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. In order to ensure the Group's governance regarding environmental, social and governance ("ESG") issues, our Board of Directors has established a ESG Committee responsible for overseeing, evaluating and managing ESG issues. Led by our Directors Ms. Liu Zhilan, Mr. Deng Denghui and Mr. Shen Jianfei, our ESG Committee is responsible for overseeing and guiding our Company's ESG initiatives.

Our Board of Directors has adopted a set of terms of reference setting out the principal duties and responsibilities of our ESG Committee, which include but not limited to the following:

- formulating and adopting a comprehensive policy on environmental, social and corporate governance responsibilities (the "ESG Policy");

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- keeping abreast of latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates;
- identifying our Group's key stakeholders based on our business operations, the communication channels to engage with them with respect to ESG matters;
- assessing ESG-related risks and opportunities on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate changes, to ensure our responsibilities with respect to ESG matters are met;
- monitoring the effectiveness and ensuring the implementation of our ESG Policy;
- preparing and reviewing the ESG report; and
- reporting to our management on an annual basis on the implementation of our ESG Policy.

During the Track Record Period and up to the Latest Practicable Date, we had not been materially adversely impacted by any ESG-related incidents.

Our business is subject to relevant PRC national and local environmental laws and regulations which, among other things, require the payment of fees in connection with activities that discharge waste materials and which impose fines and other penalties on facilities that threaten the environment. In an effort to ensure the safety of our employees, we have established a series of safety guidelines, rules and procedures for different aspects of our production and assembly activities, including fire safety, work-related injuries, electricity safety and emergency and evacuation procedures. We also carry out equipment maintenance regularly to ensure that such equipment is safe for employees' use. We have implemented stringent waste treatment procedures in our production and assembly facilities.

Environmental Protection

We recognize the importance of environmental protection and sustainability, and our commitment to environmental protection and sustainability was recognized by ISO14001:2015 – Environmental Management System Certification.

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During the Track Record Period and up to the Latest Practicable Date, we had produced the following pollutants, which have been dealt with through the implementation of corresponding environmental measures:

Management of Solid Waste

We generated solid waste during our production processes. Some of them are potentially hazardous, including waste circuit boards and other electronic components, waste lead-free solder paste packing, waste pipes, waste rags and packaging containing detergents and waste defective goods. All hazardous wastes were collected and processed by a third party qualified contractor. The other non-hazardous wastes from our production included ordinary industrial waste and domestic solid waste, which were collected and processed by the city sanitation department.

Management of Sewage

We did not generate industrial sewage during our production processes. The other sewage generated was domestic sewage, which was processed in our sewage treatment facilities at our production and assembly facility until its quality reaches the national standard and the relevant standards specified by the local sewage treatment plant which will handle treated sewage for further treatment and discharge.

Management of Waste Gas

Waste gas containing VOCs, ozone and tin was generated during the production process. We adopt measures to minimize the impact of the waste gas, including improving ventilation in the production plant and installing waste gas treatment facilities.

During the Track Record Period, we did not have any non-compliance incidents arising from waste and water emission and the discharge of each of the key pollutants generated during our production process had remained within prescribed regulatory limits. In addition, our production and assembly facility has obtained the required permits for waste and water emission from the relevant authorities. We believe that our business operations do not have a material adverse impact on the environment.

Metrics and Targets

We believe in the importance of caring for our planet and we strive to balance our role as a for-profit company with the betterment of people of the planet. We monitor the following metrics to assess and managing the environmental and climate-related risks arising from our business and manufacturing operations:

Power Usage

Our PRC Legal Advisor has advised us that local governments across China may from time to time promulgate regional regulations and policies or launch various initiatives and campaigns that call for power conservation. We evaluate our electricity consumption in accordance with relevant regulations and policies and endeavor to proactively conserve energy in response to the government's initiatives. We monitor our electricity consumption levels at the production and assembly facility and implement measures such as promoting use of natural lighting, reducing the use of air-conditioners and electronic equipment during non-working hours. To further enhance employees' awareness of the importance of energy conservation, we have promulgated an internal guideline to promote efficient use of electricity and set annual electricity saving targets. In the years ended December 31, 2020 and 2021, our average electricity consumption levels were approximately 2.0 million kWh and 2.2 million kWh, respectively. We intend to continue to reduce the level of our average annual electricity consumption at the production and assembly facility over the next three years.

Water Usage

Our PRC Legal Advisor has advised us that local governments across China may from time to time promulgate regional regulations and policies or launch various initiatives and campaigns that call for water conservation. We evaluate our water consumption in accordance with relevant regulations and policies and voluntarily take on our social responsibilities to practice water conservation. We set annual water saving targets and monitor our water consumption levels at the production and assembly facility to reduce water consumption levels. We intend to organize more activities and events to foster water conservation culture in our Group. In the years ended December 31, 2020 and 2021, our average water consumption levels were approximately 85 thousand tons, and 66 thousand tons, respectively. We intend to continue to reduce the level of our average annual water consumption at the production and assembly facility over the next three years.

Waste Management

We endeavor to minimize the negative impact on the environment through closely monitoring. We monitor our sewage and hazardous waste discharge levels on a periodic basis. In the years ended December 31, 2020 and 2021, our average sewage discharge levels were approximately 85 thousand tons and 66 thousand tons, respectively, and such sewage was properly treated prior to discharge. In the years ended December 31, 2020 and 2021, our hazardous waste discharge levels were 0.1075 tons and 0.4085 tons, and such hazardous wastes

were collected and processed by a third party qualified contractor. We engage a third party qualified contractor every year to conduct on-site sampling and measurement of sewage and waste gas discharge levels at the production and assembly facility to ensure the discharge levels are in accordance with the prescribed regulatory limits.

Social Responsibility

We have been actively participating in social causes. In the year of 2020, we have proactively participated in various local governments' campaigns in response to the COVID-19 outbreak. We took the initiative to provide free courseware and learning resources to students to facilitate learning at home when school classes were suspended during the pandemic. Due to our efforts in connection with fulfilling our social responsibilities, we were awarded the title of "2020 Enterprise with Outstanding Contributions to Anti-epidemic" (2020抗疫傑出貢獻企業) granted by the Organizing Committee of the 10th China Charity Festival (第十屆中國公益節組委會).

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We are also committed to minimizing environmental impacts and ensuring sustainability in our supply chain, and are careful to choose suppliers that are environmentally responsible. We apply stringent environmental criteria to the selection of our suppliers and have included environmental responsibility and product safety stipulations as part of our standard supplier contracts, where suppliers are required to comply with the applicable PRC environmental laws and requirements. In the event of non-compliance, we have the right to return the products to the suppliers.

Upon Listing, our Directors confirm they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

Occupational Health and Safety

We have implemented stringent work safety policies and procedures for our production and assembly processes, including fire safety, work-related injuries, electricity safety and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation. We have implemented stringent waste treatment procedures in our production and assembly facility.

As of the Latest Practicable Date, we had complied with applicable laws and regulations on occupational health and work safety in all material respects. During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claims had been brought against us as a result of an accident.

Management of Environmental and Climate-Related risks

The environmental and climate-related risks can be divided into two major categories: (i) risks related to the transition to a lower-carbon economy and (ii) risks related to the physical impacts of climate change.

(i) Transition risks

Transitioning to a lower-carbon economy, extensive policy, legal, technology, and market changes may take place to address mitigation and adaptation requirements related to climate changes. Transition risks related to policy change include any risk that the environmental laws and regulations in the PRC may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. Any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.

(ii) Physical risks

We may face climate-related physical risks with financial implications, such as direct damage to assets and indirect impacts from supply chain disruption. Our financial performance may be affected by changes in water availability, sourcing, and quality, or extreme temperature changes affecting the premises, operations, supply chain, transport needs, and employee safety. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any difficulty in water availability, sourcing and quality, and we did not encounter any extreme temperature changes affecting the premises, operations, supply chain, transport needs, and employee safety that materially and adversely affecting our operation. We recognized our social responsibility on climate change, and our role in assessing and managing these environmental and climate-related risks. We will continue to assess and manage the environmental and climate-related risks posed to our Group in the future.

NON-COMPLIANCE INCIDENTS

As of the Latest Practicable Date and save as disclosed herein, we have complied with the relevant PRC laws and regulation in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China.

Failure to make full contribution to social insurance premiums and housing provident funds for all employees

During the Track Record Period, we failed to make full contribution to the social insurance premiums and housing provident funds for certain employees based on the statutory contribution bases. In 2019, 2020 and 2021, the shortfall was estimated at RMB5.2 million, RMB2.0 million and RMB5.4 million, respectively.

Reasons for The Non-compliance

We believe this non-compliance incident was caused by certain circumstances that (i) a certain number of our employees are rural residents who have already participated in the new local rural social insurance plans and rural cooperative medical schemes, hence they are typically not willing to participate in the foregoing social welfare schemes and housing provident funds; (ii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside in as such contributions are not transferrable among cities; and (iii) lastly, our staff who were in charge of this matter did not fully understand the relevant laws and regulations.

Legal Consequences

As advised by our PRC Legal Advisor, the relevant PRC authorities may notify us that we are required to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within such prescribed period, we may be liable to a fine of one to three times the outstanding contribution.

In the case that we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Rectification Actions Taken And Potential Impacts

As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline, nor were we aware of any plan of relevant authorities to collect the outstanding amounts from us. We also had not received any notification from the relevant authorities requiring us to amend our policies or practice regarding our contribution of social insurance premiums and housing provident funds for employees.

We have obtained the written compliance confirmations from competent local authorities in charge of social insurance premiums and housing provident funds in substantially all of the cities where our major operating entities are located, providing that, during the Track Record Period, no administrative penalties had been imposed on us in connection with the matter of social insurance premiums and housing provident funds.

Also, we have been actively communicating with the relevant local government authorities. We will be making contributions for our employees in a manner as required as soon as practicable once we receive the notification from the relevant government authorities, if any, to require us to make contribution for the outstanding amounts or to amend our policies or practice in this regard, so that we will not receive administrative punishment from the relevant

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government authorities due to the failure of making the contributions in time. We have reviewed and improved our practice. As of the Latest Practicable Date, except for those newly recruited employees for whom the registration of social insurance premiums and housing provident funds contribution had not been completed and those employees with whom the employment relationship was terminated (as such the contribution of social insurance premiums and housing provident funds in current month for these people was not possible), we are in the process of completing the registration procedures for all our current employees in connection with the contribution of social insurance premiums and housing provident funds and had made contributions for them based on our past experience and practice.

We were also not aware of any employee's complaints or demands for payment of social insurance premium or housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard.

We have also received the confirmations from Mr. Chen and Mr. Qin, our Controlling Shareholders, dated April 26, 2021, undertaking that in case that our Company is required by the relevant government authorities to make full repayment of the outstanding amounts and/or pay relevant penalties, they will indemnify the Company for such payments so that the Company will not suffer from economic losses in this regard.

Based on (i) the above-mentioned confirmations and undertakings and (ii) sufficient provisions have been made in our financial statements as mentioned below, our PRC Legal Advisor is of the opinion that, this non-compliance incident will not have any material and adverse impact on our Group.

We have reviewed and implemented enhanced internal control measures to prevent future potential non-compliances. We have prepared and distributed internally a compliance policy with respect to social insurance and housing provident fund contribution in accordance with the PRC laws and regulations. We have assigned designated personnel to monitor the status of payments of social insurance premiums and provident funds on a regular basis in order to ensure that we have made these payments for our employees on time in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities. The designated team includes our human resources staff, who shall prepare the written records of the relevant payments on a monthly basis and submit the same to the heads of our human resources and finance departments for review. We also intend to engage an external law firm to provide compliance trainings to the responsible administrative staff on the updates of the relevant laws and regulations on an on-going basis. Our Directors believe that our enhanced internal control measures are sufficient and effective for our current operations.

As of December 31, 2019, 2020 and 2021, the carrying amount of our provisions for social insurance premiums and housing provident funds amounted to RMB11.7 million, RMB7.2 million and RMB7.5 million, respectively.

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Based on the confirmations and facts described above, the advice from our PRC Legal Advisor and the enhanced internal control measures we have implemented, our Directors are of the opinion that this non-compliance incident will not have a material adverse impact on our business operations or financial condition as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We have developed and implemented risk management policies to identify and address the potential risks in relation to our operations, including strategic risks, operational risks, financial risks, and legal risks. Our risk management policies set forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management. We periodically assess and update our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations.

We have also developed and implemented a series of internal control management measures. Our internal control system is designed to provide adequate assurance for effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Our internal control system covers all material aspects of our operations, including but not limited to corporate governance enhancement, payment settlement and reconciliation, procurement and payment procedures, inventory track and reconciliation mechanism, cash and investment management, internal audit and financial reporting system. We carry out regular internal evaluation and training to ensure that our employees are equipped with sufficient knowledge on our internal control measures and relevant laws and regulations.

In January 2021, we engaged an independent consulting firm as our internal control consultant, who had performed a thorough review and provided recommendations on the effectiveness of our internal controls. The scope of the internal control review performed by our internal control consultant was discussed and agreed among us, Joint Sponsors and the internal control consultant.

We have adopted a set of procedures and measures based on the suggestions of our internal control consultant to further ensure the effectiveness of our internal controls and corporate governance practice. Our internal control consultant had conducted a follow on review and assessment and confirmed that we had properly implemented the enhanced internal control measures.

Other than the internal controls and risk management measures in connection with various aspects of our operations, we will continue to implement the following internal control measures at our Group level:

- To meet the corporate governance standards as a listed company on the Stock Exchange, we will establish an audit committee, a remuneration committee and a nomination committee under the Board, and will provide in writing the respective responsibility of each committee; their primary duties include, among others,

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providing an independent view of our financial reporting process, internal control and risk management system, ensuring the levels of remuneration and compensation are appropriate, and recommends to the Board with suitably qualified persons;

- We will implement information disclosure policies and procedures for information identification and disclosure in connection with sensitive information and related party transactions subject to the requirements under the Listing Rules and relevant accounting standards;
- We plan to provide trainings to our Directors, management and employees to continuously raise their awareness of the importance of internal controls and legal compliance; in particular, we intend to continue to provide trainings for Directors and management with respect to the Listing Rules and duties of Directors of a listed company on the Stock Exchange; and
- We plan to engage professional consulting firms and/or law firms to provide trainings and advise on ongoing regulatory compliances with the relevant PRC laws and regulations; we will also constantly update our internal control policies based on our operational needs as well as changes of new laws and regulations.

Our Directors are of the view that our enhanced internal control system is sufficient and effective for our current operations.

RECENT DEVELOPMENTS

Business and Financial Highlights

Set forth below are certain material developments on our business and results of operations after December 31, 2021, and up to the Latest Practicable Date:

- by May 2022, our average MAU amounted to over 1.4 million in the past 12 months, and our MAU also remained at over 1.4 million in each of the months from August to December 2021, which increased to 1.5 million in each of the months from January to May 2022, indicating the unchanged popularity of our smart learning devices;

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- The table below sets forth our monthly shipment of personal student tablets since August 2021, the time when the Opinions were released, and up to May 2022 and corresponding periods in previous years for reference purpose:

	Year ended December 31,				
	2018	2019	2020	2021	2022
	<i>(units, in thousands)</i>				
January	46.4	48.5	57.8	51.1	19.1
February	18.5	29.6	33.3	38.8	12.5
March	26.6	27.1	51.4	43.9	23.4
April	17.5	13.1	25.9	12.5	18.2
May	19.2	9.0	13.2	29.3	24.0
August	45.0	54.0	74.8	36.7	N/A
September	66.5	82.5	59.9	61.7	N/A
October	23.7	23.4	29.7	23.5	N/A
November	23.4	35.9	32.2	11.3	N/A
December	33.5	21.6	28.5	54.0	N/A

The total shipment of personal student tablets for the period from January 2022 to May 2022 was relatively lower than that for the same period in 2021, primarily due to (i) the intensified pandemic control restrictions in response to the resurgences of COVID-19 outbreak, which resulted in the delays in the transportation of certain of raw materials, the slowdown in our production and the delays in the delivery schedule of our products to distributors and (ii) the temporary closure of points of sales operated by our distributors and the resultant more conservative order placing from distributors under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak; as a result, based on our unaudited management accounts, we recorded a decrease in revenue for the five-month period ended May 31, 2022, as compared to the corresponding period in 2021;

The monthly shipment of personal student tablet was generally higher in August and September than that in other months in the same year, primarily because we generally record higher sales in summer vacation and at the beginning of the new school year as students generally increase their spending on smart learning devices at the beginning of a school year; the monthly shipment of personal student tablet in August 2021 was relatively lower than that in the same month in previous years, primarily due to the conservative order placing strategy adopted by our offline distributors in response to the uncertain market and regulatory environment immediately after the release of the Opinions in July 2021; the monthly shipment of personal student tablets was high in December 2021, primarily because our distributors increased their purchases with an earlier schedule in preparation for the upcoming Chinese New Year, which was in early February 2022, as the longer

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shipping time would be required under the intensified COVID-19 pandemic control restrictions and most logistic services would typically be suspended during such holidays; the monthly shipment of personal student tablets was low in January and February 2022, primarily due to (i) the relatively high inventory level of our distributors subsequent to their purchases made in December 2021, (ii) the relatively low sales in the Chinese New Year holiday and (iii) the uncertain market environment due to the resurgence of COVID-19 outbreak across the nation; the monthly shipment of personal student tablet was generally lower in April than that in March, primarily because less students choose to purchase smart learning devices during the spring semester; the relatively high monthly shipment of personal student tablet in April 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home;

As of December 31, 2019, 2020 and 2021 and May 31, 2022, our offline distributors recorded unsold personal student tablet of 75.5 thousand units, 66.6 thousand units, 75.3 thousand units, and 40.2 thousand units, respectively; the relatively lower inventory level of unsold personal student tablet as of December 31, 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home and an increase in sales of our offline distributors in 2020; the number of unsold personal student tablet held by our offline distributors decreased from December 31, 2021 to May 31, 2022, primarily because the inventories of offline distributors purchased in December 2021 were gradually sold to users and our offline distributors were more conservative in order placing under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak during the period; to ensure the healthy inventory level of our distributions, we leverage our information management system to manage the inventory level of our distributors through review of their monthly sales reports and regular communication with the responsible personnel; for distributors who have a relatively high level of inventories, we will assess their operational performance and require them to sell unsold inventories and reduce their inventory level to a required level within a given period; we require such distributors to submit their subsequent sales plan for unsold inventories and confirmations on sales progress for unsold inventories; in the event that such distributors fail to achieve their subsequent sales plan and reduce their inventory level to our required level within a given period, we may suspend our shipment to such distributors;

Compared to the three months periods from December to February in 2019, 2020 and 2021, respectively, the monthly shipment of personal student tablets was relatively higher in December 2021 and lower in January and February 2022, such different pattern was primarily because (i) the Chinese New Year of 2019 was in early February of the year, when the logistic services were not impacted by the COVID-19 pandemic, (ii) the Chinese New Year of 2020 was in late January of the year, when the logistic services were not impacted by the COVID-19 pandemic and

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(iii) the Chinese New Year of 2021 was in mid-February of the year, which respectively encouraged our distributors to generally arranged their purchases in preparation for the Chinese New Year in January of the corresponding year; The total shipment of personal student tablets for the period from January 2022 to May 2022 was relatively lower than that for the same period in 2021, primarily due to (i) the intensified pandemic control restrictions in response to the resurgences of COVID-19 outbreak, which resulted in the delays in the transportation of certain of raw materials, the slowdown in our production and the delays in the delivery schedule of our products to distributors and (ii) the temporary closure of points of sales operated by our distributors and the resultant more conservative order placing from distributors under the uncertain market environment as an impact of the resurgence of COVID-19 outbreak; as a result, we recorded a decrease in sales amounts recognized from personal student tablets for the five months ended May 31, 2022 as compared to the same period in 2021; the monthly shipment of personal student tablet was generally lower in April than that in March, primarily because less students choose to purchase smart learning devices during the spring semester; the relatively high monthly shipment of personal student tablet in April 2020 was primarily due to the initial outbreak of COVID-19 pandemic, which resulted in an increase in the number of students who studied at home;

- The table below sets forth our monthly total views of the pre-recorded video resources since August 2021, the time when the Opinions were released, and up to May 2022 and corresponding periods in previous years for reference purpose:

	Year ended December 31,				
	2018 ⁽¹⁾	2019 ⁽¹⁾	2020	2021	2022
	<i>(in millions)</i>				
January	N/A	N/A	1.5	5.8	7.3
February	N/A	N/A	6.7	6.0	6.6
March	N/A	N/A	5.9	5.1	6.6
April	N/A	N/A	4.3	4.8	5.4
May	N/A	N/A	3.3	5.0	4.9
August	N/A	N/A	6.5	10.6	N/A
September	N/A	N/A	4.0	5.4	N/A
October	N/A	N/A	4.2	5.2	N/A
November	N/A	N/A	4.3	5.8	N/A
December	N/A	N/A	3.9	4.7	N/A

Note:

- (1) Our system for such data was not available until 2020.

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The relatively higher number of views in August was also because it was the summer vacation while the students have more time and their user activity on our devices is typically high; similarly, the relatively higher number of views in January 2022 was primarily due to (i) the increase in students switched to smart learning devices for after-school learning as a result of the implementation of the Opinions, which resulted in offline after-tutoring unavailable, (ii) the discontinuity of live-streaming classes which transferred students to pre-recorded video resources and (iii) the intensified COVID-19 pandemic control restrictions, which resulted in the temporary closure of schools and an increase in the number of students who studied at home; the relatively higher number of views in March and April 2022 was primarily due to (i) the school closure as a result of the intensified COVID-19 pandemic control restrictions and (ii) the discontinuity of live-streaming classes which transferred students to pre-recorded video resources; the downward trend in our monthly total views of the pre-recorded video resources from January 2022 to May 2022 was primarily because students had more time on our devices from mid-January to mid-February, which was the winter vacation, and reduced their time on our devices from March to May as they spent more time in schools after the spring semester begun;

- The table below sets forth our monthly newly registered users since August 2021, the time when the Opinions were released, and up to May 2022, and corresponding periods in previous years for reference purpose:

	Year ended December 31,				
	2018	2019	2020	2021	2022
	<i>(in thousands)</i>				
January	32.1	39.9	37.1	45.6	49.6
February	47.4	46.0	57.1	45.2	45.4
March	45.7	37.6	59.8	34.2	35.5
April	30.2	21.9	34.4	23.9	25.5
May	28.5	27.3	26.3	26.3	31.0
August	59.2	57.1	54.7	42.6	N/A
September	84.8	80.4	68.1	50.7	N/A
October	57.9	55.2	50.6	33.7	N/A
November	41.4	40.4	41.3	27.0	N/A
December	29.5	24.9	27.2	32.8	N/A

The number of newly registered users was relatively high in August and September, primarily due to the peak season for our sales during and shortly after the summer vacation; the number of monthly newly registered users was relatively higher in January than that in previous December, primarily due to the winter vacation; the relatively larger number of newly registered users in January 2022 as compared to

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January 2021 was primarily due to the intensified COVID-19 pandemic control restrictions, which resulted in the temporary closure of schools and an increase in the number of students who studied at home;

While the aggregate shipments of the personal student tablets during 2021 and 2019 were at a similar level, the monthly newly registered users in 2021 were generally lower than that of the corresponding periods in 2019. Such relatively lower number of monthly newly registered users in 2021 was primarily due to our discontinuity of live-streaming classes after the issuance of the Opinions since August 2021. Unlike the pre-recorded video resources and other educational content offered by us, live-streaming classes require users to register accounts with us for gaining access; nevertheless, we are able to continue to attract new registered users after the discontinuity of live-streaming classes, as we encourage our users to register accounts with us to use parental control features, which allow the parents to conveniently track and review the students' learning progress, and enjoy personalized content recommendations, which can only be achieved based on user data they accumulated through registered accounts;

- during the period from January 1, 2022 and up to the Latest Practicable Date, the total shipments of our personal student tablets, smart classroom solutions and wearable products amounted to approximately 120.9 thousand units, 1.9 thousand units and 42.4 thousand units, respectively;
- since the end of the Track Record Period, we have continuously developed our distribution network; during the period from January 1, 2022 and up to the Latest Practicable Date, we newly contracted 24 offline distributors and terminated business with 18 offline distributors and the total number of points of sales increased to 4,608 controlled by 129 offline distributors as of the Latest Practicable Date; and
- Our gross profit margin decreased from 27.5% in 2020 to 20.8% in 2021, primarily due to an increase in raw material costs. During the same period, our net profit margin decreased from 12.5% to 10.1%, mainly resulting from the decrease in gross profit margin. In addition, our gross profit margin of personal student tablets decreased from 27.5% in 2020 to 20.0% in 2021 as a result of the unstable supply of certain raw materials in 2021 which caused an increase in raw material costs.

Developments in Product Offerings

In response to the new regulatory regime, subsequent to the Track Record Period, we closely reviewed our product offerings with a view to establishing a Readboy smart education environment. Readboy smart education environment is a student-centered smart learning environment powered by various advanced technologies, including AI, big data and 5G, which consists of smart learning device product and service offerings and smart school solutions. To further build up the smart learning device product and service offerings, we intend to develop more accessory products that deliver a pleasant and efficient learning experience, such as smart

desk sets, smart audio books and so on. We also intend to develop additional STEAM education content. On the other hand, we have placed more focus on our smart school solutions, which support school with smart solutions on staff and campus management, teaching, facility operation and logistics management. Since October 1, 2021 and up to the Latest Practicable Date, we have launched a series new products of under smart school solutions, such as our smart classroom solutions, including new model of tablet device, interactive teaching flat panels with different display features, and two models of eye-protecting study lamps. We also optimized our smart exam review system and homework assignment system. In addition, in early 2022, we commenced to offer smart study desk sets, which provide students with electric adjustable study desks and chairs designed with human engineering. The introduction of smart study desk sets further strengthened our product offerings.

To sustain the competitiveness and attractiveness of our smart learning devices, we strive to continue to enhance the quantity and quality of the educational resources available on our smart learning devices. After the release of the Opinions, we had promptly discontinued the offering of our self-developed live-streaming classes. In addition to the existing pre-recorded video resources and courseware, to the extent permitted by the relevant laws and regulations, we have been actively identifying additional educational resources from third parties that can be accessed from our smart learning devices. We were advised by our PRC Legal Advisor that, pursuant to the Opinions, (i) live-streaming classes for academic subjects are not completely prohibited; provision of live-streaming classes is allowed as long as the following requirements are met: (a) providers shall be registered as non-profit organizations by competent governmental authorities; (b) providers shall obtain the permit to commence (辦學許可證) and/or other requisite approvals; (c) other requirements provided by competent governmental authorities, such as such classes cannot be provided in holidays and time slot after 9 PM during the working days. On the other hand, the Opinions also encourages provision of free online educational resources to students. Therefore, after the implementation of the Opinions, the central government of the PRC has established official online free educational resources platforms, such as the National Cloud Learning Platform for Primary and Secondary Students. There are also other qualified non-profit organizations with the permit to commence and other necessary approvals providing online free educational resources, including live-streaming resources. Since the discontinuity of our self-developed live-streaming resources and up to the Latest Practicable Date, in addition to the pre-recorded video resources prepared by ourselves, we also have made available access to such additional online free educational resources on our smart learning devices.

In order to prudently comply with the Opinions and other newly released policies, we sought advice from our PRC legal advisor and conducted thorough due diligence on the relevant third party providing the online free educational resources to ensure such third party is qualified to provide the educational resource in accordance with the Opinions and other relevant policies. In particular, a designated team under our Readboy Institute of Education Technology selected and approved the third parties to offer online free educational resources on our smart learning devices on conditions that (i) such third parties hold valid permits to commence (non-profit) (辦學許可證(非營利性)) and (ii) such third parties and the relevant educational resources have been duly registered with on the National After-school Tutoring

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Regulatory and Service Platform (全國校外教育培訓監管與服務綜合平台). Recently, we have further strengthened our internal control policies on the selection of third parties who provide online free educational resources on our smart learning devices by further requiring the head of our Readboy Institute of Education Technology and an designated executive Director to provide approval for the access of relevant online free educational resources from our smart learning devices. In addition, our internal legal team will organize periodical trainings regarding the Opinions and other relevant polices for the relevant executive Director, the head of Readboy Institute of Education Technology and employees from our Readboy Institute of Education. We also require our internal legal team and, if necessary, may engage external legal advisors to provide legal supports to the relevant personnel in a timely manner during their daily operations.

Our PRC legal advisor is of the view that the provision of online free educational resources on our smart learning devices by qualified non-profit organizations with the permit to commence and other necessary approvals is not in violation of the application laws and regulations, on the basis that (i) the relevant third parties providing the online free educational resources with qualifications of non-profit organizations, the permit to commence and other necessary approvals comply with the requirements under the Opinions; and (ii) the online free educational resources do not constitute the restrictive content as stipulated in the Provisional Administrative Provisions on the Pre-installation and Distribution of Mobile Smart Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》).

As of the Latest Practicable Date, we have not been found in violation of any relevant laws and regulations in connection with the provision of online free educational resources on our smart learning devices by qualified non-profit organizations. Our internal legal department is also responsible for the on-going review of the third-party content to ensure that the content is not illegal or restrictive based on the applicable laws and regulations, and that the relevant third parties have the copyright or are properly authorized to provide such content to us. Such additional online free educational resources may be accessed by our smart learning devices through third-party mobile apps or websites and the end users are at their discretion to install or uninstall such mobile app or to visit the relevant websites on the smart learning device. We currently do not pay fees for such free online educational resources and the end users are not separately charged fees either. We will continue to adopt the prudent approach when identifying more third parties for the provision of educational resources. Please also refer to “Risk Factors – Risks Relating to Our Business and Industry – Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, distributors, suppliers or other third parties may have a material adverse effect on our business” for more details. We will also explore new formats of collaboration that are permitted by the relevant laws and regulations.

Recent Communications with Regulatory Authorities

To better understand and to properly comply with these new policies, we, together with the representatives of our PRC Legal Advisor and the PRC Legal Advisor to the Joint Sponsors, participated in a series of interviews with the local and central education authorities.

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On August 11, 2021, we participated in an interview with a responsible officer from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province. We informed Department of Education of Guangdong Province that we have completed the adjustment to our operations by fully terminating the live-streaming classes shortly after issuance of the Opinions. In addition, we were advised, among other things, that (i) we are not an after-school tutoring service provider whose operations are directly regulated by the Opinions, therefore, according to the Non-state Education Promotion Regulation, the Opinion on the Development of After-school Training Institutions and the Opinions, our current businesses are not required to obtain the permit to commence (辦學許可); (ii) the provision of digital educational resources in the form of pre-recorded video does not constitute a form of after-school tutoring business strictly regulated by the Opinions and is permitted under current regulatory requirements; and the provision of online educational resources with quality without separately charging fees and the promotion of the development in educational resources and education equality are encouraged by the Opinions; and (iii) for the live-streaming classes provided during the Track Record Period prior to the issuance of the Opinions, we have completed the requisite filing procedures for its operations, including obtaining the Certificate of After-school Online Tutoring (《廣東省校外線上培訓備案證明》) issued by the Department of Education of Guangdong Province.

In light of new follow-up new policies, on October 9, 2021, we participated another interview with the same responsible officer from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province. We were advised, among other things, that (i) as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; (ii) we are considered as an education technology company after our business adjustments and not as an after-school tutoring service provider and it is not directly subject to the Opinions and the follow-up policies; (iii) after our business adjustments, our main business is the sale of smart learning devices and the provision of digital educational resources in the form of pre-recorded video through such smart learning devices; such business does not constitute a form of after-school tutoring business strictly regulated by the Opinions and the follow-up policies; and (iv) based on the principle of non-retroactivity of laws and regulations, the Opinions and the follow-up new policies do not have a retrospective effect on our provision of live-streaming classes prior to the release of the Opinions.

On November 1, 2021, we participated an interview with the director of the general office under the Department for Supervision of After-School Tutoring Institutions of the Ministry of Education. We were advised, among other things, that (i) the education authorities at each provincial level are responsible for the execution and implementation of the Opinions within their jurisdiction; as to the jurisdiction where we are located, the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province (with which we conducted the previous interviews on August 11 and October 9, 2021) is the competent authority to supervise the after-school tutoring related matters and it has the responsibility to

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reply enquires in relation to the Opinions and provide advice and confirmations in connection with the Opinions and other related policies; and (ii) we shall follow the advice and confirmations obtained from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in the previous interviews when conducting its business operations, and (iii) we shall seek advice from the After-school Tutoring Supervision Division under the Department of Education of Guangdong Province in connection with the Opinions and other related policies in the future.

Based on the third interview conducted on November 1, 2021, we believe, and the Joint Sponsors concur, that the confirmations we received from the responsible officer during the interviews on August 11 and October 9, 2021, respectively, are valid, sufficient and properly authorized, and could be relied on to guide our business operations going forward.

We were advised by our PRC legal advisor that, after (i) verifying the identification of interviewees, including their current positions, through obtaining identification documents, follow-up confirmations and other proofs from the officers of the same departments, and (ii) reviewing the information with respect to the duties and responsibilities of relevant positions and departments as published on the official websites of the education government authorities, the interviewees are competent to provide the confirmations to matters discussed in their respective interviews. Our PRC legal advisor and our Directors are of the view, and the Joint Sponsors concur, that the likelihood of those confirmations being challenged by a higher level authority is relatively low. In addition, based on these interviews, we were also advised by our PRC Legal Advisor that (i) our sale of smart learning devices and the provision of pre-recorded video resources through such smart learning devices do not constitute a form of after-school tutoring business strictly regulated by the Opinions and the follow-up policies and hence would not be regarded as an indirect circumvention of the Opinions as confirmed by the interviews, (ii) the Company's current businesses are not considered as the online tutoring operations strictly regulated by the Opinions, and it is not required to obtain additional permits or licenses for the Company's existing operations going forward, and (iii) in terms of the previous business operations during the Track Record Period and prior to the promulgation of the Opinions, it has not been found in violation of the relevant laws and regulations.

According to our PRC Legal Advisor, pursuant to the Opinions, authorities at provincial level shall screen and evaluate registered online curriculum tutoring institutions and re-issue approvals in accordance with the new standards. Besides, based on the information regarding to the responsibilities and functions of the Department of Education of Guangdong Province set forth on the official websites of the Ministry of Education and the Department of Education of Guangdong Province, (i) the Department of Education of Guangdong Province is responsible for enforcing and implementing education laws, regulations, guidelines and policies within Guangdong provincial area, thus the Department of Education of Guangdong Province is a competent authority to implement the relevant national rules, regulations and policies, including the Opinions, and the responsible officer is in charge of after-school tutoring matters and is authorized to give such confirmations, and (ii) based on the facts that (a) the Department of Education of Guangdong Province is the competent authority in responsible for the administrative management of after-school tutoring matters, (b) the Department of Education

of Guangdong Province is the actual enforcement entity of the China's education laws and regulations, and (c) the confirmations provided by the responsible officer do not contradict with other policies, laws and regulations, including the Opinions, that have been released to the public so far, the likelihood that the confirmations provided by the responsible officer to be challenged by a higher level authority, including the provincial education department (i.e. the Department of Education of Guangdong Province) and/or other national authority, is low. In addition, based on the interviews, our PRC Legal Advisor is of the opinions, upon the adjustments to our business operations as described above, that (i) the provision of digital educational resources in the form of pre-recorded video would not be regarded as an indirect circumvention of the Opinions, (ii) we are not considered as engaging in the online tutoring operations strictly regulated by the Opinions, and we are not required to obtain additional permits or licenses for our existing operations going forward, and (iii) in terms of our previous business operations during the Track Record Period and prior to the promulgation of the Opinions, we have not been found in violation of the relevant laws and regulations.

IMPACTS OF COVID-19 OUTBREAK

In late 2019, an outbreak of respiratory illness caused by a novel coronavirus, or COVID-19, was quickly spreading around the world, including in China. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. On January 23, 2020, the PRC Government announced the lockdown of Wuhan. Since then, stringent containment measures including travel restrictions had been imposed in other major cities in the PRC in an effort to contain the coronavirus outbreak. On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern, or the PHEIC. As of the Latest Practicable Date, the virus had spread to over 200 countries and territories globally, and death toll and number of infected cases continued to rise. The COVID-19 outbreak has resulted in a high number of fatalities, and is likely to continue to have, a prolonged adverse impact on the livelihood of the people and the economy globally.

Our Response to and Campaign against COVID-19 Outbreak

In line with PRC government guidelines, we have implemented precautionary measures to maintain a hygienic working environment. For example, we had implemented health screening procedures for all entrants of our premises, including checking their travel history and whether they have any symptoms associated with COVID-19 and measuring their temperature. We have assembled a pandemic emergency team that is responsible for closely tracking the health status of our employees. In addition, we rapidly procured and distributed face masks and other personal disinfectant products such as hand sanitizers to our employees for free. Furthermore, our premises were regularly cleaned every day.

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Due to the COVID-19 outbreak and the government's relevant control measures, we temporarily suspended our production and assembly facility for a period of ten days from February 2, 2020 to February 11, 2020. We had fully resumed our production and assembly activities as of February 12, 2020. In order to prevent and control the outbreak, we adjusted our business operations and set up specific plans for resumption of work, our health and safety management system and emergency plans.

Moreover, subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistic services to deliver our products to customers were temporarily compromised in February and March 2020, especially in cities that were severely affected by the pandemic, such as Wuhan. The logistic services have all been resumed to normal in the third quarter of 2020. To help our distributors to fight against the pandemic, we temporarily launched a number of policies in favor of our distributors, including extending the period for repair and maintenance services for a period of one to three months, and giving away free gifts to motivate purchasers. Total monetary value of the free gifts was less than RMB28,100, which we believe is insignificant and had no material impact on our financial performance.

On the other hand, despite the short-term lock down measures implemented in certain cities during the COVID-19 outbreak, the overall sales of our offline distributors were not materially adversely affected, which was primarily due to the surging market demands as a result of the home-based online education policy promoted by central and local governments. In addition, our offline distributors also actively deployed various marketing measures on social media and other online platforms and collaborated with local logistic service providers to offer door-to-door delivery service.

We estimated that we incurred anti-pandemic related expenses of approximately RMB365.0 thousand, which were primarily recorded in the first half of 2020 and mainly in connection with the purchases of medical and safety supplies for our employees. We currently expect the anti-pandemic related expenses and the donations to be one-off items. We believe such amount was insignificant and other than this, we did not incur other material anti-pandemic expenses during the Track Record Period.

In addition, in 2021, we have experienced a temporary global shortage of certain key raw materials, such as integrated circuits and display screens. The shortage was primarily caused by the COVID-19 outbreak since early 2020 which materially interrupted the production activities globally, in particular, in Taiwan, Japan, Korea and the United States where the major circuit manufacturers are located. On other hand, market demands for laptops and desktop computers increased considerably during the COVID-19 pandemic, which further deteriorated the situation. Such temporary shortage caused an increase in raw material costs, which in turn, affected our net profit in the relevant periods. During the period from January 1, 2022 to the Latest Practicable Date, there were resurgences of COVID-19 outbreak, including the COVID-19 Delta and Omicron variant cases, from time to time in multiple cities in China, and the local governments intensified certain quarantine, import clearance and other restrictive measures. As a result, we experienced a slowdown in production and certain delays in the

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transportation of our raw materials from January 2022 to April 2022. As certain suppliers are located in Shenzhen, Dongguan and areas outside China, the production and logistics arrangements of our raw materials, such as integrated circuits, display screens and metal shells, were halted by various measures implemented by the local governments to alleviate the spread of the outbreaks. As of the Latest Practicable Date, the supply of our raw materials and our manufacturing operations have resumed to normal and we have implemented strategic measures to minimize the impact by the resurgence, including (i) having secured additional alternative suppliers for integrated circuits; (ii) increasing the versatility of raw materials to be used across different product models, so that we could increase the procurement with better price and larger amount; (iii) identifying alternative raw materials and expanding our bills of materials, so as to strengthen the supply chain management; (iv) paying particular attention to alternative raw materials that have not been adopted by other mainstream device manufacturers; and (v) updating our product designs by enabling conversion between different raw material suppliers. We also strategically increased stock up of raw materials as of the Latest Practicable Date to cope with potential impacts of prolonged resurgence of COVID-19 outbreak. In addition, we also experienced certain delays in the transportation of our products and witnessed temporary closure of certain offline stores operated by our distributors in those affected areas due to the intensified COVID-19 pandemic control restrictions. As a result, the delivery schedule for certain orders were delayed, and some of our distributors discussed with us and delayed their orders during the period from January 2022 to April 2022. As of the Latest Practicable Date, the transportation and delivery of our products have resumed to normal.

During the period from August 2021 to December 2021 and the period from January 2022 to April 2022, we noticed that certain of our distributors cancelled purchase orders from us. From August 2021 to December 2021, approximately 1.5% of the total orders of personal student tablets, in terms of the device unit, were cancelled in such period, which mainly included 2,759 units of personal student tablets, representing an aggregate gross sales amount of approximately RMB5.4 million. From January 2022 to April 2022, approximately 1.0% of the total orders of personal student tablets, in terms of the device unit, were cancelled in such period, which mainly included 650 units of personal student tablets, representing an aggregate gross sales amount of approximately RMB0.9 million. The aggregate amount, either in terms of device unit or the gross sales amount, is insignificant and would not have an adverse impact on our overall business and financial performance. To our best knowledge and after due inquiry, such cancellation was mainly due to the temporary delay in delivering certain models of the smart learning devices resulting from the shortage of certain raw materials, which caused the changes in customer demands and the relevant distributors decided to amend their purchases to meet the changing needs. We are not aware of any distributor cancelled purchase orders from us in May 2022. Please also refer to “Risk Factors – Risks Relating to Our Business and Industry – Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs.”

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It was reported that COVID-19 outbreak has been under control in China but it still takes time for the recovery of domestic economic activities. It is difficult to predict at current stage to what extent the COVID-19 would have impacts on our operations. We estimated that our overall business and financial performance for the year ending December 31, 2022 will not be materially adversely affected by the COVID-19.

The abovementioned analysis is for illustrative purpose only and actual impact caused by the COVID-19 outbreak will depend on its subsequent development. Our Directors will continue to assess the impacts of the COVID-19 on the business and financial performance of our Group and will closely monitor the risks and uncertainties arising thereof.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto as of and for the years ended December 31, 2019, 2020 and 2021, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations)) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors".

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a smart learning device service provider in China, focusing on the design, development, manufacturing and selling of smart learning devices embedded with digital educational resources for China's primary and secondary students, their parents and school teachers. Established in 1999, we have become a technology-powered smart learning device service provider with integrated education product and service offerings in China. According to the Frost & Sullivan Report, we ranked second among China's smart learning device service providers in terms of total retailing market value and ranked fifth among China's smart learning device service providers in terms of total device shipment in 2021.

We design, develop, manufacture and market smart learning devices, including personal student tablets, smart classroom solutions, wearable products and other products. Our smart learning devices are embedded with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for primary and secondary school students in China. We endeavor to leverage the advanced technologies to create a flexible, efficient, effective, interactive and personalized learning experience. Revenue derived from sales of our personal student tablets constituted the majority portion of our total revenue during the Track Record Period.

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We have established a nationwide offline distribution network with deep penetration. Our products are generally sold to our distributors, who then onsell our products to end users, such as students or their parents, in the cases of personal student tablets and wearables products, and schools, in the case of smart classroom solutions. Our distributors not only market and sell our products, but also deliver customer services, especially to places where educational resources are typically inadequate. Face-to-face communications provide better experience for users to understand our products and an effective way to convey our philosophy of education, which facilitates us in effectively acquiring end users and maintaining a large, loyal and expanding user base. Our end users may get familiar with our products at offline points of sales through first-hand experience with the assistance from offline store staff. In addition, offline presence in local markets enables our brand and products and services to gain trust from end users. Such offline points of sales help us to communicate with and deliver after-sales and operational services to end users in a more effective manner, which we believe will generate word-of-mouth referral and spread of our brand name and reputation, thereby further expanding user base. In addition to the offline distributors, we also generated revenue from other sales channels, including self-operated online platforms, online distributors. Besides our efforts in strengthening our nationwide offline distribution network, we also introduce and implement new and innovative marketing measures, such as social media operations on WeChat, Weibo and TikTok and online live streaming sales, to achieve the expansion of our end user base, which in turn will improve the traffic of our offline stores. We expect such online-to-offline model will not only attract potential individual end users to promote our online sales but also will increase the sales at offline stores. During the Track Record Period, we also generated a small portion of revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements.

Taking advantage of diverse product offerings, with digital educational resources expanding distribution network, as well as the loyal user base, we have achieved a remarkable development during the Track Record Period and we consider we are well positioned to continue to capitalize on the growing integrated education service industry in China. Our revenue increased by 9.6% from RMB669.9 million in 2019 to RMB734.0 million in 2020, and further increased by approximately 10.8% to RMB813.2 million in 2021. Our net profit increased by 32.5% from RMB69.4 million in 2019 to RMB92.0 million in 2020. Net profit decreased by approximately 10.7% from RMB92.0 million in 2020 to RMB82.1 million in 2021. Without considering the impact of the listing expenses and changes in fair value of financial liabilities at fair value through profit or loss in connection with the shares we issued to our Pre-IPO Investors, our adjusted net profit, a non-HKFRS measure, would have decreased by 16.3% from RMB92.0 million in 2020 to RMB77.0 million in 2021.

BASIS OF PRESENTATION

Our Company acts as the holding company of our Group and was established in the Cayman Islands on February 8, 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. Certain education services are subject to regulatory

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foreign ownership restrictions. Prior to the incorporation of the Company and the below-mentioned Reorganization, our operations were conducted through Zhuhai Readboy and other PRC operating entities. Pursuant to the Reorganization and the contractual arrangements, the Company became the holding company that, among others, indirectly owns Zhuhai Readboy through the WFOE. The contractual arrangements enable the WFOE to exercise effective control over Zhuhai Readboy and obtain substantially all economic benefits of Zhuhai Readboy. Accordingly, Zhuhai Readboy is controlled by the Company based on the contractual arrangements though the Company does not have any direct or indirect equity interest in Zhuhai Readboy.

The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganization. As the Reorganization only involved inserting new holding companies and entering into contractual arrangements that has not resulted in a change of respective voting, economic substance and beneficial interests, our historical financial information for the Track Record Period has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Affecting Our Results of Operations

We have benefited significantly from favorable demographic trends, the overall economic growth and the demand for high-quality educational services in China. In particular, we expect that the demand for high quality smart learning devices in China will continue to be driven by (i) market demands resulting from student population and increasing disposable income per capita along with increasing level of urbanization, (ii) increasing spending on education in the pursuit of high quality education, and (iii) advancement and wide application of IT and other innovative technologies.

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We have also benefited from a number of policies, rules and regulations to promote educational reform promulgated by China's central and local governments. For example, in 2010, National Medium-to-Long Term Educational Reform and Development Plan (2010-2020) was released which set strategic development plans and key objectives for each different sectors of education industry, covering pre-school education, compulsory education, senior secondary education, vocational education, higher education and adult education and so on. In 2017, the 13th Five-Year-Plan in Education Industry has been issued, which focused on industry reform and outlined the development targets and the guidance of development. Furthermore, recent new education policies released by the central government revealed the government's support to promote public education. In particular, in July 2021, Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions on Further Easing the Burden of Excessive Homework and After-school Tutoring for Students Undergoing Compulsory Education (the "Opinions") (《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》), which reaffirm the government's political strategies to promote the quality of compulsory in-school education and increase the diversity of educational services provided by schools. According to the Opinions, after-school tutoring industry will be subject to more stringent regulatory restrictions while in-school education will receive more investments and play a more significant role for China's primary and secondary school students. Under the recent new regulatory regime which, among other things, targets to enhance the quality of compulsory education and to improve the digital educational methods of schools, we believe our smart classroom solutions will become a significant strategic focus and advantage, as they are recognized by more schools as an effective teaching tool during their process of developing a digital education environment.

At the same time, our results are subject to changes in the restrictive regulatory regime governing China's education industry. The PRC government regulates various aspects of our business and operations, including the qualification, licensing or filing requirements for entities that provide smart learning device services and limitations on foreign investments in the certain education industry. Any adverse changes in the general economic conditions or restricted educational regulatory environment may have a material adverse effect on our ability to maintain current operation model and further execute our development strategies, which in turn may harm our business and results of operations.

Specific Factors Affecting Our Results of Operations

Distribution Network

We primarily rely on our offline distribution network to distribute our products, and deliver customer services, which allows us to acquire end users efficiently and to strengthen their loyalty. We have an established and nationwide offline distribution network with deep penetration, supplemented by other sales channels such as self-operated online platforms and online distributors. As of the Latest Practicable Date, we had contracted 129 offline distributors who controlled 4,608 points of sales across the country. Moreover, our distribution network deeply penetrates in China covering a large majority of county-level cities. During the Track Record Period, our sales to offline distributors contributed 91.7%, 85.0% and 85.5% of our

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total revenue in 2019, 2020 and 2021, respectively. Therefore, our ability to retain existing and acquire additional offline distributors who possess strong local resources and good reputation is critical to our future development.

To capitalize on the significant growth of e-commerce in China, we recently commenced to engage online distributors and more importantly, in 2018, we began operating self-operated online storefronts on major e-commerce platforms, such as Tmall and Pinduoduo, and the in-app store on WeChat. We expect our penetration through the online channels to contribute to our sales growth and to have synergies with our offline distribution network by enhancing our brand recognition. We plan to continue to expand our sales and distribution network to support the growth of our business and strengthen our market positions.

Product Mix, Quality of Smart Learning Devices and Associated Digital Educational Resources and Customer Preferences

Currently, our revenue are primarily derived from sales of our smart learning devices, which represent the value of the devices together with the associated digital educational resources and services. Our revenue and profitability are generally affected by the product mix. Different products with various digital educational resources, whether within the same product category, typically vary in product pricing and marketing strategies, raw materials, packaging formats and production costs, and thus have different gross profit margins. In this regard, our ability to price our products at desired levels has been, and will continue to be, important to our business and results of operations. We generally take into account a number of factors to set the price of our products, including production costs, including the costs relating to the development of the digital educational resources, market demand, and level of competition and so on. Driven by a number of factors, such as the increasing popularity of our brand and products, the product mix improvement, the climbing raw material costs and other costs and expenses in association with the production and operation, the average selling prices of our personal student tablets increases over the past years. Generally speaking, (i) upgraded models generally carry higher prices, (ii) a newly released model is priced higher than the old models with similar configurations and specifications released in previous years, and (iii) on a case-by-case basis, we may consider to adjust the selling price of certain product model if the relevant raw material costs increase significantly. Although the smart learning devices industry is fragmented with increased competition among existing market players in China, we believe we have established barriers to entry. Our brand recognition and high quality and variety of our products and services have provided us with strong pricing power.

Moreover, our results of operations have been and will continue to be affected by the changes in user preferences, which materially influence the users' spending decision and pattern. Our revenue will be adversely affected if our current product offerings, including the associated digital educational resources, become less attractive to our potential users. In addition, we have consistently invested in developing new products and offering more digital educational resources. If we fail to successfully diversify and expand our product and digital educational resource offerings to adapt to the constantly changing learning needs and preferences, we may suffer from significant research and development expenses and decreases in results of operation, in turn, our market share and prospects.

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We believe that our diversified product and service portfolios enable us to target customers with different purchasing power and learning needs, and enable us to capitalize on changes in market conditions and consumer demands in a timely manner. We have made, and will continue to make, effort to adjust our product mix in response to consumers' changing preference on one hand, and to improve our overall profitability on the other.

Raw Material Costs

Our results of operations have been and will continue to be affected by raw material costs. During the Track Record Period, our raw material costs amounted to RMB429.4 million, RMB459.4 million and RMB564.8 million, respectively, in 2019, 2020 and 2021, accounting for approximately 86.7%, 86.3% and 87.7%, respectively, of total cost of sales over the same periods. The principal raw materials for our products include integrated circuits and display screens, as well as various packaging materials.

The prices of raw materials are determined principally by market forces and changes in governmental policies, as well as our bargaining power with our suppliers, which are typically set forth in purchase orders we place under the supply agreements. As is customary in our industry, we typically are not able to immediately pass price fluctuations to our customers as they occur. We do not purchase any hedging contracts in relation to commodity prices and mainly leverage our procurement control system to maintain our profitability. Despite our increasing need for raw materials to support our expanding business operations and the upward trend in their prices throughout the Track Record Period, our raw material costs as a percentage of total cost of sales remained relatively stable. The availability of our key raw materials may cause a temporary fluctuation in their purchase prices due to the unstable supply and demand conditions. For example, we experienced an increase in raw material costs from 2020 onwards, in part resulting from the temporary global shortage of certain key raw materials.

We have implemented a number of cost control measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices. We constantly monitor the market price and trends of raw materials. We typically retain multiple suppliers for each of our major raw materials to ensure best price, quantity and quality. We typically enter into supply agreements with a term of two years subject to annual review and renewal. We expect the prices of our key raw materials to continue to rise at a moderate rate in the near future. We plan to continue our procurement cost control effort so as to maintain our profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in details in Note 2.4 to the Accountants' Report included in Appendix I to this prospectus.

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The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with deductions, which give rise to variable consideration.

Rebates may be provided to certain customers to support their sales activities. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected rebates, we apply the most likely amount method which best predicts the amount of variable consideration which usually is a fixed percentage of cash collection amount as agreed in the contract. We then apply the requirements on constraining estimates of variable consideration and the expected future rebates are deducted from receivables from customers.

(a) Sale of personal student tablets

We provide the sale of devices that are bundled together with the provision of digital educational resources and services to the customer. Contracts for bundled sales of devices and digital educational resources and services comprised two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

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According to the paragraphs 76 to 79 under HKFRS 15 (Allocation based on stand-alone selling prices), suitable methods for estimating the stand-alone selling price of a good or service include, but are not limited to, the expected cost plus a margin approach: an entity could forecast its expected costs of satisfying a performance obligation and then add an appropriate margin for that good or service. We allocate the transaction price to devices and digital educational resources and services based on their respective stand-alone selling prices. As the stand-alone selling prices are not directly observable, we estimate such stand-alone selling prices by using expected cost plus margin approach. We consider all information that is reasonably available, including but not limited to, third-party or industry pricing, costs incurred in relation to the provision of the good or services, related market profit margins. Based on our assessment, for each sale of student personal tablet, the stand-alone selling price of the devices and digital educational resources and services account for approximately 80% and 20%, respectively, of the total selling price of a student personal tablet.

According to paragraph 35 of HKFRS 15 (Performance obligations satisfied over time), an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. Consequently, we conclude that revenue from provision of digital educational resources and services is recognized over time because the user is granted a right to access digital educational content embedded in the devices and is provided with continuing maintenance and renewal services over the user life. We use the average use life, which represents the length of period that of our end user use their personal student tablets, when estimating the period over which revenue is being recognized. We estimate the average use life of personal student tablets based on our end users' usage data collected by the end-user monitoring system. Going forward, we will continue to monitor the estimated average use life, which may differ from the historical periods, and any change in the estimates may result in the revenue being recognized on a different basis to that in prior periods.

Revenue from the sale of devices is recognized at the point in time when control of the personal student tablets is transferred to the customers. Significant part of our products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. We also sell our product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when such resources is activated online by the end users, i.e. the users are able to use and benefit from the digital educational resources and services, and other revenue recognition criteria are met. We estimate

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the user life and re-assesses such period at the end of each reporting period. For those personal student tablets, revenue from the provision of digital educational resources is recognized at a point in time when the right to use of the digital educational resources is transferred, i.e., when the digital educational resources are activated by the user.

(b) Sale of smart classroom solutions

We provide the sale of smart classroom solutions that include devices together with the provision of customized digital educational resources based on local curriculum standards as well as tutoring content and services to enable an interactive learning environment for teachers and students. Contracts for bundled sales of devices and digital educational resources and services comprised two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the device is transferred to the customers. Significant part of our products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. We also sell our product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when the digital educational resources are activated by the end users, i.e. the users are able to use and benefit from the digital educational resources, and other revenue recognition criteria are met. We estimate the user life and re-assesses such period at the end of each reporting period.

(c) Sale of wearable products and other products

Revenue from the sale of wearable products and other products is recognized at the point in time when control of the products is transferred to the customer, that is when the products are accepted by the customers.

(d) Sale of advertisement and content licensing

We place links to the APPs of the customers on the devices sold by us. We collect a fee based on the fixed price per click or download as agreed in the contract with the customers and number of clicks performed by the end users. Monthly statements are issued and agreed by both parties to confirm the volume of actual clicks or downloads and revenue amount. We estimate revenue based on available information which has no material differences with the confirmed amount on the monthly statement.

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We license pre-recorded video resources to third-party channels which place the digital educational resources on their platforms to sell to the end users. When the users purchase the digital educational resources from the platforms, we are entitled to a prescribed fixed percentage of gross proceeds collected by the channels. We view the channels as our customers as the channels control the digital educational resources and have the primary responsibility to sell the digital educational resources to the users. We recognize the net amount remitted from the channels as revenue based on the monthly statement issued and confirmed by the platforms.

(e) Identifying performance obligations in a bundled sale of devices and digital educational resources and services

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. We determine that both devices and digital education resources and services are each capable of being distinct.

In assessing whether each item has stand-alone value to the customer, we consider factors such as the availability of readily available resources in the market and whether the entity sells goods or services separately, which indicates that the customer can benefit from both devices and digital educational resources and services on their own.

We determine that the promises to provide digital educational resources are not distinct from the maintenance and renewal services as the customer cannot exploit the value of the digital educational resources without receipt of such maintenance and renewal services. Therefore, the provision of digital educational resources and the maintenance and renewal services are combined as one performance obligation. We conclude that the promises to transfer devices and to provide digital educational resources and services are distinct. The device is separately identifiable in the contract and will be transferred upon the acceptance by customers. The digital educational resources represent digital educational content offerings which are not an integrated part of the device. We are not providing a significant integration service because the presence of the devices and digital educational resources and services together in the contract does not result in any additional or combined functionality and neither the device nor the digital educational resources modifies or customizes the other. In addition, the devices and the digital educational resources and services are not highly interdependent or highly interrelated, because the delivery of device is not dependent on the digital educational resources and services to be provided in the future. Therefore, the devices and provision of digital educational resources and services are two separate performance obligations.

Consequently, we have allocated the transaction price to devices and digital educational resources and services based on relative stand-alone selling prices. The stand-alone selling prices are not directly observable. Therefore, we estimate it using expected cost-plus-margin approach by considering the separate forecasted costs of devices and digital educational resources and the anticipated margins at the amount we expect the market would be willing to

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accept. With respect to our devices, the cost primarily consists of raw material costs, staff costs allocated to manufacturing, manufacturing related costs, logistic and tax related costs. With respect to the digital educational resources and services, the cost primarily consists of staff costs related to research and development crew, content licensing fees, server and bandwidth costs and others. We have considered all information that is reasonably available in determining the anticipated margins, including but not limited to, third-party or industry pricing, costs incurred to provide the good or service, related profit margins. During the Track Record Period, gross profit margin of the digital educational resources and services under the both personal student tablets and smart classroom solutions ranged from approximately 62% to 67%, which is generally consistent with the industry average level during the same periods.

(f) Determining the timing of satisfaction of digital educational resources and services

Revenue from provision of digital educational resources and services is recognized over time because the user is granted a right to access digital educational resources embedded in the devices and is provided with continuing maintenance and renewal services over the user life. We use the average user life when estimating the period over which revenue is being recognized.

For sale of personal student tablets, we track each user's log in history to estimate the average user life. For sale of smart classroom solutions, we consider the types of schools and grade of end users to whom the smart classroom solutions are sold to estimate the average user life.

The determination of the average user life for each type of products is based on our best estimate that takes into account all known and relevant information at the time of assessment. Future user classifications, patterns and behaviors may differ from the historical usage patterns and therefore the estimated average user life may change in the future. During the Track Record Period, the average user life of digital educational resources and services is estimated as twenty-four months. We will continue to monitor the estimated average user life, which may differ from the historical period, and any change in the estimate may result in the revenue being recognized on a different basis to that in prior periods. Any adjustments arising from changes in user life as a result of new information will be accounted for as a change in accounting estimate.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

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Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

We provide for warranties in relation to the sale of smart learning devices for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by us are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises 2 to 8 years

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If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

We apply the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When we act as a lessor, we classify at lease inception (or when there is a lease modification) each of our leases as either an operating lease or a finance lease.

Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature.

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Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalized at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognized in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Revenue	669,853	100.0	733,997	100.0	813,181	100.0
Cost of sales	(495,470)	(74.0)	(532,285)	(72.5)	(644,009)	(79.2)
Gross profit	174,383	26.0	201,712	27.5	169,172	20.8
Other income and gains	30,623	4.6	42,741	5.8	60,098	7.4
Selling and distribution expenses	(63,490)	(9.5)	(74,163)	(10.1)	(73,060)	(9.0)
Administrative expenses	(20,203)	(3.0)	(21,865)	(3.0)	(44,008)	(5.4)
Research and development expenses	(36,428)	(5.4)	(30,211)	(4.1)	(43,870)	(5.4)
Other expenses	(7,752)	(1.2)	(15,067)	(2.1)	(22,867)	(2.8)
Finance costs	(1,227)	(0.2)	(359)	(0.0)	(88)	(0.0)
Changes in fair value of financial liabilities at fair value through profit or loss	—	—	—	—	26,649	3.3

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	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Profit before tax	75,906	11.3	102,788	14.0	72,026	8.9
Income tax credit/(expense)	<u>(6,471)</u>	<u>(0.9)</u>	<u>(10,775)</u>	<u>(1.5)</u>	<u>10,120</u>	<u>1.2</u>
Profit and total comprehensive income for the year	<u>69,435</u>	<u>10.4</u>	<u>92,013</u>	<u>12.5</u>	<u>82,146</u>	<u>10.1</u>
Attributable to owners of the parent	<u>69,435</u>	<u>10.4</u>	<u>92,013</u>	<u>12.5</u>	<u>82,146</u>	<u>10.1</u>

Non-HKFRS Measures – Adjusted Net Profit and Adjusted Net Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted net profit and adjusted net profit margin as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit, as we present it, represents profit for the year before listing expenses and changes in fair value of financial liabilities at fair value through profit or loss. Adjusted net profit margin is calculated by adjusted net profit for the year divided by total revenue for the year. Listing expenses are expenses in relation to the Global Offering. Changes in fair value of financial liabilities at fair value through profit or loss are expenses in connection with the shares we issued to our Pre-IPO Investors. We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations because they do not reflect all items of income and expense that affect our operations. Our presentation of these non-HKFRS measures should not be construed as an inference that our future results will be unaffected by such unusual item.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, because they may not be calculated in the same manner by all companies, our adjusted net profit (a non-HKFRS measure) and adjusted net profit margin (a non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

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The following table reconciles profit and net profit margin for the year under HKFRSs to adjusted net profit (a non-HKFRS measure) and adjusted net profit margin (a non-HKFRS measure), respectively, for the year indicated:

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	69,435	92,013	82,146
Add:			
Listing expenses	–	–	21,506
Less:			
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	26,649
	–	–	26,649
Adjusted net profit for the year (a non-HKFRS measure)	69,435	92,013	77,003
Net profit margin	10.4	12.5	10.1
Adjusted net profit margin (a non-HKFRS measure)	10.4	12.5	9.5

During the Track Record Period, our net profit increased by 32.5% from RMB69.4 million in 2019 to RMB92.0 million in 2020, and decreased by 10.7% to RMB82.1 million in 2021. Such fluctuations of net profit during the Track Record Period were primarily due to (i) an increase in gross profit in 2020 mainly resulting from an increase in sales of personal student tablets and smart classroom solutions in 2020, which generally had higher selling prices and gross profits than wearable products which accounted for a higher portion of our total sales in 2019 and (ii) a decrease in gross profit in 2021 mainly resulting from an increase in raw material costs expenses, in part due to the temporary global shortage of certain key raw materials, and the listing expenses incurred in 2021.

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DESCRIPTION OF CERTAIN MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue by Product Categories

Our revenue during the Track Record Period consists of revenue derived from sales of (i) personal student tablets, (ii) smart classroom solutions, (iii) wearable products, (iv) other products, and (v) advertisement and content licensing. The table below sets forth a breakdown of our revenue by product category, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Personal student tablets						
Devices ⁽¹⁾	448,321	66.9	550,702	75.0	571,626	70.3
Digital educational resources and services ⁽¹⁾	93,173	13.9	114,226	15.6	133,397	16.4
Sub-total	541,494	80.8	664,928	90.6	705,023	86.7
Smart classroom solutions						
Devices ⁽¹⁾	7,249	1.1	20,419	2.8	19,300	2.4
Digital educational resources and services ⁽¹⁾	914	0.1	1,874	0.3	4,279	0.5
Sub-total	8,163	1.2	22,293	3.1	23,579	2.9
Wearable products	111,778	16.7	31,664	4.3	53,695	6.6
Other products	5,987	0.9	2,144	0.2	17,918	2.2
Advertisement and content licensing	2,431	0.4	12,968	1.8	12,966	1.6
Total	669,853	100.0	733,997	100.0	813,181	100.0

Note:

- (1) During the Track Record Period, we did not separately charge fees based on digital educational resources we have offered. Instead, we consider the value of our personal student tablets and the smart classroom solutions represent the aggregate value of the hardware devices, and the associated digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue derived from of the digital educational resources and services is recognized over the estimated user life on a straight-line basis.

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Our revenue increased by approximately 9.6% from RMB669.9 million in 2019 to RMB734.0 million in 2020, and further increased by approximately 10.8% from to RMB813.2 million in 2021.

Personal student tablets constituted our major product category during the Track Record Period and accounted for the approximately 80.8%, 90.6% and 86.7% of our total revenue, respectively, in 2019, 2020 and 2021. The increase from 2019 to 2020 was primarily due to the increase in total sales volumes, which was a consolidated result of the development of our distribution network as well as our increased brand recognition and market acceptance of our personal student tablets, which in turn, due to the improvement of our product mix where the proportion of high-end product models with higher selling prices increased as we continued to upgrade the devices in response to the evolving market trend. The increase in revenue from 2020 to 2021 was primarily due to the improvement in product mix where the proportion of high-end products that with higher retail selling prices, such as our C30 personal student tablet which generally has a retail selling price of approximately RMB5,000, increased in 2021. During the same periods, the aggregate shipments of our personal student tablets were 456.9 thousand units, 484.6 thousand units and 458.8 thousand units, respectively, in 2019, 2020 and 2021. The decrease in total shipment from 2020 to 2021 was primarily due to the shortage in certain key materials, such as integrated circuits and display screens.

Revenue from sales of smart classroom solutions increased from 2019 to 2020, primarily as a result of the market acceptance of our smart classroom solutions, and also the result of the increase in sales volumes, reflecting the preferential educational regulations and policies promulgated to by the local and central governments to promote digital education industry. The increase was also attributable to the expansion of our distribution network. The increase in revenue from 2020 to 2021 was primarily due to the improvement in product mix. During the Track Record Period, the total device shipments of our smart classroom solutions were 7.1 thousand units, 21.3 thousand units and 19.9 thousand units in 2019, 2020 and 2021, respectively. We had supplied our smart classroom solutions to 65, 50 and 113 schools in 2019, 2020 and 2021, respectively. The decrease in total shipment from 2020 to 2021 was primarily because (i) in the fourth quarter of 2021, in progress of upgrading our strategy of smart classroom to smart campus, we allocated more resources to its research and development and less in marketing for our smart classroom solutions, and (ii) one major distributor of our smart classroom solutions shifted its business focus on assisting us in promoting smart homework systems and reducing its purchases from us as a result.

We consider the value of our personal student tablets and the smart classroom solutions represent the aggregate value of the hardware devices, and the associated digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue derived from of the digital educational resources and services is recognized over the estimated user life on a straight-line basis. See “– Critical Accounting Policies and Estimates – Revenue recognition” above and “– Analysis of Selected Consolidated Statements of Financial Position Balance Sheet Items – Other Payables and Accruals and Contract Liabilities” for a breakdown of our revenue-related contract liabilities during the Track Record Period.

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Revenue from wearable products decreased by 71.7% from 2019 to 2020, which was mainly because we optimized the distribution and product development strategies in light of our wearable products in response to the change in the purchasing policies of certain key customers of such products and the general market trends during the relevant period. Revenue from wearable products increased by 69.6% from 2020 to 2021, primarily due to the increasing sales volume arising from the clearance sales of our old product models and the acceptance of our upgraded smartwatch models, especially those new models introduced to the market. To a lesser extent, the increase was also a result of the increased marketing and sales efforts of our distributors.

We from time to time develop accessories that are compatible to our smart learning devices, aiming to make learning more productive and efficient. During the Track Record Period, we developed and marketed other products, such as smart reader pens and smart scanner pens, revenue from which accounted for approximately 0.9%, 0.2% and 2.2% of our total revenue, respectively, in 2019, 2020 and 2021.

During the Track Record Period, we also generated a small portion of revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements. Revenue derived from such businesses increased from 2019 to 2020, primarily due to our expanded user base and the increasing acceptance of our smart learning devices, and associated digital educational resources which attracted additional third parties to place advertisements with us or to offer our licensed digital educational resources on their platforms. Revenue derived from advertisement and content licensing remained stable from 2020 to 2021.

Revenue by Sales Channels

We primarily rely on our offline distribution network to distribute our products. We also sell products through our self-operated online platforms, online distributors, and other direct sales channels. The following table sets forth a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage of our total revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Offline distributors	614,381	91.7	624,009	85.0	695,641	85.5
Self-operated online platforms	11,693	1.7	21,619	2.9	29,937	3.7
Online distributors	41,307	6.2	75,401	10.3	74,637	9.2
Others	2,472	0.4	12,968	1.8	12,966	1.6
Total	669,853	100.0	733,997	100.0	813,181	100.0

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During the Track Record Period, revenue generated from sales from our offline distributors increased by 1.6% from 2019 to 2020, and further increased by approximately by 11.5% from 2020 to 2021. Such increases were mainly due to the continuous expansion and upgrade of our offline distribution network and the continuous improvements in our product mix, where the proportion of high-end product models with higher selling prices increased. The number of our offline distributors was 58, 86 and 123, respectively, as of December 31, 2019, 2020 and 2021, and the aggregate number of points of sales controlled by these distributors was 2,905, 3,386 and 4,302, respectively, as of December 31, 2019, 2020 and 2021. The increase of our offline distributors outpaced the growth rate of our total revenue during the Track Record Period, which was primarily due to the offset by the decline in purchases of wearable products from certain offline distributors as well as the increasingly large amount of newly opened points of sales in the relevant periods which needed time to become mature.

During the Track Record Period, we strengthened the efforts in developing our online operations. The products we sold online also continued to improve, both in terms of the variety and the product mix. As such, revenue generated from our self-operated online platforms increased by 84.9% from 2019 to 2020, and further increased by approximately 38.5% from 2020 to 2021. Revenue generated from online distributors increased by 82.5% from 2019 to 2020. Revenue generated from online distributors slightly decreased from 2020 to 2021, primarily because we strategically focused on and relocated resources to our self-operated online channels in 2021. We engaged 8, 9 and 16 online distributors as of December 31, 2019, 2020 and 2021, respectively.

During the Track Record Period, revenue derived from others primarily represented the portion of revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements.

Cost of Sales

The principal components of our cost of sales include raw material costs, staff costs, manufacturing related costs, content licensing fees, server and bandwidth costs and others. Cost of sales increased by 7.4% from 2019 to 2020, primarily due to an increase in the raw material costs, which was in line with the increase in our sales, and was also in part due to the increasing prices of certain key raw materials, such as integrated circuits and display screens, which experienced a temporary shortage in supply in 2020. Cost of sales increased by 21.0% from 2020 to 2021, primarily due to a 23.0% increase in raw material costs which was due to the increase in our sales over the same periods and a general increase in raw material purchase prices. The increase was also partially due to an increase in staff cost because the average salary rates were relatively lower in early 2020 due to the attendance restrictions during COVID-19 pandemic which gradually recovered in 2021.

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The following table sets forth a breakdown of our cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Raw material costs	429,417	86.7	459,397	86.3	564,842	87.7
Staff costs	27,870	5.6	26,624	5.0	30,606	4.8
Manufacturing related costs	14,274	2.9	15,786	3.0	15,419	2.4
Content licensing fees	13,494	2.7	14,101	2.6	17,351	2.7
Server and bandwidth costs	2,831	0.6	6,319	1.2	5,265	0.8
Tax	4,061	0.8	4,650	0.9	4,906	0.8
Logistic related costs	2,932	0.6	3,682	0.7	4,136	0.6
Others	591	0.1	1,726	0.3	1,484	0.2
Total	495,470	100.0	532,285	100.0	644,009	100.0

- *Raw material costs.* The major raw materials we used in our production and assembly process mainly include integrated circuits and display screens, as well as various packaging materials. The fluctuation in the raw material costs we incurred during the Track Record Period was mainly correlated with the production activities and the product mix in the relevant period. The availability of our key raw materials was also a main factor affecting our raw material costs.
- *Staff costs.* Staff costs we incurred during the Track Record Period mainly included the compensation and bonus to our manufacturing staff and educational resource research and development crew, including the compensation to our educational resource development personnel. Staff costs we incurred during the Track Record Period were mainly related to the number of our manufacturing staff and educational resource research and development crew and the average salary level of these personnel. Our staff costs decreased from 2019 to 2020, primarily due to the decrease in the number of our manufacturing staff in response to (i) the decreasing purchase orders for our wearable products, (ii) the enhanced automation level since we commenced to upgrade our production and assembly lines since late 2018. It increased by 15.0% from 2020 to 2021, primarily because the average salary rates were relatively lower in early 2020 due to the attendance restrictions during COVID-19 pandemic which gradually recovered in 2021.

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- *Manufacturing related costs.* Manufacturing related costs represent the costs in association with our manufacturing activities, including the depreciation of manufacturing equipment and facilities, consumables, utilities and so on. Manufacturing related costs increased from 2019 to 2020, primarily resulting from the increasing depreciation as we commenced to upgrade our production and assembly lines. Manufacturing related costs remained relatively stable in 2020 and 2021.
- *Content licensing fees.* Content licensing fees include the costs we incurred to purchase educational content from various third-party publishers. Content licensing fees also include the payments made to third parties that we cooperated with to jointly develop educational content.
- *Logistic related costs.* Pursuant to the agreements with our distributors, we are generally responsible for the logistic costs in connection with the product delivery from our warehouses to our distributors. The continuous increases from 2019 to 2021 were in line with our sales and the geographic coverage of our offline distribution network over the relevant periods.
- *Server and bandwidth costs.* We purchased a variety of cloud computing services, bandwidth and servers and other related services to support our back-end digitalized operations and to host our digital educational resources. Server and bandwidth costs experienced a significant increase from 2019 to 2020, which was primarily due to the growth of our operations, mainly, the growing online traffic due to our increasing offering of the digital educational resources. Server and bandwidth costs decreased from 2020 to 2021, mainly because we discontinued our live-streaming classes in the second half of 2021.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2019, 2020 and 2021, our gross profit was RMB174.4 million, RMB201.7 million and RMB169.2 million, respectively. Our overall gross profit margin was 26.0%, 27.5% and 20.8%, respectively, in the same periods.

Our overall gross profit increased from 2019 to 2020, primarily due to the increase in sales of our personal student tablets and smart classroom solutions. Our gross profit margin also continued to increase from 2019 to 2020 was primarily due to the improvements in our product mix where the proportion of sales of products with relatively higher profit margin increased. Gross profit and gross profit margin decreased from 2020 to 2021, primarily due to an increase in raw material costs.

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Gross Profit and Gross Profit Margin by Product Categories

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

	Year Ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Personal student tablets						
Devices	94,433	21.1	108,642	19.7	51,353	9.0
Digital educational resources and services	<u>58,193</u>	62.5	<u>74,326</u>	65.1	<u>89,320</u>	67.0
Sub-total	152,626	28.2	182,968	27.5	140,673	20.0
Smart classroom solutions						
Devices	1,844	25.4	2,883	14.1	1,809	9.4
Digital educational resources and services	<u>571</u>	62.5	<u>1,219</u>	65.0	<u>2,853</u>	66.7
Sub-total	2,415	29.6	4,102	18.4	4,662	19.8
Wearable products	15,877	14.2	3,446	10.9	7,884	14.7
Other products	1,393	23.3	3	0.1	5,432	30.3
Advertisement and content licensing	<u>2,072</u>	85.2	<u>11,193</u>	86.3	<u>10,521</u>	81.1
Total	<u><u>174,383</u></u>	26.0	<u><u>201,712</u></u>	27.5	<u><u>169,172</u></u>	20.8

Gross profit of our personal student tablets increased by 19.9% from 2019 to 2020, which was primarily due to the increase in total sales. Gross profit of our personal student tablets decreased in 2021, primarily due to the continued unstable supply of certain raw materials, which caused by an increase in raw material costs. Gross profit margin of personal student tablets in 2019 was relatively higher as the proportion of sales of high-end product models increased that typically carried a relatively higher selling price and profit margin. Gross profit margin of personal student tablets slightly decreased in 2020, which was mainly a result of the increase in raw material costs in 2020, in part resulting from the temporary global shortage of certain key raw materials. In response to such raw material shortage, we have implemented

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various strategic measures, mainly including (i) having secured additional alternative suppliers for integrated circuits, (ii) increasing the versatility of raw materials to be used across different product models and (iii) identifying alternative raw materials and expanding our bills of materials.

Gross profit of our smart classroom solutions increased by approximately 69.9% from 2019 to 2020. Such increase was due to the increased sales resulting from our efforts in promoting and marketing our smart classroom solutions. Gross profit margin of smart classroom solutions decreased from 29.6% in 2019 to 18.4% in 2020, mainly due to our enhanced promotional activities, such as preferential pricing policies in favor of the distributors, so as to expand the market coverage. Gross profit of our smart classroom solutions increased by approximately 13.7% from 2020 to 2021, and gross profit margin of smart classroom solutions slightly increased from 18.4% in 2020 to 19.8% in 2021, primarily due to the increase in the proportion of upgraded product models which generally carried a higher selling price and a higher gross profit margin, partially offset the adverse impact of the increase in raw material costs. To further increase our market share, in 2021, we strengthened the marketing incentives for distributors, including but not limited to offer free trial products to schools in order to secure potential business opportunities. We believe such marketing approach is effective and the gross profit margin of our smart classroom solutions will improve in the future as the sales increase.

Gross profit of our wearable products decreased by RMB12.4 million from 2019 to 2020, primarily due to the decrease in the purchase amounts of certain key customers of such products. Gross profit margin of wearable products also decreased from 2019 to 2020, primarily due to our enhanced promotional activities, such as preferential pricing policies in favor of the distributors, to better manage our inventory level. Gross profit of our wearable products increased significantly by 128.8% from 2020 to 2021, primarily due to the increasing sales volume arising from the clearance sales of our old product models and our continuous efforts in launching new product models which were welcomed by the market as well as our enhanced promotional activities for such products. Gross profit margin of wearable products increased from 10.9% in 2020 to 14.7% in 2021, primarily due to the increase in the portion of upgraded product models which generally carried a higher gross profit margin.

The fluctuations in gross profit and gross profit margin of other products were primarily in relation to the different product portfolio in the relevant periods.

Gross profit in connection with advertisement and content licensing experienced a significant increase from 2019 to 2020, primarily due to our expanded user base and the increasing acceptance of our smart learning devices and associated digital educational resources, which attracted additional third parties to place advertisements with us or to offer our licensed digital educational resources on their platforms. Gross profit margin of such business slightly increased over the same period mainly due to the economies of scale. Gross profit and gross profit margin of advertisement and content licensing slightly decreased from 2020 to 2021, primarily due to an increase in relevant costs incurred for such business, such as relevant labor costs and bandwidth expenses.

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Gross Profit and Gross Profit Margin by Sales Channels

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

	Year Ended December 31,					
	2019		2020		2021	
	Gross	Gross	Gross	Gross	Gross	Gross
	profit	profit	profit	profit	profit	profit
	margin	margin	margin	margin	margin	
	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Offline distributors	158,744	25.8	161,313	25.9	126,393	18.2
Self-operated online platforms	6,561	56.1	12,300	56.9	16,545	55.3
Online distributors	6,965	16.9	16,906	22.4	15,713	21.1
Others	2,113	85.5	11,193	86.3	10,521	81.1
Total	<u>174,383</u>	26.0	<u>201,712</u>	27.5	<u>169,172</u>	20.8

Gross profit of offline distributors increased by approximately 1.6% from 2019 to 2020, primarily due to the continuous increase in sales resulting from the expansion and upgrade of our offline distribution network. Gross profit margin of offline distributors remained relatively stable in 2019 and 2020. Gross profit of offline distributors decreased by approximately 21.6% from 2020 to 2021. Gross profit margin of offline distributors also decreased in the relevant periods. Such decreases were primarily due to a general increase in raw materials costs. In 2021, the decrease in gross profit margin of offline distributors outpaced that of self-operated online platforms, which was primarily because the average unit gross profit of self-operated online platform was generally higher than that of offline distributors due to the relevant sales were directly made to the end users, and therefore the impact of increased raw material costs in 2021 accounted to a fewer proportion of the gross profit of self-operated online platform than that of offline distributors. In 2021, we started to make all of our product offerings available to both online distributors and offline distributors. In consideration of the higher operation cost bear by our offline distributors, for same products, we generally offer relatively lower selling prices to offline distributors than online distributors. As a result, the average unit gross profit of offline distributors was generally lower than that of online distributors, and therefore the impact of increased raw material costs during the year accounted to a higher proportion of the offline distributors than that of online distributors. Accordingly, the decrease in gross profit margin of offline distributors outpaced that of online distributors in 2021.

Gross profit of self-operated online platforms experienced a remarkable increase during the Track Record Period, primarily due to the increase in sales as we strengthened the efforts in developing our online operations. The slight increase in gross profit margin of self-operated online platforms from 2019 to 2020 was partially due to the improvements in product mix

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where the proportion of high-end products with high gross profit margin increased. Gross profit margin of self-operated online platforms slightly decreased in the year ended December 31, 2021 comparing with the corresponding period in 2020, primarily due to a general increase in raw materials costs.

Gross profit of online distributors increased significantly from 2019 to 2020, primarily due to the increase in sales as we strengthened the efforts in developing our online operations. Gross profit of online distributors slightly decreased from 2020 to 2021, primarily because we strategically focused on developing our self-operated online channels. Gross profit margin of online distributors increased from 2019 to 2020, primarily due to an improvement in product mix as online distributors commenced to sell then newly launched product models since 2019. Gross profit margin of online distributor slightly decreased from 2020 to 2021 as a result of a general increase in raw material costs, which was partially offset by the impact from product mix improvement.

Other Income and Gains

The following table sets forth the components of other income and gains in absolute amounts and as percentages of revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Sales of raw materials and accessory parts	5,851	0.9	10,249	1.4	20,739	2.6
Rental income on investment properties and equipment	2,534	0.4	2,530	0.3	2,308	0.3
Bank interest income	1,096	0.2	3,167	0.4	3,335	0.4
Investment income from structured deposit	–	–	1,189	0.2	2,266	0.3
Repair and maintenance service income	845	0.1	8,086	1.1	9,189	1.1
Government grants	11,734	1.8	4,747	0.6	7,278	0.9
Value added tax refund	8,373	1.2	9,901	1.4	11,452	1.3
Trademark licensing income	–	–	2,590	0.4	2,904	0.4
Finance income on the net investment in a lease	–	–	43	0.0	99	–
Others	190	0.0	239	0.0	528	0.1
Total	30,623	4.6	42,741	5.8	60,098	7.4

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During the Track Record Period, we disposed unused raw materials and accessory parts from time to time to third parties mainly to improve our inventory management, and we also sold accessory parts to our distributors for their fulfillment of repair and maintenance services. The aggregate gains on such disposal amounted to RMB5.9 million, RMB10.2 million and RMB20.7 million in 2019, 2020 and 2021, respectively.

We currently leased properties located in Wuhan city and Zhongshan city to third parties under lease agreements for their use of office spaces and manufacturing plant, respectively. Rental income generated from such leases amounted to RMB1.4 million, RMB1.4 million and RMB1.5 million in 2019, 2020 and 2021, respectively. In addition, in connection with the lease of manufacturing plant located in Zhongshan city to an independent third party, we also leased production and assembling equipment to such third party and received rental income in the amount of RMB1.1 million, RMB1.1 million and RMB0.8 million, respectively, in 2019, 2020 and 2021.

During Track Record Period, we invested in structured deposits issued by commercial banks with a fixed short term of seven months and not redeemable before their respective expiry dates. Return on such structured deposits was typically based on an interest rate linked to the Shanghai Interbank Offered Rate (SHIBOR). We invested in structured deposits to facilitate our cash management. We have implemented capital and investment policies to monitor and control the risks relating to our investment activities. Substantially all of the structured deposits we invested during the Track Record Period were principal protected in nature pursuant to the relevant agreements.

We only purchased short-term low-risk wealth management products, under the premises that our operations are not interrupted and the relevant risks are under control and for the purpose of better cash management. The risk exposure from the structured deposits mainly involves the fluctuation in the rates of return. To limit such risk exposure, we have implemented capital and investment policies to monitor and control the risks in connection with such investments, which include:

- We are allowed to purchase wealth management products in accordance with our cash management policies and internal approval process only when we have surplus cash. We mainly consider the amount of our available funds and future capital needs while ensuring liquidity safety under the principle of maximizing the return on funds, and our investments with respect to structured deposits and wealth management products for each year shall be approved by our designated executive Director.
- We have implemented internal control measures to mitigate the investment risks of our investments. First, we only invest in wealth management products with low risk and high liquidity, which are invested in fixed income products and could not be used to invest in other financial products such as stocks and their derivatives and

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unsecured bonds which may cause uncontrollable risks. Moreover, we only purchased structured deposits from reputable commercial banks. The structured deposits and wealth management products we purchased usually have an average term of less than one year.

- Our finance department is responsible for preparing the investment allocation schemes based on our surplus cash and the comparison of the safety, liquidity and estimated returns of the wealth management products of various financial institutions. An investment allocation scheme shall only be implemented after it is approved from the head of the finance department, our general manager and our finance director and the relevant contracts are reviewed and confirmed by our legal department. Our head of finance department, our general manager and our finance director generally have over 10 years of experience in financial management. When deciding whether to invest in the wealth management products, we mainly considers: (i) the current bank deposit interest rate, (ii) the market condition of the underlying assets such as interest rates, market indexes and currency exchange rates, (iii) our future cash flow and cash requirements, as well as our overall risk exposure, risk concentration and risk diversification, and (iv) the creditability and our historical relationships with the relevant financial institutions, so as to achieve our best interest. There are designated personnel from the finance department to closely monitor and analyze the wealth management products we have purchased, and shall take risk control measures immediately once any circumstance that may adversely affect the safety of the investment is identified. In addition, the relevant personnel shall also redeem the investments in a timely manner when the investment term expires, so as to ensure a safe collection of our investments.

After Listing, we intend to continue our investments in the structured deposits and wealth management products strictly in accordance with our internal policies and guidelines, Articles of Associations, and the requirements under Chapter 14 of the Listing Rules.

We provide repair and maintenance service for products of which the warranty had expired, for which we charge service fees. In particular, in late 2019, we fully launched the mail-in repair and maintenance service to provide better customer services. During the Track Record Period, repair and maintenance service income amounted to RMB0.8 million, RMB8.1 million and RMB9.2 million in 2019, 2020 and 2021, respectively.

Government grants mainly referred to local government subsidies for the purpose of supporting our research and development activities, which were recognized as other income when the incurred operating expenses fulfilled the conditions attached. There were no unfulfilled conditions or other contingencies attaching to the government grants that have been recognized. The government subsidies are discretionary and non-recurring in nature.

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In 2020, we licensed a trademark to an independent third party that we have registered and collected license fees, which amounted to RMB2.6 million in 2020. In 2021, we collected the trademark license fees in the amount of RMB2.9 million. The license agreement had expired on December 31, 2021.

Selling and Distribution Expenses

The following table sets forth a breakdown of major components of our selling and distribution expenses, in absolute amounts and as percentages of revenue, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Advertising and marketing expenses	27,801	4.2	30,173	4.1	24,290	3.0
Staff costs	9,764	1.5	11,764	1.6	15,934	2.0
Maintenance expenses	18,171	2.7	20,780	2.8	16,267	2.0
Travel and conference expenses	4,934	0.7	5,366	0.7	6,749	0.8
E-commerce related expenses	1,673	0.2	4,218	0.6	8,157	1.0
Others	1,147	0.2	1,862	0.3	1,663	0.2
Total	63,490	9.5	74,163	10.1	73,060	9.0

Our selling and distribution expenses primarily consist of advertising and marketing expenses, sales and marketing staff expenses, maintenance expenses, travel and conference expenses, e-commerce related expenses, and other expenses relating to the marketing and sales of our products. Selling and distribution expenses increased by 16.8% from 2019 to 2020, which was primarily attributable to our strengthened online marketing efforts to promote our online operations, and increases in staff expenses, office and other miscellaneous selling and marketing expenses in response to our business growth. Selling and distribution expenses decreased by 1.5% from 2020 to 2021, which was primarily due to a decrease of RMB5.9 million in advertising and marketing expenses as our expenses in connection with television advertising placements were relatively higher during the COVID-19 pandemic in 2020 and a decrease of RMB4.5 million in maintenance expenses mainly resulting from our generally enhanced product quality, partially offset by an increase in staff costs of RMB4.2 million as we enhanced incentives for selling and marketing personnel since our business operations gradually recovered from the COVID-19 pandemic and an increase of RMB3.9 million in e-commerce related expenses.

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Advertising and marketing expenses primarily include expenses incurred in connection with our advertisement placements and other related marketing events.

Maintenance expenses mainly referred to expenses relating to the repair and maintenance services we offered to our customers within relevant product warranty period.

E-commerce related expenses primarily referred to the expenses we incurred in connection with the development of our online operations, which increased significantly during the Track Record Period as we strengthened our online strategy.

Other selling and distribution expenses mainly included office and entertainment expenses, professional service fees in connection with our marketing activities and other miscellaneous expenses.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, professional fees, depreciation and amortization expenses, maintenance expenses, and other general office expenses and miscellaneous expenses. Our administrative expenses continued to increase during the Track Record Period which was generally in line with our business growth.

The following table sets forth a breakdown of key components of our administrative expenses, in absolute amounts and as percentages of revenue, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>					
Staff costs	13,348	2.0	13,077	1.8	12,433	1.5
Professional service fees	2,055	0.3	3,014	0.4	2,092	0.3
Depreciation and amortization	1,042	0.2	1,531	0.2	1,869	0.2
Maintenance expenses	1,761	0.3	1,282	0.2	1,999	0.2
Office and traveling expenses	645	0.1	939	0.1	1,347	0.2
Impairment/(reversal of impairment) of financial assets	(243)	(0.0)	276	0.0	429	0.1
Utility expenses	217	0.0	281	0.0	349	–
Listing expenses	–	–	–	–	21,506	2.6
Others	1,378	0.1	1,465	0.3	1,984	0.3
Total	20,203	3.0	21,865	3.0	44,008	5.4

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Professional service fees primarily referred to service fees paid to third parties we engaged for various professional services, such as legal counsel fees, agency fees for trademark registration, and property valuation fees and so on.

Maintenance expenses mainly referred to the expenses incurred in connection with the renovation and upgrades of offices and other fixed assets.

Impairment loss during the Track Record Period were mainly related to unrecovered trade receivables. We recorded a reversal of impairment loss in 2019 because we estimated the risk of noncollectability was low as we successfully collected certain aging trade receivables in the relevant period.

Research and Development Expenses

The following table sets forth a breakdown of key components of our research and development expenses, in absolute amounts and as percentages of revenue, for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Staff costs	9,795	1.5	10,370	1.4	16,838	2.1
Material costs	12,112	1.8	8,228	1.1	4,207	0.5
Professional service fees	9,305	1.4	7,902	1.1	17,653	2.2
Depreciation and amortization	924	0.1	561	0.1	1,045	0.1
Office and traveling expenses	1,261	0.2	520	0.1	1,063	0.1
Others	3,031	0.4	2,630	0.3	3,064	0.4
Total	36,428	5.4	30,211	4.1	43,870	5.4

Our research and development expenses primarily consist of expenses in connection with our research and development activities for our hardware products as well as related operating systems and other software applications, which included research and development staff expenses, professional service fees, such as product design, material costs, depreciation and amortization, other general office expenses and miscellaneous expenses.

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Our major research and development products during the Track Record Period included applications of low power consumption for voice activated wake-up function, research and realization of generating and synergizing images based on a multi-camera system, algorithm of GPS for smartwatches and so on.

Our research and development expenses fluctuated during the Track Record Period, which was mainly in line with the scale of undergoing development projects in the relevant periods. Our research and development expenses was relatively high in 2019, which was primarily because our pipeline then had a larger portion of hardware product development projects then, causing increases in material used, professional fees and other related expenses. Research and development expenses increased by 45.2% from 2020 to 2021, primarily due to our increased staff costs to motivate our research and development personnel as well as the increases in professional service fees, reflecting the enhanced research and development activities in the relevant period.

Other Expenses

The following table sets forth the components of other expenses in absolute amounts and as percentages of revenue for the periods indicated.

	Year Ended December 31,					
	2019		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>					
Cost of raw materials and accessory parts sold	5,029	0.7	10,249	1.4	15,716	2.0
Cost of maintenance	47	0.0	2,142	0.3	2,636	0.3
Leases	1,732	0.3	1,735	0.2	1,195	0.1
Compensation	562	0.1	460	0.1	826	0.1
Exchange loss	–	–	–	–	1,814	0.2
Others	382	0.1	481	0.1	680	0.1
Total	7,752	1.2	15,067	2.1	22,867	2.8

We incurred cost of raw materials and accessory parts sold when we disposed such materials and parts during the Track Record Period, which primarily represented the purchase amounts we previously incurred for the relevant raw materials and parts. The higher cost of raw materials and accessory parts sold in 2020 and 2021 was primarily due to a larger amount of raw materials we disposed in these periods as we strategically restructured our product mix.

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Cost of maintenance was mainly relating to the repair and maintenance services for products of which the warranty had expired. In particular, in late 2019, we fully launched the mail-in repair and maintenance service to provide better customer services, which caused the significant increase in cost of maintenance from 2019 to 2020, which continued to increase in 2021.

Lease costs primarily related to the amortization, utilities and other costs incurred in connection with our properties leased to third parties.

In 2019, two publishers brought lawsuits against us with local people's courts, claiming that we had violated the copyrights relating to certain content owned by them by duplicating and distributing such content without their authorization. We decided to settle with those counter parties and agreed to pay the settlement fee in an aggregate amount of approximately RMB0.6 million. The lawsuits were settled by mediation and case withdrawal by the plaintiff. We had fully paid up the settlement fee by the end of 2019. In addition, in 2020, mainly due to the disagreement on the quality of services provided, an independent individual brought a lawsuit against us with local people's court, claiming that we delayed in making the payment under a technology services contract. The lawsuit had been settled in late 2020 and we made the payment of service fee and related interest in an aggregate amount of RMB0.5 million. In 2021, a third party publisher sued us for violating its copyright relating to certain content owned by it by duplicating and distributing such content without its authorization. In April 2021, we decided to settle the case and agreed to pay the settlement fee in the amount of approximately RMB0.5 million, which had been fully settled as of the Latest Practicable Date. In addition, in late 2020, a third party brought a lawsuit against us, claiming that one of our smartwatch product model had infringed its design patent and requested us, among others, to rectify the infringement and pay a compensation. In June 2021, we received a decision from the relevant court in favor of the plaintiff and ordered us to pay a compensation in the aggregate amount of RMB1.0 million. In November 2021, we received a court decision after our appeal in favor of the plaintiff. We were ordered to make a compensation in the amount of RMB0.3 million which had been fully paid as of the Latest Practicable Date. Despite the lawsuit, the sales volume of this smartwatch model was very limited in a total amount of less than 150 units before we stopped to sell this model due to this lawsuit. We believe the adverse impact of stop selling this model on us is insignificant. We believe the aggregate amount we incurred in connection with the settlement of lawsuits during the Track Record Period is insignificant.

Exchange loss incurred in 2021 was in connection with the proceeds received from our Pre-IPO Investors denominated in U.S. dollars, which was a result of the appreciation of Renminbi in the relevant period.

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Finance Costs

Finance costs primarily consisted of interest on bank borrowings, which amounted to RMB1.2 million, RMB0.3 million and nil, respectively, in 2019, 2020 and 2021. We had outstanding bank borrowings in the amount of RMB10.0 million, nil and nil, respectively, as of December 31, 2019, 2020 and 2021. Such borrowings were secured by the pledge of deposits by Mr. Qin and were used to finance our daily operations. The pledge provided by Mr. Qin had been fully released as of the Latest Practicable Date.

Finance costs also included interest on amounts due to a Shareholder, which amounted to RMB28.0 thousand, nil and nil, respectively, in 2019, 2020 and 2021. Such amounts represented the borrowings we obtained from Mr. Qin prior to the Track Record Period, mainly for the purchases of properties for our research and development, production and administration purposes and cash advances for our daily operations. We had paid up all the amounts due to Mr. Qin by the end of 2019.

We also incurred interest on lease liabilities of RMB42.0 thousand, RMB71.0 thousand and RMB88.0 thousand, respectively, in 2019, 2020 and 2021.

Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss

On March 24, 2021, we issued an aggregate of 67,288 shares with a par value of HK\$0.001 each to three Pre-IPO Investors, namely Glorious Achievement Investments Limited, Golden Genius International Limited and Mr. Cheng Yangshi, at a total consideration of US\$22.7 million (equivalent to RMB147.0 million). The Pre-IPO Investors have the right to mandate us to repurchase all their equity interests in us at an annual interest rate of 8% (simple interest) if a qualified initial public offering (as defined in the relevant share purchase agreements, i.e. our initial public offering of the shares and listing on a renowned securities exchange within or outside mainland China) does not happen within three years after March 23, 2021, being the completion date of the relevant share purchase agreements. This repurchase right granted to the Pre-IPO Investors would terminate upon the Listing. See the paragraph headed “History, Reorganization and Corporate Structure – Pre-IPO Investments” of this prospectus for more details. The investments were classified as financial liabilities and designated upon initial recognition as fair value through profit or loss and will be derecognized from financial liabilities and reclassified under our equity upon the lapse of repurchase right upon the Listing and the completion of the Global Offering.

There were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities during the Track Record Period.

We have engaged an independent and qualified valuer to determine the fair value of the investments mentioned above as financial liabilities. The fair value is established by using valuation techniques which include back-solve method and adopted equity allocation model. Valuation techniques are certified by the valuer before being implemented for valuation and are

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calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as risk-free interest rate, volatility, possibilities under different scenarios including initial public offering and redemption, and time to liquidation, require management estimates. Our finance department is responsible for determining the policies and procedures for the fair value measurement of financial liabilities. The finance manager reports directly to our chief financial officer. At each reporting date, the finance department analyzes the movements in the values of financial liabilities and determines the major inputs applied in the valuation. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with our board of directors for annual financial reporting.

In relation to the valuation of the financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the share purchase agreements; (ii) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information, especially those non-market related information input, such as risk-free interest rate, volatility, possibilities under different scenarios including initial public offering and redemption, and time to liquidation, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis on the financial liabilities that were classified in level 3 performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in notes 27 and 35 to the Accountants' Report issued by the Reporting Accountants 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 in Appendix I to this prospectus. The Reporting Accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In relation to the valuation analysis performed by the valuer on the financial liabilities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review the relevant notes in the Accountants' Report as contained in Appendix I; (ii) review the valuation report issued by the valuer; and (iii) discussed with the Company, the Reporting Accountants and the valuer to understand the key basis and assumptions for the valuation of the financial liabilities. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the financial liabilities.

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We recorded a gain in fair value of financial liabilities at fair value through profit or loss of RMB26.6 million in 2021, mainly due to a decrease in the value of our equity, which was measured based on the valuation techniques determined by the independent and qualified valuer.

Income Tax Credit/(Expense)

Our subsidiaries in the PRC are subject to a variety of taxes and charges, mainly including current and deferred corporate income tax. Our corporate income tax expenses generally increased during the Track Record Period, reflecting the growth of our business, thus, an increase in our taxable income.

For the years ended December 31, 2019 and 2020, our effective corporate income tax rate was 8.5% and 10.5%, respectively, while we had a negative effective corporate income tax rate of 14.1% for year ended December 31, 2021. Our effective tax rate for the years ended December 31, 2019 and 2020 was lower than the PRC statutory income tax rate of 25%, primarily because a subsidiary of us enjoyed the certain deduction of research and development expenses and a preferential income tax rate of 15% from 2018 to 2020 as a qualified Hi-Tech Enterprise, and another subsidiary enjoyed a preferential income tax rate of 12.5% in 2019 and 2020 due to being a qualified software company. We recorded a negative effective corporate income tax rate of 14.1% for the year ended December 31, 2021, which was mainly because we recorded tax credits as a result of preferential tax reduction for one subsidiary and tax losses incurred by certain subsidiaries resulting from operating loss or deferred tax losses.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands as an exempt company with limited liability. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax in the Cayman Islands.

Hong Kong

No provision for Hong Kong profits tax has been made during the Track Record Period as we did not generate any assessable profits arising in Hong Kong.

PRC

Pursuant to the EIT Law, a uniform 25% enterprise income tax rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. Certain of our subsidiaries are subject to preferential income tax rates during the Track Record Period.

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We did not declare any dividends in 2019, nor did we declare any dividends in the year ended December 31, 2021. We declared dividends of RMB160.0 million in November 2020 to the then shareholders, which we expect to pay prior to the Global Offering. Moreover, our Group's funds are expected to be retained in mainland China for our operations and we do not expect our PRC subsidiaries to distribute such earnings in the foreseeable future. Therefore no deferred income tax needs to be recognized for withholding tax on dividends payable to non-PRC resident corporate investors.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by approximately 10.8% from RMB734.0 million in 2020 to RMB813.2 million in 2021. The increase was primarily due to the increase in revenue derived from the sales of our product, in particular, personal student tablets, and wearable products, which was mainly attributable to the improvements in product mix, where the proportion of high-end product models with higher selling prices, such as our C30 personal student tablet which generally has a retail selling price of approximately RMB5,000, increased as well as our increased brand recognition and market acceptance of our products. The increase was also in part attributable to our efforts in expanding our offline distribution network.

By product categories

The table below sets forth a summary of revenues derived from each of our product categories:

	Year Ended December 31,			
	2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>			
Personal student tablets				
Devices ⁽¹⁾	550,702	75.0	571,626	70.3
Digital educational resources and services ⁽¹⁾	114,226	15.6	133,397	16.4
Sub-total	664,928	90.6	705,023	86.7
Smart classroom solutions				
Devices ⁽¹⁾	20,419	2.8	19,300	2.4
Digital educational resources and services ⁽¹⁾	1,874	0.3	4,279	0.5

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	Year Ended December 31,			
	2020		2021	
	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(In thousands, except for percentages)</i>			
Sub-total	22,293	3.1	23,579	2.9
Wearable products	31,664	4.3	53,695	6.6
Other products	2,144	0.2	17,918	2.2
Advertisement and content licensing	12,968	1.8	12,966	1.6
Total	733,997	100.0	813,181	100.0

Note:

- (1) During the Track Record Period, we did not separately charge fees based on digital educational resources we have offered. Instead, we consider the value of our personal student tablets and the smart classroom solutions represent the aggregate value of the hardware devices, and the associated digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue derived from of the digital educational resources and services is recognized over the estimated user life on a straight-line basis.

Revenue derived from sales of personal student tablets increased by approximately 6.0% from 2020 to 2021. The increase in revenue was mainly due to the improvement of our product mix where the proportion of high-end product models with higher selling prices increased as we continued to upgrade the devices in response to the evolving market trend. The aggregate shipments of our personal student tablets amounted to 484.6 thousand units and 458.8 thousand units, respectively, in 2020 and 2021. The decrease in total shipment from 2020 to 2021 was primarily due to the shortage in certain key materials. In 2020, the price range of our most popular mid-end personal student tablets was around RMB1,280 to RMB1,700, gross sales of which accounted for approximately 60% of total gross sales in this period, while the price range of our most popular high-end personal student tablets was around RMB1,950 to RMB2,120, gross sales of which accounted for approximately 14% of total gross sales in this period. In 2021, the price range of our most popular mid-end personal student tablets was around RMB1,360 to RMB1,840, gross sales of which accounted for over 40% of total gross sales in this period, while the price range of our most popular high-end personal student tablets was around RMB2,030 to RMB2,400, gross sales of which accounted for over 22% of total gross sales in this period. Certain product models were also subject to price increases.

Revenue from sales of smart classroom solutions increased by approximately 5.8% from 2020 to 2021. The increase was mainly due to the improvement in product mix. The total device shipments of our smart classroom solutions were 21.3 thousand units and 19.9 thousand units in the year ended December 31, 2020 and 2021, respectively. We supplied our smart classroom solutions to 50 and 113 schools, respectively, in the relevant periods. The decrease in total shipment from 2020 to 2021 was primarily because (i) in the fourth quarter of 2021, in progress of upgrading our strategy of smart classroom to smart campus, we allocated more

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resources to its research and development and less in marketing for our smart classroom solutions, and (ii) one major distributor of our smart classroom solutions shifted its business focus on assisting us in promoting smart homework systems and reducing its purchases from us as a result.

Revenue from wearable products increased by 69.6% from RMB31.7 million in 2020 to RMB53.7 million in 2021, primarily due to the increasing sales volume arising from the clearance sales of old product models and the acceptance of our upgraded smartwatch models, especially those new models introduced to the market. To a lesser extent, the increase was also a result of the increased marketing and sales efforts of our distributors.

Revenue from other products amounted to RMB2.1 million and RMB17.9 million in 2020 and 2021, respectively. Revenue from such product category fluctuated mainly due to the different product portfolio in each period. The increase was primarily a result of our product mix improvement by introducing a new other product, smart scanner pens. For example, our smart scanner pen model D1 was well welcomed by the market and the number of this model sold in the year ended December 31, 2021 exceeded 32,880 units with a total gross sales exceed RMB14.5 million in the same period.

Revenue derived from businesses in connection with advertisement and content licensing remained relatively stable at RMB13.0 million and RMB13.0 million in 2020 and 2021 respectively.

By sales channels

The table below sets forth a summary of revenues derived from each of our sales channels:

	Year Ended December 31,			
	2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>			
Offline distributors	624,009	85.0	695,641	85.5
Self-operated online platforms	21,619	2.9	29,937	3.7
Online distributors	75,401	10.3	74,637	9.2
Others	12,968	1.8	12,966	1.6
Total	733,997	100.0	813,181	100.0

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Revenue from offline distributors increased by approximately 11.5% from 2020 to 2021, which was mainly due to the continuous expansion and upgrade of our offline distribution network and the continuous improvements in our product mix, where the proportion of high-end product models with higher selling prices increased. The number of our contracted offline distributors increased from 86 as of December 31, 2020 to 123 as of December 31, 2021, while the aggregate points of sales controlled by these offline distributors increased from 3,386 to 4,302 over the same period.

Revenue from our self-operated online platforms increased by approximately 38.5% from 2020 to 2021, primarily due to our strengthened efforts in developing our online operations.

Revenue generated from online distributors slightly decreased from RMB75.4 million in 2020 to RMB74.6 million in 2021. We engaged 9 and 16 online distributors in 2020 and 2021, respectively. The decrease in revenue attributable to online distributors was primarily because we strategically focused on and relocated resources to our self-operated online channels in 2021.

Revenue derived from others represent the small portion of revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements. It remained relatively stable at RMB13.0 million and RMB13.0 million in 2020 and 2021, respectively.

Cost of Sales

Our cost of sales increased by approximately 21.0% from RMB532.3 million in 2020 to RMB644.0 million in 2021. The increase was primarily due to an increase in the raw material costs. To a lesser extent, the increase was also due to an increase in staff costs over the same periods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 16.1% from RMB201.7 million in 2020 to RMB169.2 million in 2021. Our gross profit margin decreased from 27.5% in 2020 to 20.8% in 2021, primarily due to a general increase in raw materials costs.

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By product categories

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

	Year Ended December 31,			
	2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Personal student tablets				
Devices ⁽¹⁾	108,642	19.7	51,353	9.0
Digital educational resources and services ⁽¹⁾	74,326	65.1	89,320	67.0
Sub-total	182,968	27.5	140,673	20.0
Smart classroom solutions				
Devices ⁽¹⁾	2,883	14.1	1,809	9.4
Digital educational resources and services ⁽¹⁾	1,219	65.0	2,853	66.7
Sub-total	4,102	18.4	4,662	19.8
Wearable products	3,446	10.9	7,884	14.7
Other products	3	0.1	5,432	30.3
Advertisement and content licensing	11,193	86.3	10,521	81.1
Total	201,712	27.5	169,172	20.8

Both gross profit and gross profit margin of our personal student tablets decreased from 2020 to 2021, primarily due to a general increase in raw materials costs. For example, with respect to the top 10 best-selling personal student tablet models in each of the periods, raw material cost of integrated circuits and screens, two major components of personal student tablet models that typically in aggregate accounted for approximately 60% of total raw material costs for personal student tablets, increased by approximately 12.2% and 43.5%, respectively, and their respective average cost per unit increased by approximately 25.9% and 61.1%, respectively, from 2020 to 2021.

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Gross profit of our smart classroom solutions increased by approximately 13.7% from 2020 to 2021, and gross profit margin of smart classroom solutions slightly increased from 18.4% in 2020 to 19.8% in 2021, which were primarily due to the increase in the proportion of upgraded product models which generally carried a higher selling price and a higher gross profit margin, partially offset the adverse impact of the increase in raw material costs. For example, we sold over 6,180 units of model T11, our best-selling smart classroom solution model generally carrying a relatively higher gross profit margin, in the year ended December 31, 2020, which increased to over 12,450 units in the corresponding period in 2021.

Gross profit of our wearable products increased significantly by 128.8% from 2020 to 2021, primarily due to the increasing sales volume arising from the clearance sales of our old product models and our continuous efforts in launching new product models which were welcomed by the market as well as our enhanced promotional activities for such products. Gross profit margin of wearable products increased from 10.9% in 2020 to 14.7% in 2021.

In the years ended December 31, 2020 and 2021, we recorded gross profit of other products in the amount of RMB3.0 thousand and RMB5.4 million, respectively. The fluctuation was primarily in relation to the different product portfolio in the relevant periods.

Gross profit in connection with businesses of advertisement and content licensing amounted to RMB11.2 million and RMB10.5 million, in 2020 and 2021, respectively. Gross profit margin decreased from 86.3% in 2020 to 81.1% in 2021, primarily due to an increasing costs we incurred in connection with the development of such advertising and content licensing business, such as relevant labor costs, bandwidth expenses as well as expenses in connection with content development.

By sales channels

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

	Year Ended December 31,			
	2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Offline distributors	161,313	25.9	126,393	18.2
Self-operated online platforms	12,300	56.9	16,545	55.3
Online distributors	16,906	22.4	15,713	21.1
Others	11,193	86.3	10,521	81.1
Total	201,712	27.5	169,172	20.8

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Gross profit of offline distributors decreased by approximately 21.6% from 2020 to 2021. Gross profit margin of offline distributors also decreased in the relevant periods. Such decreases were primarily due to a general increase in raw materials costs. In 2021, the decrease in gross profit margin of offline distributors outpaced that of self-operated online platforms, which was primarily because the average unit gross profit of self-operated online platform was generally higher than that of offline distributors due to the relevant sales were directly made to the end users, and therefore the impact of increased raw material costs in 2021 accounted to a fewer proportion of the gross profit of self-operated online platform than that of offline distributors. In 2021, we started to make all of our product offerings available to both online distributors and offline distributors. In consideration of the higher operation cost bear by our offline distributors, for same products, we generally offer relatively lower selling prices to offline distributors than online distributors. As a result, the average unit gross profit of offline distributors was generally lower than that of online distributors, and therefore the impact of increased raw material costs during the year accounted to a higher proportion of the offline distributors than that of online distributors. Accordingly, the decrease in gross profit margin of offline distributors outpaced that of online distributors in 2021.

Gross profit of self-operated online platforms increased by approximately 34.5% from 2020 to 2021, mainly due to the increase in sales as we strengthened the efforts in developing our online operations. Gross profit margin of self-operated online platforms slightly decreased from 2020 to 2021. Such decreases were primarily due to a general increase in raw material costs.

Gross profit of online distributors slightly decreased from 2020 to 2021, primarily because we strategically focused on developing our self-operated online channels. Gross profit margin of online distributor slightly decreased from 2020 to 2021 as a result of a general increase in raw material costs, which was partially offset by the impact from product mix improvement.

Other Income and Gains

Other income and gains increased by 40.6% from RMB42.7 million in 2020 to RMB60.1 million in 2021, which was mainly due to an increase of RMB10.5 million in the sales of raw materials and accessory.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 1.5% from 2020 to 2021, which was primarily due to a decrease of RMB5.9 million in advertising and marketing expenses as our expenses in connection with television advertising placements were relatively higher during the COVID-19 pandemic in 2020 and a decrease of RMB4.5 million in maintenance expenses mainly resulting from our generally enhanced product quality, partially offset by an increase in staff costs of RMB4.2 million as we enhanced incentives for selling and marketing personnel since our business operations gradually recovered from the COVID-19 pandemic and an increase of RMB3.9 million in e-commerce related expenses.

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Administrative Expenses

Our administrative expenses increased by 101.3% from RMB21.9 million in 2020 to RMB44.0 million in 2021, primarily due to the listing expenses of RMB21.5 million we incurred in connection with this Global Offering.

Research and Development Expenses

Our research and development expenses increased by 45.2% from RMB30.2 million in 2020 to RMB43.9 million in 2021, primarily due to our increased staff costs to motivate our research and development personnel as well as the increases in professional service fees, reflecting the enhanced research and development activities in the relevant period.

Other Expenses

Increased by approximately 51.8% from RMB15.1 million in 2020 to RMB22.9 million in 2021, primarily due to (i) an increase of RMB5.5 million in cost of raw materials and accessory parts sold and (ii) exchange loss of RMB1.8 million recorded in 2021 in connection with the proceeds received from our Pre-IPO Investors denominated in U.S. dollars, resulting from the appreciation of Renminbi during 2021.

Finance Costs

Finance costs decreased by approximately 75.5% from RMB0.4 million in 2020 to RMB88.0 thousand in 2021, primarily due to a decrease of RMB0.3 million in interest on our bank borrowings as we paid up the outstanding borrowings in 2020.

Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss

We recorded changes in fair value of financial liabilities at fair value through profit or loss of RMB26.6 million in 2021, which was related to the issue of an aggregate of 67,288 shares to three Pre-IPO Investors at a total consideration of US\$22.7 million (equivalent to RMB147.0 million). Such gain in fair value of financial liabilities at fair value through profit or loss in 2021 was mainly due to a decrease in the value of our equity, which was measured based on the valuation techniques determined by the independent and qualified valuer. See “– Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income – Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss” above for more details.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by 29.9% from RMB102.8 million in 2020 to RMB72.0 million in 2021.

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Income Tax Credit/(Expense)

We recorded income tax credit of RMB10.1 million in 2021, mainly as a result of preferential tax reduction for one subsidiary and tax losses incurred by certain subsidiaries resulting from operating loss or deferred tax losses. Income tax expenses amounted to RMB10.8 million in 2020.

Profit for the Year

As a result of the foregoing, we recognized profit for the year of RMB92.0 million and RMB82.1 million in 2020 and 2021, respectively.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by approximately 9.6% from RMB669.9 million in 2019 to RMB734.0 million in 2020. The increase was primarily due to the increase in revenue derived from the sales of our personal student tablets and smart classroom solutions, which was mainly attributable to the expansion of our offline distribution network. The increase in revenue was also attributable to the continuous improvements in product mix, where the proportion of high-end product models with higher selling prices increased as well as our increased brand recognition and market acceptance of our products.

By product categories

The table below sets forth a summary of revenues derived from each of our product categories:

	Year Ended December 31,			
	2019		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>			
Personal student tablets				
Devices ⁽¹⁾	448,321	66.9	550,702	75.0
Digital educational				
resources and services ⁽¹⁾	93,173	13.9	114,226	15.6
Sub-total	541,494	80.8	664,928	90.6

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	Year Ended December 31,			
	2019		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>			
Smart classroom solutions				
Devices ⁽¹⁾	7,249	1.1	20,419	2.8
Digital educational resources and services ⁽¹⁾	914	0.1	1,874	0.3
Sub-total	8,163	1.2	22,293	3.1
Wearable products	111,778	16.7	31,664	4.3
Other products	5,987	0.9	2,144	0.2
Advertisement and content licensing	2,431	0.4	12,968	1.8
Total	669,853	100.0	733,997	100.0

Note:

- (1) During the Track Record Period, we did not separately charge fees based on digital educational resources we have offered. Instead, we consider the value of our personal student tablets and the smart classroom solutions represent the aggregate value of the hardware devices, and the associated digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue derived from of the digital educational resources and services is recognized over the estimated user life on a straight-line basis.

Revenue derived from sales of personal student tablets increased by approximately 22.8% from 2019 to 2020. The increase in revenue was mainly due to the increase in total sales volumes, which was a result of the development of our distribution network as well as our increased brand recognition and market acceptance of our products, which, in turn, due to the improvement of our product mix where the proportion of high-end product models with higher selling prices increased as we continued to upgrade the devices in response to the evolving market trend. The aggregate shipments of our personal student tablets amounted to 456.9 thousand units and 484.6 thousand units, respectively, in 2019 and 2020. In 2019, the price range of our most popular mid-end personal student tablets was around RMB1,250 to RMB1,500, gross sales of which accounted for approximately 35% of total gross sales in this period, while the price range of our most popular high-end personal student tablets was around RMB1,590 to RMB1,800, gross sales of which accounted for approximately 26% of total gross sales in this period. In 2020, the price range of our most popular mid-end personal student tablets was around RMB1,280 to RMB1,700, gross sales of which accounted for approximately 60% of total gross sales in this period, while the price range of our most popular high-end personal student tablets was around RMB1,950 to RMB2,120, sales of which accounted for approximately 14% of total gross sales in this period. Certain product models were also subject to price increases. For example, sales of model C20 (256GB) increased by over 18,000 units and its selling price increased by approximately RMB400.

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Revenue from sales of smart classroom solutions increased by approximately 173.1% from 2019 to 2020. The increase was mainly due to our efforts in promoting such business and our deepened business relationship with competent offline distributors who had strong local resources to approach potential school customers. To a lesser extent, the increase was also attributable to the relevant education related policies promulgated by local and central governments promoting digitalization of education. The total device shipments of our smart classroom solutions were 7.1 thousand units and 21.3 thousand units in 2019 and 2020, respectively. We supplied our smart classroom solutions to 65 and 50 schools in 2019 and 2020, respectively.

Revenue from wearable products decreased by 71.7% from 2019 to 2020, which was mainly because we optimized the distribution and product development strategies in light of our wearable products in response to the decline in the purchase amount of certain key customers of such products and the general market trends in such periods.

Revenue from other products amounted to RMB6.0 million and RMB2.1 million in 2019 and 2020, respectively. Revenue from such product category fluctuated mainly due to the different product portfolio in each period. The decrease was primarily due to a decrease in sales by units across various models of smart reader pens as we optimized product mix and invested more resources in the preparation for the launch of new smart scanner pens.

Revenue derived from businesses in connection with advertisement and content licensing increased significantly from 2019 to 2020 primarily due to our expanded user base and the increasing acceptance of our smart learning devices and associated digital educational resources, which attracted additional third parties to place advertisements with us or to offer our licensed digital educational resources on their platforms.

By sales channels

The table below sets forth a summary of revenues derived from each of our sales channels:

	Year Ended December 31,			
	2019		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(In thousands, except for percentages)</i>			
Offline distributors	614,381	91.7	624,009	85.0
Self-operated online platforms	11,693	1.7	21,619	2.9
Online distributors	41,307	6.2	75,401	10.3
Others	2,472	0.4	12,968	1.8
Total	669,853	100.0	733,997	100.0

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Revenue from offline distributors increased by approximately 1.6% from 2019 to 2020, which was mainly due to the continuous expansion and upgrade of our offline distribution network and the continuous improvements in our product mix, where the proportion of high-end product models with higher selling prices increased. The number of our contracted offline distributors increased from 58 as of December 31, 2019 to 86 as of December 31, 2020, while the aggregate points of sales controlled by these offline distributors increased from 2,905 to 3,386 over the same period.

Revenue from our self-operated online platforms increased by approximately 84.9% from 2019 to 2020, primarily due to our strengthened efforts in developing our online operations.

Revenue from our online distributors increased by 82.5% from 2019 to 2020, primarily due to our efforts to engage more online distributors and the expansion of their online presence. We engaged eight and nine online distributors in 2019 and 2020, respectively.

Revenue derived from others represent the small portion of revenue from third parties who placed in-app advertisements with us and third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements. It increased from 2019 to 2020 primarily due to our expanded user base and the increasing acceptance of our smart learning devices and associated digital educational resources, which attracted additional third parties to place advertisements with us or to offer our licensed digital educational resources on their platforms.

Cost of Sales

Our cost of sales increased by approximately 7.4% from RMB495.5 million in 2019 to RMB532.3 million in 2020, primarily due to an increase in the raw material costs, which was in line with the increase in our sales, and was also in part due to the increasing prices of certain key raw materials, such as integrated circuits and display screens, which experienced a temporary shortage in supply in 2020. To a lesser extent, the increase was also due to an increase in server and bandwidth costs, which was mainly due to the significant growth of our online operations.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 15.7% from RMB174.4 million in 2019 to RMB201.7 million in 2020. Our gross profit margin slightly increased from 26.0% in 2019 to 27.5% in 2020.

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By product categories

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

	Year Ended December 31,			
	2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Personal student tablets				
Devices	94,433	21.1	108,642	19.7
Digital educational resources and services	<u>58,193</u>	62.5	<u>74,326</u>	65.1
Sub-total	152,626	28.2	182,968	27.5
Smart classroom solutions				
Devices	1,844	25.4	2,883	14.1
Digital educational resources and services	<u>571</u>	62.5	<u>1,219</u>	65.0
Sub-total	2,415	29.6	4,102	18.4
Wearable products	15,877	14.2	3,446	10.9
Other products	1,393	23.3	3	0.1
Advertisement and content licensing	<u>2,072</u>	85.2	<u>11,193</u>	86.3
Total	<u><u>174,383</u></u>	26.0	<u><u>201,712</u></u>	27.5

Gross profit of our personal student tablets increased by approximately 19.9% from 2019 to 2020, primarily due to the continuous increase in the sales. Gross profit margin of personal student tablets decreased in 2020, which was mainly a result of the increase in raw material costs in 2020, in part resulting from the temporary global shortage of certain key raw materials. For example, with respect to the top 10 best-selling personal student tablet models in each of the years, raw material cost of integrated circuits and screens, two major components of personal student tablet models that typically in aggregate accounted for approximately 60% of total raw material costs for personal student tablets, increased by approximately 16.3% and 9.9%, respectively, and their respective average cost per unit increased by approximately 22.9% and 16.2%, respectively, from 2019 to 2020.

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Gross profit of our smart classroom solutions increased by approximately 69.9% from 2019 to 2020, primarily due to the increased sales resulting from our efforts in promoting and marketing our smart classroom solutions. Gross profit margin of smart classroom solutions decreased from 29.6% in 2019 to 18.4% in 2020. Particularly, on the device level, gross profit margin decreased from 25.4% in 2019 to 14.1% in 2020, which was primarily due to the increase in raw material costs over the same periods. For example, with respect to the top three best-selling smart classroom solution models in each of these years, raw material cost of integrated circuits and screens, two major components of personal student tablet models that typically in aggregate accounted for approximately 60% of total raw material costs for these products, increased by approximately 81.0% and 83.8%, respectively, and their respective average cost per unit increased by approximately 2.3% and 3.9%, respectively, from 2019 to 2020. The decrease in gross profit margin was also partially due to our enhanced promotional activities, such as preferential pricing policies in favor of the distributors, so as to expand the market coverage for new models or to sell obsolete models more efficiently. For example, to sell the obsolete model T90, which used to carry a relatively higher gross profit margin, we significantly lowered its average selling price from approximately RMB1,390 per unit in 2019 to approximately RMB820 per unit in 2020.

Gross profit of wearable products decreased by RMB12.4 million from 2019 to 2020, primarily due to the decrease in sales. Gross profit margin of wearable products decreased from 2019 to 2020, primarily due to our enhanced promotional activities, such as preferential pricing policies in favor of the distributors, to better manage our inventory level.

In 2019 and 2020, we recorded gross profit of other products in the amount of RMB1.4 million and RMB3.0 thousand, respectively. The fluctuation was primarily in relation to the different product portfolio in the relevant periods.

Gross profit in connection with businesses of advertisement and content licensing experienced a significant increase from 2019 to 2020, primarily due to our expanded user base and the increasing acceptance of our smart learning devices and associated digital educational resources, which attracted additional third parties to place advertisements with us or to offer our licensed digital educational resources on their platforms. Gross profit margin of such business slightly increased mainly due to the economies of scale.

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By sales channels

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

	Year Ended December 31,			
	2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Offline distributors	158,744	25.8	161,313	25.9
Self-operated online platforms	6,561	56.1	12,300	56.9
Online distributors	6,965	16.9	16,906	22.4
Others	2,113	85.5	11,193	86.3
Total	174,383	26.0	201,712	27.5

Gross profit of offline distributors slightly increased from 2019 to 2020, primarily due to significant increase in total sales. Gross profit margin of offline distributors remained stable at 25.8% and 25.9% in 2019 and 2020, respectively.

Gross profit of self-operated online platforms and online distributors both experienced a remarkable increase from 2019 to 2020, mainly due to the increase in sales as we strengthened the efforts in developing our online operations. Gross profit margin of self-operated online platforms remained relatively stable in 2019 and 2020. Gross profit margin of online distributors increased from 2019 to 2020, primarily due to the improvements in product mix, where the proportion of high-end product models with higher selling prices increased.

Other Income and Gains

Other income and gains increased by 39.6% from RMB30.6 million in 2019 to RMB42.7 million in 2020, which was mainly due to (i) an increase of RMB7.2 million in repair and maintenance service income; we fully launched the mail-in repair and maintenance service to provide better customer services since late 2019, which increased the amount of such services significantly in 2020, (ii) an increase of RMB4.4 million in sales of raw materials and accessory parts, primarily as a result of the one-off transaction that we disposed materials as we strategically restructured our product mix, and (iii) trademark licensing income in the amount of RMB2.6 million in 2020.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 16.8% from RMB63.5 million in 2019 to RMB74.2 million in 2020. Selling and distribution expenses as a percentage of total revenue slightly increased from 9.5% in 2019 to 10.1% in 2020. The increase was primarily attributable to (i) our strengthened online marketing efforts to promote our online operations, (ii) an increase in maintenance expense which was generally in line with the accumulated sales of our products, and (iii) increases in staff costs, office and other miscellaneous selling and marketing expenses in response to our business growth.

Administrative Expenses

Our administrative expenses increased by 8.2% from RMB20.2 million in 2019 to RMB21.9 million in 2020. Administrative expenses as a percentage of total revenue remained stable at 3.0% in 2019 and 2020. The increase in administrative expenses was primarily due to (i) the impairment loss of RMB0.3 million in 2020, as compared to a reversal of impairment loss of RMB0.2 million in 2019, and (ii) an increase of RMB1.0 million in professional service fees mainly in connection with patent and trademark applications.

Research and Development Expenses

Our research and development expenses decreased by 17.1% from RMB36.4 million in 2019 to RMB30.2 million in 2020. Research and development expenses as a percentage of total revenue decreased from 5.4% in 2019 to 4.1% in 2020. The decrease was primarily because our pipeline had a larger portion of hardware product development projects in 2019 than 2020, which led to decreases in material costs and professional service fees.

Other Expenses

Other expenses increased by approximately 94.4% from RMB7.8 million in 2019 to RMB15.1 million in 2020, which was mainly due to the one-off transaction that we disposed materials in the amount of approximately RMB6.6 million as we strategically restructured our product mix, causing a significant increase in cost of raw materials and accessory parts sold.

Finance Costs

Finance costs decreased by approximately 70.7% from RMB1.2 million in 2019 to RMB0.4 million in 2020, primarily due to a decrease of RMB0.9 million in interest on our bank borrowings as we paid up the outstanding borrowings.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 35.4% from RMB75.9 million in 2019 to RMB102.8 million in 2020.

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Income Tax Expense

Income tax expenses amounted to RMB6.5 million and RMB10.8 million in 2019 and 2020, respectively, which was mainly due to the increase in our taxable income.

Profit for the Year

As a result of the foregoing, we recognized profit for the year of RMB69.4 million and RMB92.0 million, respectively, in 2019 and 2020.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION BALANCE SHEET ITEMS

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, and the principal annual rates used for this purpose are as follows:

Buildings	2.38% – 2.75%
Plant and machinery	9.50%
Motor vehicles	19.00%
Electronic equipment	9.50% – 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposals or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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Construction in progress represents building under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

During the Track Record Period, we held property, plant and equipment amounted to RMB52.0 million, RMB50.4 million and RMB48.5 million as of December 31, 2019, 2020 and 2021, respectively.

Investment Properties

We hold certain properties mainly for rental purpose and the appreciation of property value. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions. During the Track Record Period, we retained properties located in Wuhan city and Zhongshan city, which were leased to third parties under lease agreements for their use of office spaces and manufacturing plant, respectively. Such investment properties amounted to RMB14.4 million, RMB14.0 million and RMB13.6 million as of December 31, 2019, 2020 and 2021, respectively.

Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized. The realization of a deferred tax asset mainly depends on our estimate as to whether sufficient future profits will be available in the future.

During the Track Record Period, we recognized deferred tax assets of RMB18.8 million, RMB22.1 million and RMB32.5 million as of December 31, 2019, 2020 and 2021, respectively.

Inventories

Our inventories consist of raw materials, work in progress, finished goods and goods in transit. To minimize the risk of inventory buildup, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan for the production and deliver our products to meet market demand in a timely manner without straining our liquidity. We adjust our raw material procurement according to our manufacturing processes, taking into account lead time required for each type of raw materials. The value of our inventories accounted for 56.1%, 37.9% and 36.5% of our total current assets as of December 31, 2019, 2020 and 2021, respectively.

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The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	112,781	133,737	175,970
Finished goods	57,589	36,274	54,623
Work in progress	23,792	24,385	14,966
Goods in transit	25,247	4,370	12,660
Total	219,409	198,766	258,219

The following table sets forth the breakdown of our finished goods in terms of product categories as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Personal student tablets	24,837	22,346	36,952
Smart classroom solutions	6,526	2,449	3,943
Wearable products	25,228	11,008	11,707
Other products	998	471	2,021
Total	57,589	36,274	54,623

Our inventories decreased from RMB219.4 million as of December 31, 2019 to RMB198.8 million as of December 31, 2020, primarily due to a remarkable decrease in goods in transit as we managed to better control our logistic arrangements, and a decrease in finished goods as we improved our production and inventory management policies which improved the turnover of our finished goods and effectively shortened the general time span from completion of production to the delivery to customers. It was partially offset by an increase in raw materials as we increased the procurement of certain key raw material in 2020, primarily due to (i) the expansion of our product offerings, including several special edition models which we expected to introduce to the market by the end of 2019, and (ii) in anticipation of future price increases of such raw materials. Our inventories increased to RMB258.2 million as of December 31, 2021 from December 31, 2020, which was a combined result of the continuous expansion of our product portfolio which increased the amount of finished goods, as well as the increased procurement of raw materials in the anticipation of rising market demand for such raw materials and our products.

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The following table sets forth the aging analysis of our inventories as of December 31, 2019, 2020 and 2021 and the subsequent utilization amount as of May 31, 2022:

	Total	Within 1 year	1-2 years	2-3 years	Over 3 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2021					
Raw Material	175,970	150,214	19,927	4,437	1,392
Finished goods	54,623	53,970	653	–	–
Work in progress	14,966	14,966	–	–	–
Goods in transit	12,660	12,660	–	–	–
Total	258,219	231,810	20,580	4,437	1,392
Subsequent utilization amount as of May 31, 2022					
	140,115	133,794	5,416	789	116
	Total	Within 1 year	1-2 years	2-3 years	Over 3 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2020					
Raw Material	133,737	122,473	9,393	1,627	244
Finished goods	36,274	33,323	2,490	1	460
Work in progress	24,385	24,385	–	–	–
Goods in transit	4,370	4,370	–	–	–
Total	198,766	184,551	11,883	1,628	704

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	Total	Within			Over
	<u>RMB'000</u>	<u>1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3 years</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2019					
Raw Material	112,781	104,696	5,037	3,048	–
Finished goods	57,589	56,158	460	971	–
Work in progress	23,792	23,792	–	–	–
Goods in transit	25,247	25,247	–	–	–
Total	<u>219,409</u>	<u>209,893</u>	<u>5,497</u>	<u>4,019</u>	<u>–</u>

During the Track Record Period, the substantial majority of our inventories aged within one year. The raw materials aged over two years as of December 31, 2020 and December 31, 2021 were mainly because we strategically increased procurements of certain raw materials of which prices were relatively low in the relevant periods. We expect such inventories will be used up in the next 12 months.

The following table sets forth average inventory turnover days for the periods indicated.

	Year Ended December 31,		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Average inventory turnover days ⁽¹⁾	137	143	130

Note:

- (1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Inventory turnover days increased from 137 days in 2019 to 143 days in 2020, primarily due to the increase in average inventory balance in 2020 as the inventory balance by the end of 2019 significantly increased. We aim to continue to actively manage our inventory turnover days in the future. Inventory turnover days decreased to 130 days in 2021, primarily due to our continuous effort in improving inventory management.

We believe we are generally not subject to any material recoverability issue of our inventories. Most of our inventories are raw materials. During the Track Record Period, a substantial majority of raw material inventories were typically used up within one year. Since most of the raw materials can be commonly used in different device models with similar configurations, we don't expect changes in product mix within one year under our current

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business plans and current market condition would completely cause our current raw materials to be obsolete. We will continue to closely monitor prices of raw materials and our sales progress and make constant efforts in managing our inventories turnover.

As of May 31, 2022, RMB140.1 million, or 54.3%, of our inventories as of December 31, 2021, had been subsequently utilized or sold.

Right-of-use Assets

Our right-of-use assets amounted to RMB1.8 million, RMB1.1 million and RMB3.1 million as of December 31, 2019, 2020 and 2021, respectively. The right-of-use assets represented the carrying amount of our leased office premises during the Track Record Period pursuant to the adoption of HKFRS 16, see “– Critical Accounting Policies and Estimates – Leases” for more details.

Trade Receivables

	As of December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Trade receivables	17,049	23,926	48,340
Impairment	(84)	(360)	(789)
Total	16,965	23,566	47,551

During the Track Record Period, we usually required advanced payment from most of our distributors, upon or prior to delivery of our products. However, we typically granted credit terms of 30 days, or a longer period at their request but subject to our discretion, after the issue of invoice to certain of our customers that had good credit records or made relatively large purchases from us. Our trade receivables represent amounts in connection with the sales of our products due from these customers, mainly comprising open accounts with a credit term of 30 days. We assess the credit worthiness of our customers through inquiries into their credit profiles and reputation in the industry and by collection and reviewing materials regarding their operating history, sales performance, relationship history with us, past credit problems and financial conditions. We limit the amounts of these credits available to customers and regularly review the credit terms we grant to them.

Trade receivables increased from RMB17.0 million as of December 31, 2019 to RMB23.6 million as of December 31, 2020 which further increased to RMB47.6 million as of December 31, 2021, primarily because we granted an extended credit term to certain distributors. Among the distributors which had outstanding trade receivables as of December 31, 2021, there were 13 distributors to which we granted extended credit terms. All of these distributors were

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initially granted a credit term of 30 days from their purchase. These distributors experienced temporary financial pressure mainly caused by factors beyond their control, including the intensified pandemic control restrictions since the fourth quarter of 2021 and the long settlement period for funds from sales that are transferred by shopping centers where their stores operate in. As a result, these distributors applied for, and we approved on a case-by-case basis, an extended credit term mainly due to the following one or more reasons, (i) newly contracted distributors needed additional startup period for capital turnover, (ii) distributors that are located in strategic regions where we intended to enhance market penetration expected to increase purchases to expand their operations, (iii) distributors mainly engaging in the sales and marketing of our smart classroom solutions were generally subject to greater capital needs due to the higher purchase amount on average, (iv) distributors involved in online distribution were subject to longer settlement cycle subject to the e-commerce platforms they operate on. We expect extending the credit terms would provide a reasonably prolonged period for these distributors to get familiar with the business operations and improve their financial stability, which is also in line with our own interest. Subject to their respective historical purchase amounts and credibility and on a case-by-case review basis, we offered an extended credit term ending on June 30, 2022 up to June 30, 2024. Amount of sales to each of such distributors in the year ended December 31, 2021 ranged from RMB0.2 million to RMB28.0 million, with the aggregate amount of sales reached RMB75.0 million. Trade receivables due from each of such distributors as of December 31, 2021 ranged from RMB0.2 million to RMB7.1 million, with the aggregate trade receivables amounted to RMB32.5 million, representing approximately 68.3% of total trade receivables as of the same date. As of May 31, 2022, approximately 43.6% of the trade receivables from these 13 distributors as of December 31, 2021 has been settled. By comparing the collection progress of trade receivables from these distributors with other distributors, the collection pattern of themselves in the past, the sales progress of these distributors for the inventories ordered in 2021, the past sales amounts contributed by these distributors, their relationship history with us, we consider these distributors are financially sound as of the Latest Practicable Date. All of the 13 distributors are independent third parties from us. We have maintained good business relationships with these distributors and there is no disputes or legal proceedings with them. To ensure the collection of trade receivables from these 13 distributors, we continuously monitor their operational performance and credit worthiness through measures including (i) requiring and reviewing inventories level and sale progress data from such distributors on a monthly basis, (ii) monitoring the overall number of stores in operation managed by such distributors through internal system, (iii) evaluating sales progress of such distributors based on monthly on-site visits to their stores conducted by our marketing team, (iv) requiring written confirmation on the outstanding amount of balance of trade receivables from such distributors on a monthly basis to assess their willingness to pay and (v) assessing the credit worthiness of such distributors based on litigation and default status search gathered by our internal legal team through publicly available information. Based on the information collected through these measures during the Track Record Period and up to the Latest Practicable Date, we believe there was no material operational difficulties encountered by these 13 distributors. Based on the facts that (i) the amount of sales to and trade receivables from these distributors, individually and collectively, were not significant, (ii) other than the extended credit term mentioned above, the collection of trade receivables from such distributors has been normalized, (iii) the trade receivables from these distributors were

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all settled within the credit terms granted by us during the Track Record Period, and (iv) 43.6% of the trade receivables from these 13 distributors as of December 31, 2021 has been settled as of May 31, 2021, and our assessment on the operation performance, willingness to pay and credit worthiness of these 13 distributors mentioned above, we believe we do not expect to experience material difficulties in collecting the remaining amounts from these distributors. In addition, during the Track Record Period, none of our customers settled their trade receivables due to us through third parties.

The following table sets forth certain information of our distributors which had been granted extended credit terms and had outstanding trade receivables as of December 31, 2021:

Distributors	Background	Registered Capital ⁽¹⁾	Length of relationship with us	Sales Amount in the Year ended December 31, 2021 <i>(RMB'000)</i>	Trade Receivables as of December 31, 2021 <i>(RMB'000)</i>	Outstanding Amount as of May 31, 2022 <i>(RMB'000)</i>	Credit Term Ending Date
Distributor A	A private company founded in November 2018 located in Hubei Province, specializing in the distribution of learning devices and electronic products and the provision of related services	RMB0.1 million	Since 2019	13,754	6,443	3,035	December 31, 2022
Distributor B	A private company founded in April 2017 located in Zhejiang Province, specializing in the distribution of electronic products and the provision of related services	RMB3.0 million	Since 2018	10,401	5,189	3,560	December 31, 2022
Distributor C	A private company founded in March 2016 located in Guangdong Province, specializing in the distribution of electronic products and the provision of related services	RMB3.0 million	Since 2020	3,096	2,202	624	June 30, 2022

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Distributors	Background	Registered Capital ⁽¹⁾	Length of relationship with us	Sales Amount	Trade	Outstanding	Credit Term
				in the Year ended December 31, 2021	Receivables as of December 31, 2021	Amount as of May 31, 2022	
				(RMB'000)	(RMB'000)	(RMB'000)	Ending Date
Distributor D	A private company founded in December 2020 located in Zhejiang Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	since 2021	2,084	1,660	886	June 30, 2024
Distributor E	A private company founded in April 2021 located in Sichuan Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	since 2021	575	535	–	June 30, 2024
Distributor F	A private company founded in November 2020 located in Liaoning Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	since 2021	1,159	364	–	June 30, 2024
Distributor G	A private company founded in June 2021 located in Sichuan Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	since 2021	192	223	–	June 30, 2024
Distributor H	A private company founded in December 2020 located in Anhui Province, specializing in the distribution of electronic products and the provision of related services	RMB0.5 million	Since 2020	1,236	219	–	January 6, 2023

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Distributors	Background	Registered Capital ⁽¹⁾	Length of relationship with us	Sales Amount	Trade	Outstanding	Credit Term
				in the Year ended December 31, 2021	Receivables as of December 31, 2021	Amount as of May 31, 2022	
				(RMB'000)	(RMB'000)	(RMB'000)	Ending Date
Distributor I	A private company founded in December 2019 located in Yunnan Province, specializing in the distribution of electronic products and the provision of related services	RMB1.0 million	Since 2020	1,234	470	211	October 31, 2022
Distributor J	A private company founded in August 2018 located in Beijing, specializing in the distribution of learning devices electronic products and the provision of related services	RMB3.0 million	Since 2018	1,045	1,472	1,377	September 1, 2022
Distributor K	A private company founded in April 2010 located in Hebei Province, specializing in the distribution of electronic products and the provision of related services	RMB3.0 million	Since 2010	28,014	7,078	4,949	June 30, 2022
Distributor L	A private company founded in November 2009 located in Zhejiang Province, specializing in the distribution of learning devices, smart wearable products and electronic products and the provision of related services	RMB1.0 million	Since 2018	7,782	5,056	3,687	December 31, 2022

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Distributors	Background	Registered Capital ⁽¹⁾	Length of relationship with us	Sales Amount	Trade	Outstanding	Credit Term
				in the Year ended December 31, 2021	Receivables as of December 31, 2021	Amount as of May 31, 2022	
				(RMB'000)	(RMB'000)	(RMB'000)	Ending Date
Distributor M	A private company founded in September 2021 located in Shanxi Province, specializing in the distribution of learning devices, smart wearable products and electronic products and the provision of related services	RMB1.0 million	Since 2021	4,535	1,564	–	June 30, 2022
Total				<u>75,017</u>	<u>32,475</u>	<u>18,329</u>	

Note:

(1) Based on publicly available information.

The following table sets forth our trade receivables turnover days for the periods indicated.

	Year Ended December 31,		
	2019	2020	2021
Trade receivables turnover days ⁽¹⁾	18	10	16

Note:

(1) Trade receivables turnover days are based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Our trade receivables turnover days decreased from 18 days in 2019 to 10 days in 2020, primarily due to our decreasing average balance of trade receivables which indicated our constant efforts in improving our receivable collection practice. Trade receivables turnover days increased to 16 days in the 2021, primarily because we granted an extended credit term to certain distributors.

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The following table sets forth the aging analysis, based on invoice date, of our trade receivables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	8,182	11,558	19,552
31 to 180 days	8,313	11,290	27,125
181 to 365 days	470	718	874
Total	16,965	23,566	47,551

The increase in trade receivables aging from 31 to 180 days from RMB11.3 million as of December 31, 2020 to RMB27.1 million as of December 31, 2021 was primarily due to the longer payment collection cycle as a result of the extended credit terms mentioned above.

The following tables set forth the aging analysis of our trade receivables as of December 31, 2019, 2020 and 2021 and the corresponding subsequent settlement amount as of May 31, 2022:

	As of	Subsequent
	December 31,	settlement as
	2019	of May 31,
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	8,182	8,182
31 to 180 days	8,313	8,313
181 to 365 days	470	470
Total	16,965	16,965

	As of	Subsequent
	December 31,	settlement as
	2020	of May 31,
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	11,558	11,558
31 to 180 days	11,290	11,066
181 to 365 days	718	718
Total	23,566	23,342

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	As of December 31, 2021	Subsequent settlement as of May 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	19,552	12,752
31 to 180 days	27,125	13,752
181 to 365 days	874	874
Total	47,551	27,378

During the Track Record Period, we adopted a general and simplified approach in providing for expected credit losses and determining impairment against our trade receivables. During the Track Record Period, we made general impairment in respect of the outstanding trade receivables in the amount of RMB84 thousand, RMB0.4 million and RMB0.8 million as of December 31, 2019, 2020 and 2021, respectively.

As of May 31, 2022, RMB27.4 million, or 57.6%, of our trade receivables as of December 31, 2021, had been settled. We believe that there is no recoverability issue for our trade receivables, as our customers generally have maintained good track record with us and have high credibility and we mainly grant credit terms to high quality customers. In addition, we closely monitor and make constant efforts in the collection of trade receivables and make sufficient provisions accordingly. Based on the operational and financial information we periodically collected from our distributors, such as inventories level and sale progress and number of stores in operation, and our assessment on the operational performance, willingness to pay and credit worthiness of our distributor through on-site visits, public search and daily communications, we believe there was no material operational difficulties encountered by our distributors the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, our trade receivables were not subject to any disputes or legal proceedings.

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Prepayments, Other Receivables and Other Assets

The following table sets out the breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current portion			
Prepayments	13,018	34,194	9,631
Deposits and other receivables	8,362	12,359	34,409
Prepaid listing expenses	–	–	6,584
Long-term receivables within one year	–	941	921
Net investment in a lease – current	–	716	610
	21,380	48,210	48,155
Non-current portion			
Prepaid advertisement fee	3,867	227	–
Long-term receivables	–	1,420	535
Net investment in a lease	–	1,863	1,318
	3,867	3,510	1,853

Prepayments mainly related to the payments made to certain of our raw material suppliers pursuant to the procurement agreements. It increased from RMB13.0 million as of December 31, 2019 to RMB34.2 million as of December 31, 2020, mainly because we strategically increased the procurement of certain key materials, such as integrated circuits and liquid-crystal display screens, in order to secure a stable supply, especially considering that we experienced a temporary shortage of certain key raw materials in early 2020. Prepayments decreased to RMB9.6 million as of December 31, 2021, primarily because comparing with previous years, we increased procurement of raw materials in the third quarter of 2021 given the shortage in supply. As such, procurements decreased in the fourth quarter and the balance of prepayments declined as of December 31, 2021.

Deposits and other receivables mainly referred to deductible tax credits, interest receivables on bank deposits, and the deposits we paid to the e-commerce platforms pursuant to the arrangements for the operation of our self-operated online channels. The continuous increases in deposits and other receivables were mainly due to the increase in various deductible tax credits we were entitled to and the increase in interest receivables on bank deposits. The significant higher balance as of December 31, 2021 was also attributable to a larger amount of deductible tax credits recorded at the year end resulting from invoices of procurements which had not completed relevant administrative procedure for tax deduction.

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Prepaid advertisement fee primarily related to the payments in connection with the advertisements we placed with different media channels to market our products and brand. The higher prepaid advertisement fee recorded in 2019 primarily related to the prepayments in connection with the appointment of our brand ambassador we contracted in 2019.

Long-term receivables mainly represented the present value of uncollected payments from a third party to whom we licensed one of our trademarks in the aggregate licensing fee of RMB3.0 million. Under the arrangement, the third party would pay us in six installments pursuant to the schedule detailed in the arrangement. Long-term receivables within one year referred to the unsettled current portion of receivables due from the trademark licensing income.

Net investment in a lease mainly represented the present value of uncollected payments from a customer who purchased smart classroom solutions with a total of 800 units of smart educational devices from us in 2020. Subject to the arrangement with the customer, the customer would settle the payments in ten installments from mid-2020 to late 2024, with two installments in each year immediately after the commencement of spring and fall semesters, respectively.

Trade and Bills Payables

Trade and bills payables mainly include payables to various third-party suppliers. The credit period for our trade and bills payables generally range from 30 to 90 days. Our trade and bills payables increased from RMB85.1 million as of December 31, 2019 to RMB97.2 million as of December 31, 2020. The increase was in line with our increased raw material procurement resulting from our stable business growth. As of December 31, 2021, trade and bills payables amounted to RMB68.3 million. The decrease was primarily because we increased procurement of raw materials in the third quarter of 2021 given the shortage in supply. As such, procurements decreased in the fourth quarter and the trade payables declined as of December 31, 2021.

The following table sets forth our trade and bills payables turnover days for the periods indicated.

	Year Ended December 31,		
	2019	2020	2021
Trade and bills payables turnover days ⁽¹⁾	54	63	47

Note:

- (1) Trade and bills payables turnover days are based on the average balance of trade and bills payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

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Our trade and bills payables turnover days increased from 54 days in 2019 to 63 days in 2020, primarily due to the increase in trade and bills payables resulting from increasing raw material procurements. Trade and bills payables turnover days decreased to 47 days in 2021, primarily due to the shortened payment cycle we agreed with relevant suppliers to secure the supply of certain raw materials.

The following table sets forth the aging analysis, based on invoice date, of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	84,723	91,214	56,849
91 – 180 days	378	5,753	11,344
181 – 365 days	–	239	106
	Total	97,206	68,299
	85,101	97,206	68,299

As of May 31, 2022, RMB60.2 million, or 88.1%, of our trade payables as of December 31, 2021, had been settled.

Other Payables and Accruals and Contract Liabilities

The following table sets out the breakdown of other payables and accruals and contract liabilities as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities (current)	97,243	118,530	119,243
Payables for salary and welfare	25,633	22,201	20,385
Payables for services	5,071	1,661	4,242
Accruals for sales rebates	3,221	1,453	1,536
Other tax payables	4,377	35,792	36,202
Product warranty provision	7,389	7,241	8,019
Payable for listing expenses	–	–	4,125
Others	2,485	3,647	3,996
	Total	190,525	197,748
	145,419	190,525	197,748

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	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities (non-current)	31,158	37,728	39,720

We consider the value of our personal student tablets and the smart classroom solutions, represent the aggregate value of the hardware devices together with the digital educational resources and services. As such, revenue derived from devices is recognized at the point in time when control of the devices is transferred to the customers. Revenue from digital educational resources and services is recognized on straight-line basis over the estimated user life. Payable for contract liabilities represents the current portion of the revenue to be recognized primarily in connection with the digital educational resources and services. To a lesser extent, it also included the prepayments from customers who purchased our products which had not been delivered. Payable for contract liabilities continued to increase during the Track Record Period, which was in line with the increase in our sales of personal student tablets and the smart classroom solutions.

The following table sets of the breakdown of our revenue-related contract liabilities for the periods indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognized as revenue:			
Within one year	97,243	118,530	119,243
After one year	31,158	37,728	39,720
Total	128,401	156,258	158,963

Payable for salary and welfare slightly decreased from RMB25.6 million as of December 31, 2019 to RMB22.2 million as of December 31, 2020, mainly due to the reduction and exemption of social insurance premiums of certain subsidiaries granted by local governments. Payable for salary and welfare decreased to RMB20.4 million as of December 31, 2021, primarily due to a general decrease in compensation and bonuses for our employees, we adopted a more prudent approach in determining and distributing the performance-based compensation during the COVID-19 pandemic.

As of May 31, 2022, RMB61.6 million, or 38.8%, of our contract liabilities as of December 31, 2021, had been recognized as revenue.

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Payable for services mainly related to the service fees paid to our customs clearance agencies in connection with raw material procurement. It decreased in 2020 because we reviewed our procurement practice and directly transacted with the domestic suppliers instead for relevant raw materials. Payable for services increased to RMB4.2 million as of December 31, 2021, primarily due to the increasing consulting services, technical services and other services we purchased from various third parties to support our research and development and other business operation activities.

During the Track Record Period, we provided a sales discount/rebate to certain offline and online distributors, subject to their sales performance. As of December 31, 2019, 2020 and 2021, the accruals for sales rebates amounted to RMB3.2 million, RMB1.5 million and RMB1.5 million, respectively.

We provided one-year warranties to the end users of personal student tablets for general repairs of defects occurring during the warranty period. The amount of the warranty provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Payable for listing expenses represents the listing expenses we contracted but yet settled in connection with this Global Offering.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss were in connection with the issue of redeemable shares to certain Pre-IPO Investors. The repurchase right granted to the Pre-IPO Investors would terminate upon the Listing and all the redeemable shares would be converted to our ordinary shares, on a one for one basis, upon the Listing. See “History, Reorganization and Corporate Structure – Pre-IPO Investments” and “– Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income – Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss” for more details.

During the Track Record Period, we had financial liabilities at fair value through profit or loss in the amount of nil, nil and RMB120.4 million as of December 31, 2019, 2020 and 2021, respectively.

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INDEBTEDNESS

Borrowings

The following table sets forth the details of our borrowings as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
				<i>RMB'000</i> (unaudited)
Current				
Bank loans – secured	10,000	–	–	–
Non-current				
Financial liabilities at fair value through profit or loss	–	–	120,365	120,365

Our short-term bank borrowings were denominated in Renminbi and carried a floating interest rate ranging from 4.79% to 5.00% per annum. Such borrowings were secured by the pledge of deposits by Mr. Qin and were used to finance our daily operations. Our borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we had neither material defaults in payment of bank borrowings, nor any breach of financial covenants during the Track Record Period.

We had fully repaid the borrowings by the Latest Practicable Date. In addition, as of April 30, 2022, we had unutilized banking facilities of approximately RMB130.0 million. Our approved unutilized credit facilities are covered by legally binding and enforceable loan agreements which we have entered into with the banks and other financial institutions. Our Directors have confirmed that, other than the Global Offering, we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

As of December 31, 2021 and April 30, 2022, we had financial liabilities at fair value through profit or loss of RMB120.4 million, which was related to the issue of an aggregate of 67,288 shares to three Pre-IPO Investors at a total consideration of US\$22.7 million (equivalent to RMB147.0 million). See “– Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income – Changes in Fair Value of Financial Liabilities at Fair Value Through Profit or Loss” for more details.

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Lease Liabilities

We recognize lease liabilities to make lease payments for the right-of-use assets representing the right to use the underlying assets for all leases except for short-term leases and leases of low-value assets. As of December 31, 2019, 2020 and 2021 and April 30, 2022, we, as a lessee, had outstanding current lease liabilities of RMB0.6 million, RMB0.8 million, RMB1.3 million and RMB1.9 million, respectively. As of the same dates, the outstanding non-current lease liabilities amounted to RMB1.2 million, RMB0.6 million, RMB1.9 million and RMB2.3 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

We have financed our working capital, capital expenditure and other capital requirements primarily through cash generated from operations, bank loans and capital injections from Shareholders. After this Global Offering, we intend to finance our future capital requirements through same sources of funds, together with the net proceeds to be received from this Global Offering.

As of December 31, 2019, 2020 and 2021, we had cash and cash equivalents of RMB133.4 million, RMB253.3 million and RMB333.3 million, respectively, which primarily consisted of cash at bank and on hand.

Sufficiency of Working Capital

Taking into account our current business development plans, our expected cash generated from operating activities, the financial resources available to us, including cash and cash equivalents, our available banking facilities, together with the estimated net proceeds from the Global Offering, our Directors are of the opinion that we will have available sufficient working capital for our present requirements, that is for at least the 12 months following the date of this prospectus.

Net Current Assets

As of December 31, 2019, 2020 and 2021, we recorded net current assets of RMB142.9 million, RMB99.7 million and RMB315.3 million, respectively.

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The table below sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current Assets				
Inventories	219,409	198,766	258,219	268,353
Trade receivables	16,965	23,566	47,551	66,047
Prepayments, other receivables and other assets	21,380	48,210	48,155	57,730
Time Deposit	–	–	20,000	20,000
Cash and cash equivalents	133,366	253,318	333,340	263,177
Total current assets	391,120	523,860	707,265	675,307
Current Liabilities				
Trade and bills payables	85,101	97,206	68,299	81,277
Other payables, accruals and contract liabilities	145,419	190,525	197,748	178,105
Interest-bearing bank borrowings	10,000	–	–	–
Lease liabilities	642	773	1,318	1,876
Amounts due to shareholders	–	128,000	117,561	117,561
Tax payable	7,094	7,637	7,018	2,913
Total current liabilities	248,256	424,141	391,944	381,732
Net Current Assets	142,864	99,719	315,321	293,575

Our net current assets decreased from RMB142.9 million as of December 31, 2019 to RMB99.7 million as of December 31, 2020, primarily due to (i) the amounts due to shareholders in connection with the dividends declared in November 2020, and (ii) an increase in other payables and accruals primarily due to the increased payable for contract liabilities and the withholding individual income tax relating to the dividends we declared in 2020, partially offset by (i) an increase in cash and cash equivalent resulting from our operations and Shareholders' capital injections, and (ii) an increase in prepayments mainly because we strategically increased the procurement of certain key materials.

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Our net current assets increased from RMB99.7 million as of December 31, 2020 to RMB315.3 million as of December 31, 2021, primarily due to an increase of RMB80.0 million in cash and cash equivalents as well as an increase of RMB59.5 million in inventories.

Net current assets decreased to RMB293.6 million as of April 30, 2022, primarily due to a decrease in cash and cash equivalents and inventories.

Cash Flows Analysis

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

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements			
in working capital	88,160	104,632	59,313
Movements in working capital	4,152	23,743	(102,186)
Interest received	1,096	3,167	3,335
Income tax paid	(3,317)	(13,602)	(916)
Net cash flows generated from/(used in)			
operating activities	90,091	117,940	(40,454)
Net cash flows used in investing			
activities	(29,104)	(4,454)	(11,432)
Net cash flows generated from			
financing activities	3,442	6,466	133,722
Net increase in cash and cash			
equivalents	64,429	119,952	81,836
Cash and cash equivalents at the			
beginning of the year	68,937	133,366	253,318
Effect of foreign exchange rate changes,			
net	–	–	(1,814)
Cash and cash equivalents at the end of			
the year	133,366	253,318	333,340

Net Cash Flows Generated from/(Used in) Operating Activities

Our primary source of cash generated from operating activities is proceeds we receive from the sales of our products. Our primary uses of cash in operating activities are amounts that we pay for raw material procurement.

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Although we recorded net cash used in operating activities in the year ended December 31, 2021, we believe that it is temporary and we are able to improve our cash flow during the ordinary course of business in the subsequent period, given that the listing expenses are in connection with this Global Offering and that our raw material procurement is expected become normalized to previous level.

For the year ended December 31, 2021, despite the operating cash inflow before movements in working capital of RMB59.3 million, which mainly resulted from profit before tax of RMB72.0 million, partially offset by changes in fair value of financial liabilities at fair value through profit or loss, we recorded net cash flow used in operating activities of RMB40.5 million. Our movement in working capital primarily reflected (i) an increase of RMB60.6 million in inventories as we increased raw material procurement in the anticipation of the rising market demand for such raw material and our products, (ii) a decrease of RMB28.9 million in trade and bills payables, and (iii) an increase of RMB24.4 million in trade receivables.

For the year ended December 31, 2020, our net cash generated from operating activities was RMB117.9 million, which was the result of our profit before tax of RMB102.8 million, adjusting of certain non-cash and non-operating items, movements in working capital, and income tax paid of RMB13.6 million. Our movements in working capital primarily reflected (i) an increase in contract liabilities of RMB27.9 million as our sales continued to increase, and (ii) a decrease in inventories of RMB25.3 million, partially offset by an increase in prepayments, other receivables and other assets of RMB26.8 million mainly because we strategically increased the procurement of certain key materials in order to secure a stable supply.

For the year ended December 31, 2019, our net cash generated from operating activities was RMB90.1 million, which was the result of our profit before tax of RMB75.9 million, adjusting of certain non-cash and non-operating items, movements in working capital, and income tax paid of RMB3.3 million. Our movements in working capital primarily reflected (i) an increase in trade payables of RMB24.9 million mainly resulting from our increased raw material procurement, (ii) a decrease in trade receivables of RMB30.9 million primarily due to a decrease in orders for our wearable products from one of our customers, and (iii) an increase in contract liabilities of RMB32.3 million as our sales continued to increase, partially offset by an increase in inventories of RMB71.3 million.

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2021, our net cash flow used in investment activities amounted to RMB11.4 million, primarily consisted of proceeds from (i) additions of intangible assets of RMB11.6 million primarily in connection with our copyrights, (ii) purchases of property, plant and equipment of RMB3.0 million, and (iii) investment income from structured deposit of RMB2.3 million.

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For the year ended December 31, 2020, our net cash flows used in investment activities amounted to RMB4.5 million, consisted of (i) additions of intangible assets of RMB3.1 million primarily in connection with our copyrights, (ii) purchases of property, plant and equipment of RMB2.6 million mainly in connection with the continuous upgrades for our production and assembly facility, and (iii) investment income from structured deposit of RMB1.2 million.

For the year ended December 31, 2019, our net cash flows used in investment activities amounted to RMB29.1 million, consisted of (i) additions of intangible assets of RMB6.6 million primarily in connection with our copyrights, (ii) purchases of property, plant and equipment of RMB3.6 million mainly in connection with the continuous upgrades for our production and assembly facility as well as the electronic equipment for our research and development activities, and (iii) increase in time deposit of RMB20.0 million.

Net Cash Flows Generated from Financing Activities

For the year ended December 31, 2021, net cash flows from financing activities amounted to RMB133.7 million, primarily consisted of (i) proceeds from Pre-IPO Investors in connection with the issue of redeemable shares in March 2021 of RMB147.0 million, partially offset by the consideration paid to our shareholders during the Reorganization of RMB10.4 million.

For the year ended December 31, 2020, net cash flows from financing activities amounted to RMB6.5 million, primarily consisted of capital injection from our shareholders of RMB17.3 million, partially offset by the repayment of bank loans in the amount of RMB10.0 million.

For the year ended December 31, 2019, net cash flows from financing activities amounted to RMB3.4 million, primarily consisted of (i) capital injection from our shareholders of RMB41.5 million, and (ii) the receipt of bank loans of RMB10.0 million, partially offset by (i) the repayment of bank loans in the amount of RMB30.0 million, and (ii) a decrease in amounts due to a shareholder of RMB16.6 million in connection with the repayments to Mr. Qin.

Capital Expenditures

Our capital expenditures during the Track Record Period primarily represented expenditures incurred in relation to purchase of property, plant and equipment, additions of other intangible assets and new leases. For the years ended December 31, 2019, 2020 and 2021, we incurred capital expenditures of RMB11.3 million, RMB5.6 million and RMB17.5 million, respectively. Our Directors estimate that the additional capital expenditures for the years ending December 31, 2022 will be approximately RMB12.8 million. Such estimate represents the total capital expenditures that we expect to incur in the relevant period based on our existing business plans. We may adjust our business plans from time to time and the estimated total capital expenditures may also change.

Contingent Liabilities

As of December 31, 2019, 2020 and 2021, we did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened.

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RELATED PARTY TRANSACTIONS

We entered into a lease agreement with Zhuhai Dreamcatcher in 2017 for a term of eight years to lease a property located in Zhuhai city from it for our office use. The monthly lease payable was determined on a basis mutually agreed with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Total lease expense paid by us amounted to RMB0.1 million, RMB0.1 million and RMB0.3 million, respectively, in 2019, 2020 and 2021.

Prior to the Track Record Period, we obtained borrowings from Mr. Qin, mainly for the purchases of properties for the purposes of our research and development, production and administration, and cash advances from him for our daily operations. With respect to the outstanding amounts due to him prior to the Track Record Period, we agreed to pay interests at a rate of 4.35%, which was a rate benchmarked against the prime lending rate for short term loans as published by the PBOC, to Mr. Qin. Subsequently, in 2018 and 2019, Mr. Qin executed waivers to exempt us from interest payments in the total amount of RMB2.6 million and RMB28.0 thousand in 2018 and 2019, respectively. We made repayments to Mr. Qin in the amount of RMB43.0 million and RMB16.6 million in 2018 and 2019, respectively. There had been no outstanding amount due from us to Mr. Qin as of December 31, 2020.

During the Track Record Period, we had short-term bank borrowings for our daily operations purpose. As of December 31, 2019, 2020 and 2021, total outstanding amount was RMB10.0 million, nil and nil, respectively. Such borrowings were secured by the pledge of deposits by Mr. Qin and the pledge was fully settled in 2020 upon the full settlement of the bank borrowings.

Other than the above, there were amounts due to a related party and shareholders of nil, RMB128.0 million and RMB117.6 million as of December 31, 2019, 2020 and 2021, respectively. Such amounts were in connection with the dividends we declared in November 2020 and were non-trade in nature. Our Directors confirm that all the non-trade amounts due to/from related parties will be settled prior to the Global Offering.

The related party transactions during the Track Record Period are as set forth in Note 33 to the Accountants' Report in Appendix I.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2021, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the period or as of the dates indicated.

	For the Year Ended/As of December 31,		
	2019	2020	2021
Current ratio (times) ⁽¹⁾	1.6	1.2	1.8
Quick ratio (times) ⁽²⁾	0.7	0.8	1.1
Return on assets (%) ⁽³⁾	13.6	14.4	10.1
Return on equity (%) ⁽⁴⁾	30.4	51.8	31.7

Notes:

- (1) Current assets divided by current liabilities at the end of year.
- (2) Current assets less inventories and divided by current liabilities at the end of year.
- (3) Net profit for the year divided by total assets at the end of the year and multiplied by 100%.
- (4) Net profit for the year divided by total equity at the end of the year and multiplied by 100%.

Current Ratio

Our current ratio was 1.6, 1.2 and 1.8, respectively, as of December 31, 2019, 2020 and 2021. The relatively higher current ratio as of December 31, 2019 as compared to December 31, 2020 was primarily due to the rapid increase in current assets resulting from an increase in cash and cash equivalent and an increase in inventories, which outpaced the increase of current liabilities. Current ratio increased to 1.8 as of December 31, 2021, primarily due to an increase in cash and cash equivalent mainly resulting from the proceeds received from our Pre-IPO Investors, as well as an increase in inventories.

Quick Ratio

Our quick ratio remained relatively stable at 0.7 and 0.8, respectively, as of December 31, 2019 and 2020. Quick ratio increased to 1.1 as of December 31, 2021, primarily due to an increase in cash and cash equivalent mainly resulting from the proceeds received from our Pre-IPO Investors.

Return on Assets

Return on assets remained relatively stable at 13.6% and 14.4% in 2019 and 2020, respectively. Return on assets decreased to 10.1% in 2021, primarily due to an increase in total asset resulting from the pre-IPO investment, and a decrease in net profit.

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Return on Equity

Return on equity increased from 30.4% in 2019 to 51.8% in 2020, primarily due to an increase in net profit and a decrease in equity attributable to the dividend declared in 2020. Return on equity decreased to 31.7% in 2021, primarily due to a decrease in net profit.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank loans with floating interest rates. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for our variable rate bank loans and bank balances at the end of each of the relevant periods during the Track Record Period and we assumed that the amount outstanding at the end of each of the relevant periods was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the following table demonstrates the sensitivity at the end of the relevant period to a reasonably possible change in the Renminbi with all the variable held constant of our profit before tax. This is mainly attributable to our exposure to interest rates on its bank loans with variable rates.

	<u>Increase/ (decrease) in basic points</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>RMB'000</i>
2019 (RMB)	50	(9)

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. We have no concentration of credit risk from third party debtors. Our maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets and other non-current assets.

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Cash and cash equivalents

As of December 31, 2019 and 2020 and 2021, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The expected credit loss is close to zero.

Financial assets included in prepayments, other receivables and other assets and other non-current assets

We consider the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We consider available reasonable and supportive forward-looking information.

Maximum exposure

The table below shows the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as of December 31, 2019 and 2020 and 2021. The amounts presented are gross carrying amounts for financial assets.

	As of December 31, 2019					
	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Trade receivables	–	–	–	17,049	17,049	
Financial assets included in prepayments, other receivables and other assets	1,286	–	–	–	1,286	
Cash and cash equivalents – Not yet past due	133,366	–	–	–	133,366	
Time deposit – Not yet past due	20,000	–	–	–	20,000	
	154,652	–	–	17,049	171,701	

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As of December 31, 2020

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Trade receivables	–	–	–	23,926	23,926
Financial assets included in prepayments, other receivables and other assets	4,450	–	–	–	4,450
Cash and cash equivalents – Not yet past due	253,318	–	–	–	253,318
Time deposit – Not yet past due	20,000	–	–	–	20,000
Other non-current assets – Not yet past due	3,283	–	–	–	3,283
	<u>281,051</u>	<u>–</u>	<u>–</u>	<u>23,926</u>	<u>304,977</u>

As of December 31, 2021

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Trade receivables	–	–	–	48,340	48,340
Financial assets included in prepayments, other receivables and other assets	7,203	–	–	–	7,203
Cash and cash equivalents – Not yet past due	333,340	–	–	–	333,340
Time deposit – Not yet past due	20,000	–	–	–	20,000
Other non-current assets – Not yet past due	1,853	–	–	–	1,853
	<u>362,396</u>	<u>–</u>	<u>–</u>	<u>48,340</u>	<u>410,736</u>

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful.”

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Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings.

We regularly review our major funding positions to ensure that we have adequate financial resources in meeting its financial obligations. The maturity profile of our financial liabilities at the end of each of the period during the track Record Period, based on contractual undiscounted payments, was as follows:

	As of December 31, 2019				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	85,101	–	–	85,101
Financial liabilities included in other payables and accruals	–	18,166	–	–	18,166
Interest-bearing bank borrowings and interest accruals	–	11,157	–	–	11,157
Lease liabilities	–	713	1,331	–	2,044
	–	115,137	1,331	–	116,468
	–	115,137	1,331	–	116,468
	As of December 31, 2020				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	97,206	–	–	97,206
Financial liabilities included in other payables and accruals	–	14,002	–	–	14,002
Lease liabilities	–	814	612	–	1,426
Amounts due to a shareholder	–	128,000	–	–	128,000
	–	240,022	612	–	240,634
	–	240,022	612	–	240,634

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	As of December 31, 2021				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	68,299	–	–	68,299
Financial liabilities included in other payables and accruals	–	21,918	–	–	21,918
Financial liabilities at fair value through profit or loss	–	–	179,715	–	179,715
Lease liabilities	–	1,452	2,025	–	3,477
Amounts due to shareholders	–	117,561	–	–	117,561
	–	209,230	181,740	–	390,970
	–	209,230	181,740	–	390,970

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

We monitor capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as of the end of each of the period during the Track Record Period were as follows:

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	280,648	462,425	553,964
Total assets	509,112	640,212	812,902
Debt-to-asset ratios	55%	72%	68%

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Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize our shareholder's value. We manage our capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

DISTRIBUTABLE RESERVES

Under PRC laws, distributable reserves consist of net profit calculated according to PRC accounting principles, which, in many aspects, differs from the generally accepted accounting principles in other jurisdictions, including HKFRS. In addition, PRC laws and regulations also require a PRC-incorporated enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends (when the statutory reserve reaches and is maintained at or above 50% of their registered capital, no further allocations to this statutory reserve will be required). These statutory reserves are not available for distribution as cash dividends.

As of December 31, 2021, our reserves available for distribution to the Shareholders were RMB258.9 million.

SENSITIVITY ANALYSIS OF HISTORICAL RESULTS

For illustrative purposes only, the following sensitivity analysis illustrates the impact of a decrease/an increase of 5%, 10% and 15% in our raw material costs, with all other factors being held constant, and the hypothetical changes in our gross profit as a result of such decreases/increases for each of the periods indicated, as follows:

	Decrease/Increase by 5%	Decrease/Increase by 10%	Decrease/Increase by 15%
Change in gross profit (RMB'000)			
Year ended December 31, 2019	21,471	42,942	64,413
Year ended December 31, 2020	22,970	45,940	68,910
Year ended December 31, 2021	28,242	56,484	84,726

DIVIDENDS

Our PRC subsidiaries declared dividends of RMB160.0 million to our Shareholders in November 2020. We expect to use our cash at hand from operations to settle the remaining dividend distributions prior to the Listing.

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We may distribute dividends by way of cash, stock or other means that we consider appropriate. We may from time to time reevaluate our dividend policy in the future and the amount of dividends to be distributed to our Shareholders, if any, will depend upon our earnings, financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Subject to the Companies Act and other applicable laws and regulations and our future investment plans, including but not limited to any material investment or acquisition, after the Listing, our Board intends to recommend at the relevant shareholders meetings an annual dividend of no less than 20% of our profits available for distribution generated in each financial year. A decision to declare and pay any dividends would require the approval of the Shareholders' meeting. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by contracts or agreements that we may enter into in the future.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

As of December 31, 2019, 2020 and 2021, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of our subsidiaries established in China. In the opinion of the Directors, our earnings will be retained in China for the expansion of our operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. In addition, given that no less than 20% of our profits is expected to be available for distribution generated in each financial year after the Listing, no deferred tax liabilities have been recognized for withholding tax. As of December 31, 2019, 2020 and 2021, the aggregate amounts of temporary differences associated with the unremitted earnings of subsidiaries in the PRC for which deferred tax liabilities have not been recognized were approximately RMB99.5 million, RMB22.0 million and RMB81.8 million, respectively.

LISTING EXPENSES INCURRED AND TO BE INCURRED

We expect to incur listing expenses of approximately RMB49.0 million, accounting for approximately 12.5% of total gross proceeds from the Global offering, including underwriting-related expenses of approximately RMB10.8 million, excluding any discretionary incentive fee which may be payable by us, and non-underwriting related expenses of approximately RMB38.2 million, which consist of fees and expenses of legal advisors and accountants of approximately RMB25.2 million and other fees and expenses of approximately RMB13.0 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$8.80 (being the mid-point of our Offer Price range of HK\$7.60 to HK\$10.00 per Offer Share). During the Track Record Period, we incurred RMB28.1 million as listing expense, of which approximately RMB21.5 million had been recognized as administrative expenses and approximately RMB6.6 million will be recognized as a deduction in equity directly upon the Listing. We expect to incur additional listing expenses of RMB20.9 million

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for the year ending December 31, 2022, of which approximately RMB7.7 million is expected to be recognized as administrative expenses for the year ending December 31, 2022 and approximately RMB13.2 million is expected to be recognized as a deduction in equity directly upon the Listing.

PROPERTY INTERESTS AND PROPERTY VALUATION

The table below sets forth the reconciliation between the net book value of our property as of December 31, 2021 as extracted from the Accountants' Report as set out in the Appendix I to this prospectus and the fair value as of May 31, 2022 as stated in "Appendix III Property Valuation Report" to this prospectus:

	<i>RMB'000</i>
Net book value of the property as of December 31, 2021	13,606
Add: Valuation surplus	7,295
Less: Depreciation on the property for the five months ended May 31, 2022	161
Valuation of the subject property as of May 31, 2022 set out in Appendix III to this prospectus	20,740

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect on the audited net tangible assets of our Group as of December 31, 2021 as if the Global Offering had occurred on December 31, 2021 and is based on the consolidated net assets derived from the audited financial information of our Group as of December 31, 2021, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Audited Consolidated Net Tangible Assets of Our Group as of December 31, 2021 ⁽¹⁾	Estimated Net Proceeds from the Global Offering ⁽²⁾	Estimated Impact Upon the Conversion of the Financial Liabilities at Fair Value Through Profit or Loss ⁽³⁾	Unaudited Pro Forma Adjusted Net Tangible Assets of Our Group ⁽⁴⁾	Unaudited Pro Forma Adjusted Net Tangible Assets per Share ⁽⁵⁾⁽⁶⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer Price of HK\$7.60 per Share	252,864	312,063	120,365	685,292	1.95	2.77
Based on an Offer Price of HK\$10.00 per Share	252,864	416,195	120,365	685,292	2.24	2.62

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Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as of December 31, 2021 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of December 31, 2021 of approximately RMB258.9 million, less intangible assets as of December 31, 2021 of approximately RMB6.1 million.
- (2) The estimated net proceeds from the Global Offering are based on the offer prices of HK\$7.60 and HK\$10.00 per Share, being the low and high ends of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Group and does not take 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, the redemption right granted to our Pre-IPO Investors will be lapsed and the redeemable shares will be re-classified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB120.4 million, being the carrying amount of the redeemable shares as of December 31, 2021.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2021.
- (5) The unaudited pro forma including adjusted net tangible assets per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 352,000,000 Shares are expected to be in issue following the Global Offering, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (6) For purposes of the estimated net proceeds of the Global Offering and the unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars and RMB at an exchange rate of HK\$1.00 to RMB0.85585. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by our Group after December 31, 2021, being the date on which our latest audited consolidated financial statements were prepared, up to the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2021 which would materially affect the information as set out in the Accountants' Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On March 28, 2016, Mr. Chen and Mr. Qin entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert excising their rights as shareholders of Readboy Technology before entering into the agreement, and agreed to continue the same going forward. On April 1, 2021, Mr. Chen and Mr. Qin further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of the Group.

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will be together interested in approximately 62.3058% of the issued share capital of the Company. Sky Focus is entirely held by Kimlan Limited which is in turn entirely held by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust. Joywish Family Trust is a discretionary trust established by Mr. Chen as the settlor, and the beneficiaries of which include Mr. Chen and his family members. Trade Honour is a wholly-owned company of Mr. Qin. As Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will continue to control more than 30% of the issued share capital of the Company, and by virtue of the Concert Parties Confirmatory Deed, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-Competition dated June 21, 2022 in favor of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has jointly and severally, irrevocably and unconditionally, undertaken to our Company (for itself and as trustee for its subsidiaries) that during the term of the Deed of Non-Competition he/it shall not, and shall procure his/its close associates (other than members of our Group) not to directly or indirectly involved in, conduct or undertake any business that directly or indirectly competes, or may compete, with the business engaged by our Group from time to time, including the business as a smart learning device service provider (the “**Restricted Business**”), or hold shares or interest in any companies or business (other than the Shares or interest in our Group) that competes or may compete directly or indirectly with the Restricted Business, except (a) where our Controlling Shareholders and their close associates individually and in aggregate hold or control, directly or indirectly, less than 5% of the total issued share capital of any company (whose shares are

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with the Restricted Business engaged by the Group; and (b) they do not control 10% or more of the composition of the board of directors of such company. The above restrictions also do not apply to the business of any of our Controlling Shareholders and his/its close associates that (i) is different from or dissimilar to or does not compete with the Restricted Business; or (ii) was a Restricted Business but later no longer a Restricted Business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment or other business opportunity relating to the Restricted Business (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, offer or refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the “**Offer Notice**”) within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue or participate in such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising only Directors who do not have an interest in the Competing Business Opportunity (the “**Independent Board Committee**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity. The Independent Board Committee shall, within 30 business days of receipt of the Offer Notice as referred above, inform the relevant Controlling Shareholders in writing on behalf of our Company of its decision whether to pursue or decline such Competing Business Opportunity. If we determine to take up the Competing Business Opportunity, the relevant Controlling Shareholder shall be obligated to offer such Competing Business Opportunity to us.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days’ period mentioned above. If prior to its consummation, there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pursuant to the Deed of Non-Competition, the respective obligations of each of our Controlling Shareholders under the Deed of Non-Competition shall become effective on the Listing Date and the above restrictions will lapse automatically if our Controlling Shareholders and their respective close associates cease to be deemed as a controlling shareholder of the Company (within the meaning ascribed to it under the Listing Rules from time to time) or our Shares cease to be listed on the Stock Exchange.

Our Company will adopt the following procedures to monitor the Deed of Non-Competition is being observed:

- (i) our independent non-executive Directors shall review on an annual basis the above undertakings by the Controlling Shareholders and evaluate the effective implementation of the Deed of Non-Competition; and
- (ii) each of our Controlling Shareholders has further undertaken to us that he/it shall provide and procure his/its close associates to provide on a best endeavor basis, all information reasonably necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. Our Controlling Shareholders shall also make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after Listing.

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and an independent management team (including our Directors and senior managements) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. As at the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and their respective close associates and our Group is able to operate independently from our Controlling shareholders and their respective close associates after Listing.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a financial management system.

During the Track Record Period, Mr. Qin, our Controlling Shareholder, provided personal guarantees (the “**Guarantees**”) for certain secured bank loans of our Group. In addition, there were amounts due to Mr. Qin during the Track Record Period. Please refer to Note 25 and Note 31 to the Accountants’ Report in Appendix I to this prospectus for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, we have repaid the entire outstanding balance of bank loans secured by the Guarantees. No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates was outstanding as of the Latest Practicable Date.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements; and
- (iv) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

Upon Listing, several transactions entered into between members of our Group and our connected persons constituted one-off connected transactions or will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

In addition, the transactions contemplated under the Contractual Arrangements, through which we obtained effective control over the financial and operational policies of the Zhuhai Readboy and become entitled to all the economic benefits derived from their operations, constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their respective relationships with our Group:

<u>Name of our connected persons</u>	<u>Connectedness</u>
Mr. Qin	one of our Controlling Shareholders and our executive Director
Mr. Chen	one of our Controlling Shareholders and our non-executive Director
Mr. Shen Jianfei	our non-executive Director
Hui Tong	Hui Tong is owned as to 80% by Mr. Qin and the remaining 20% by Ms. Liu Zhilan
Zhuhai Dreamcatcher Network Technology Co., Ltd* (珠海市追夢網絡科技有限公司) ("Zhuhai Dreamcatcher")	Zhuhai Dreamcatcher is owned as to 51.02% by Mr. Chen and the remaining 48.98% by Mr. Qin
Jianzhi (Hangzhou) Equity Investment Fund Partnership (Limited Partnership)* (劍智(杭州)股權投資基金合夥企業)(有限合夥) ("Jianzhi (Hangzhou) Equity Fund")	Jianzhi (Hangzhou) Equity Fund is owned as to 80% by Mr. Shen Jianfei and the remaining 20% by Mr. Chen

* For identification purposes only

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTION

Property Lease Agreement

On December 31, 2017, Zhuhai Dreamcatcher, as lessor entered into a property lease agreement with Zhuhai Readboy as lessee (the “**Property Lease Agreement**”), pursuant to which Zhuhai Dreamcatcher agreed to lease a property situated at Room 603, 6/F, Building 1, 39 Keji 6th Road, Tangjiawan Town, High-tech Zone, Zhuhai to Zhuhai Readboy for office use for a term commencing from January 1, 2018 to December 31, 2025 at an annual rental of RMB134,400 for the first two years and a 4% increase each year from the third year onwards.

The Directors are of the view that the Property Lease Agreement was entered into in the ordinary and usual course of the Group’s business on normal commercial terms and that the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Implication under the Listing Rules

In accordance with HKFRS 16 “Leases” (which became effective from January 1, 2019), the Property Lease Agreement is recognized as right-of-use assets on our balance sheet. Therefore, the entering into of the Property Lease Agreement will be regarded as a one-off connected transaction, rather than continuing connected transaction. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

2021 Property Lease Agreements

On November 25, 2021, Jianzhi (Hangzhou) Equity Fund, as lessor entered into a property lease agreement with Readboy New Media Hangzhou as lessee, pursuant to which Jianzhi (Hangzhou) Equity Fund agreed to lease a property situated at Room 1001, Building 6, Chuangzhilvgu Development Center, No. 788 Hongpu Road, Hangzhou for office use for a term commencing from November 25, 2021 to December 31, 2023 at a daily rental of RMB3.16 per square meter (equivalent to a monthly rental of RMB44,651.35 for December 2021) in 2021 with a 5% increment each year from January 1, 2022 onwards.

On the same day, Jianzhi (Hangzhou) Equity Fund, as lessor entered into a property lease agreement with Readboy New Media Hangzhou as lessee, pursuant to which Jianzhi (Hangzhou) Equity Fund agreed to lease a property situated at Room 1004, Building 6, Chuangzhilvgu Development Center, No. 788 Hongpu Road, Hangzhou for office use for a term commencing from November 25, 2021 to December 31, 2023 at a daily rental of RMB3.16 per square meter (equivalent to a monthly rental of RMB53,021.83 for December 2021) in 2021 with a 5% increment each year from January 1, 2022 onwards (collectively, the “**2021 Property Lease Agreements**”)

CONNECTED TRANSACTIONS

The Directors are of the view that the 2021 Property Lease Agreements were entered into in the ordinary and usual course of the Group's business on normal commercial terms and that the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Implication under the Listing Rules

In accordance with HKFRS 16 "Leases" (which became effective from January 1, 2019), the 2021 Property Lease Agreements will be recognized as right-of-use assets on our balance sheet. Therefore, the entering into of the 2021 Property Lease Agreements will be regarded as one-off connected transactions, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Property Rental Agreement

On December 31, 2020, Readboy Technology, as lessor entered into a property rental agreement with Hui Tong as lessee (the "**Property Rental Agreement**"), pursuant to which Readboy Technology agreed to lease a property situated at Room 608, Block B, No. 38 Changyi Road, Wuguishan, Zhongshan City, Guangdong Province, PRC to Hui Tong for office use for a term commencing from January 1, 2021 to December 31, 2023 at an annual rental of RMB2,640. It is expected that Hui Tong will continue to rent this property from Readboy Technology upon completion of the Global Offering, which will constitute continuing connected transaction under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios of the transaction contemplated under the Property Rental Agreement are less than 0.1%, the transaction contemplated thereunder constitute *de minimis* continuing connected transaction, which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors currently expect that all the relevant percentage ratios for the three years ending December 31, 2023 will be less than 0.1% on an annual basis, therefore, such transaction is *de minimis* transaction and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the non-exempt continuing connected transactions for our Group, which are subject to the reporting, annual review and announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

<u>Nature of Transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver Sought</u>	<u>Proposed annual cap for the financial year ending December 31,</u>		
			<u>2021</u>	<u>2022</u>	<u>2023</u>
			<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Non-exempt continuing connected transactions					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, circular, shareholders' approval, annual cap and the limit of the term of agreements	N/A	N/A	N/A

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this prospectus, due to regulatory restrictions on foreign ownership in digital educational resources production and sales business in the PRC, we do not directly or indirectly, hold any equity interest in Zhuhai Readboy, which holds relevant licenses and permits to operate such business. As a result, our WFOE has entered into the Contractual Arrangements with Zhuhai Readboy and the Registered Shareholders. The Contractual Arrangements enable us to, among others, (i) receive substantially all of the economic benefits from Zhuhai Readboy in consideration for the services provided by the WFOE to Zhuhai Readboy; (ii) exercise effective control over Zhuhai Readboy; and (iii) hold an exclusive option to purchase all or part of the equity interests in Zhuhai Readboy when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of a series of agreements, including (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement, (iii) Equity Pledge Agreement, (iv) Shareholders' Powers of Attorneys, (v) Individual Shareholder Spouse Undertakings and (vi) Shareholders' Rights Entrusted Agreement, each of which is an integral part of the Contractual Arrangements. For detailed terms of these agreements, please refer to the section headed "Contractual Arrangements" in this prospectus.

CONNECTED TRANSACTIONS

Listing Rules implications

Mr. Qin will be both an executive Director and a Controlling Shareholder upon Listing, and he is a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Mr. Shen Jianfei will become a non-executive Director upon Listing. Accordingly, Mr. Shen Jianfei is a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated under the Contractual Arrangements are fundamental to our Group's legal structure and business operations, which have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms (or better) and are fair and reasonable in the interests of our Company and its 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 transactions, contracts and agreements to be entered into by Zhuhai Readboy and any member of our Group ("**Zhuhai Readboy Agreements**" and each of them, a "**Zhuhai Readboy Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider 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 announcement, circular and independent Shareholders' approval requirements.

WAIVER APPLICATIONS

In view of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting annual caps for the transactions contemplated under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of 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 to the following conditions:

- (i) *No change without independent non-executive Directors' approval.* Except as described below, no changes to the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

CONNECTED TRANSACTIONS

- (ii) *No change without independent Shareholders' approval.* Save as described in paragraph (iv) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once the 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 (v) below) will however continue to be applicable.
- (iii) *Economic benefits flexibility.* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Zhuhai Readboy through: (a) our Group's option to the extent permitted under PRC laws and regulations, to acquire, all or part of the entire equity interests and/or assets in Zhuhai Readboy at the lowest possible amount permissible under the applicable PRC laws and regulations; (b) the business structure under which the net profit generated by the Zhuhai Readboy is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE under the Exclusive Business Cooperation Agreement; and (c) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Zhuhai Readboy.
- (iv) *Renewal and reproduction.* The framework of the Contractual Arrangements 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 that our Group may wish to establish, without obtaining the approval of Shareholders, on substantially the terms described under the section headed "Contractual Arrangements". The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or reproduction of the Contractual Arrangements will be treated as our Group's connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.
- (v) *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 the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.

CONNECTED TRANSACTIONS

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Group's annual report and accounts for the relevant year that (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (b) no dividends or other distributions have been made by Zhuhai Readboy to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group; and (c) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and Zhuhai Readboy during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the 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 the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made Zhuhai Readboy to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.
- For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Zhuhai Readboy will be treated as our Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Zhuhai Readboy and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Zhuhai Readboy will undertake that, for so long as the Shares are listed on the Stock Exchange, Zhuhai Readboy will provide our Group's management and our Company's auditor with full access to its relevant records for the purpose of our Company's auditor's 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 (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any Zhuhai Readboy Agreement (as defined above) pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions contemplated under any Zhuhai Readboy Agreement under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of 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. We will comply with the applicable requirements under the Listing Rules and will immediately inform the

CONNECTED TRANSACTIONS

Stock Exchange if there are any changes to these continuing connected transactions. If there is any change to the terms of the Contractual Arrangements or the Group enter into any new agreement with any of its connected persons, the Group must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it apply for and obtain a separate waiver from the Stock Exchange.

New Transactions Between Zhuhai Readboy and Our Company

Given that the financial results of Zhuhai Readboy will be consolidated into our financial results and the relationship between Zhuhai Readboy and our Company under the Contractual Arrangements and those under the Zhuhai Readboy Agreements will also be exempted from the “continuing connected transactions” provisions of the Listing Rules.

Directors’ Confirmation

Notwithstanding that Zhuhai Readboy Agreement(s) (which are (a) solely restricted to matters that are contemplated under the Contractual Arrangements; and (b) narrowly tailored to achieve our Company’s business purposes and minimizing the potential for conflict with the relevant PRC laws and regulations) technically constitute continuing connected transaction under Chapter 14A of the Listing Rules, and our Directors consider 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 announcement, circular and independent Shareholder’s approval requirements.

Based on the above, our Directors (including the independent non-executive Directors) confirm that the transactions contemplated under the Contractual Arrangements are fundamental to the legal structure and business operations of our Group and the nature of transactions contemplated under the Contractual Arrangements require a duration longer than three years. The agreements under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Our Directors also believe that our Group’s structure, which allows the financial results of Zhuhai Readboy to be fully consolidated into the financial statements of our Company, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that strict compliance with the requirements under Chapter 14A of the Listing Rules in respect of these continuing connected transactions would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon our Company.

CONNECTED TRANSACTIONS

Our Directors are of the view that with respect to the term of the relevant agreements under the Contractual Arrangements which is of a duration over three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Zhuhai Readboy can be effectively and fully controlled by WFOE, (ii) WFOE can obtain the entire economic benefits derived from the operation of Zhuhai Readboy, and (iii) any possible leakages of assets and values of Zhuhai Readboy can be prevented both on an uninterrupted basis.

The Joint Sponsors' View

Based on the information provided by the Company, the Joint Sponsors concur with the views of the Directors that as of the date of this prospectus, the Contractual Arrangements and the transactions contemplated thereunder described above, and for which waivers have been sought, are fundamental to the legal structure and business operations of our Group, have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms (or better) and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Joint Sponsors have no reason to believe that the Directors' view that it is normal business practice for the Contractual Arrangements to have a duration over three years is unreasonable.

In addition, with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) policies of the PRC Operating Entity can be effectively controlled by our WFOE, (ii) our WFOE can obtain the economic benefits derived from our PRC Operating Entity, and (iii) any possible leakages of assets and values of our PRC Operating Entity can be prevented on an uninterrupted basis.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	Total Nominal Value
	<u>(HK\$)</u>
<i>Authorized share capital</i>	
<u>10,000,000,000</u> Shares	<u>10,000,000</u>
<i>Issued and to be issued, fully paid or credited to be fully paid</i>	
1,067,288 Shares in issue	1,067.288
298,932,712 Shares to be issued pursuant to the Capitalization Issue	298,932.712
<u>52,000,000</u> Shares to be issued pursuant to the Global Offering	<u>52,000</u>
<u>352,000,000</u> Total	<u>352,000</u>

Immediately after the completion of the Global Offering and assuming the Over-allotment Option is fully exercised, the share capital of the Company will be as follows:

	Total Nominal Value
	<u>(HK\$)</u>
<i>Authorized share capital</i>	
<u>10,000,000,000</u> Shares	<u>10,000,000</u>

SHARE CAPITAL

Issued and to be issued, fully paid or credited to be fully paid

1,067,288	Shares in issue	1,067.288
298,932,712	Shares to be issued pursuant to the Capitalization Issue	298,932.712
52,000,000	Shares to be issued pursuant to the Global Offering	52,000
7,800,000	Shares to be issued pursuant to the exercise of the Over-allotment Option	7,800
<u>359,800,000</u>	Total	<u>359,800</u>

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above tables do not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25.0% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CAPITALIZATION ISSUE

Pursuant to the resolutions of the Shareholders passed on June 21, 2022, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 298,932,712 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on June 21, 2022 (or as they may direct) in proportion to their respective shareholdings in the Company (as

SHARE CAPITAL

nearly as possible without fractions) by way of the sum of approximately HK\$298,932.7 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

Pursuant to the Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provision of the Companies Act, reduce its share capital by shareholders' special resolution. For more details, please refer to the section headed "Summary of the constitution of our Company and Cayman Company Law" in Appendix IV to this prospectus.

SHARE INCENTIVE SCHEMES

We have conditionally adopted the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme. For more details on the principal terms of the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix V to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in "Structure of the Global Offering", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (i) a rights issue;
- (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (iii) a specific authority granted by the Shareholders in general meeting,

SHARE CAPITAL

shall not exceed the aggregate of:

- (i) 20.0% of the total nominal value of the share capital of our Company in issue upon completion of the Global Offering; and
- (ii) the total 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 the section headed “– General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information – A. Further Information About our Group – 4. Written resolutions of the Shareholders passed on June 21, 2022” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase the Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in the issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange of this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information – A. Further Information About our Group – 4. Written resolutions of the shareholders passed on June 21, 2022” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), the following persons will have interests or a short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to 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:

Name	Nature of interest	Shares held as of the Latest Practicable Date ⁽¹⁾		Shares held upon completion of the Capitalization Issue and Global Offering	
		Approximate Number	Approximate percentage	Approximate Number	Approximate percentage
Mr. Chen ⁽²⁾⁽³⁾	Founder of a discretionary trust; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%
Mr. Qin ⁽²⁾⁽⁴⁾	Interest in a controlled corporation; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%
Sky Focus ⁽²⁾⁽³⁾	Beneficial owner; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%
Kimlan Limited ⁽²⁾⁽³⁾	Interest in a controlled corporation; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%
Maples Trustee Services (Cayman) Limited ⁽²⁾⁽³⁾	Trustee; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%
Trade Honour ⁽²⁾⁽⁴⁾	Beneficial owner; interest held jointly with another person	780,246	73.1055%	219,316,436	62.3058%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests are held in long positions.
- (2) On April 1, 2021, Mr. Chen and Mr. Qin entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Acting in Concert Arrangement” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Kimlan Limited, Sky Focus, Mr. Chen, Trade Honour and Mr. Qin, is deemed to be interested in 62.3058% of the issued share capital of our Company upon completion of the Global Offering.
- (3) Kimlan Limited is the holding vehicle used by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust which is a discretionary trust established by Mr. Chen as the settlor, and Mr. Chen and his family members being the beneficiaries. Shares in which Mr. Chen is interested consist of 120,386,719 Shares held by Kimlan Limited, in which Mr. Chen is deemed to be interested under the SFO; and (ii) 98,929,717 Shares in which Mr. Chen is deemed to be interested as a result of being a party acting in concert with Mr. Qin.
- (4) Shares in which Mr. Qin is interested consist of 98,929,717 Shares held by Trade Honour, a company wholly owned by Mr. Qin, in which Mr. Qin is deemed to be interested under the SFO; and (ii) 120,386,719 Shares in which Mr. Qin is deemed to be interested as a result of being a party acting in concert with Mr. Chen.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10.0% 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/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of nine Directors, amongst whom four are executive Directors, two are non-executive Director and three are independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for reelection upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

MANAGEMENT

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions:

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Responsibility	Relationship with other Directors and senior management
Mr. Chen Zhiyong (陳智勇)	59	May 1999	April 13, 2021	Founder, non-executive Director	Overseeing the corporate development and strategic planning of our Group	None
Mr. Qin Shuguang (秦曙光)	52	May 1999	February 8, 2021	Chairman, chief executive officer and executive Director	Formulating overall operations, management, strategic planning and business development	None
Ms. Liu Zhilan (劉志蘭)	47	September 1999	April 13, 2021	Executive Director and deputy general manager of Readboy Technology	Supervising overall operations, management, strategic planning and business development	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Responsibility	Relationship with other Directors and senior management
Mr. Chen Jiafeng (陳家峰)	46	September 2002	April 13, 2021	Executive Director and deputy general manager of Readboy Technology	Supervising overall operations, management, strategic planning, business development and software research and development	None
Mr. Deng Denghui (鄧登輝)	35	July 2011	April 13, 2021	Executive Director and assistant to general manager of Readboy Technology	Implementing marketing plan of the Group	None
Mr. Shen Jianfei (沈劍飛)	48	December 2019	April 13, 2021	Non-executive Director	Overseeing the corporate development and strategic planning of our Group	None
Mr. Li Xinshou (李新首)	50	June 21, 2022	June 21, 2022	Independent non-executive Director	Supervising and providing independent judgment to our Board	None
Ms. Kong Fanhua (孔繁華)	46	June 21, 2022	June 21, 2022	Independent non-executive Director	Supervising and providing independent judgment to our Board	None
Prof. Li Renfa (李仁發)	66	June 21, 2022	June 21, 2022	Independent non-executive Director	Supervising and providing independent judgment to our Board	None

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key information of our senior management who are not our Directors:

Name	Age	Date of joining the Group	Date of appointment as senior management	Position	Responsibility	Relationship with other Directors and senior management
Ms. Chen Huiying (陳慧英)	41	August 15, 2000	January 6, 2016	Chief financial officer	Responsible for the financial management, accounting, cost and expense management and control and review of internal business processes of the Group	None
Mr. Chen Gang (陳鋼)	40	November 6, 2008	May 19, 2017	Chief marketing officer	Responsible for the sales and marketing of the Group	None
Mr. Huang Qingzhong (黃慶忠)	34	November 20, 2014	November 20, 2014	Human resources, legal and administrative director and joint company secretary	Responsible for human resources and legal affairs related management work of our Group	None

DIRECTORS

Founder and non-executive Director

Mr. Chen Zhiyong (陳智勇), aged 59, is our non-executive Director. He founded our Group in May 1999 as the chairman of the board of directors of Readboy Technology from May 1999 to June 2016. As confirmed by our Directors, Mr. Chen was contemplating his immigration to Hong Kong in around 2016. To facilitate the administrative and management convenience of our Group (of which the main business operation is in the PRC) after his move to Hong Kong, Mr. Chen resigned from the executive role of Readboy Technology in June 2016 and has instead taken up an advisory role in Readboy Technology since then. He was appointed as a non-executive Director of our Company on April 13, 2021. He is responsible for overseeing the corporate development and strategic planning of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen has more than 35 years of extensive experience in the electronics industry, in particular products research and development. Prior to founding our Group, Mr. Chen served as a development engineer of Tianjin Central Scientific Instrument Company (Tianjin Radio No. 1 Factory)* (天津中環科學儀器公司(天津無線電一廠)) from July 1985 to December 1987, where he was responsible for product research and development work. From January 1988 to December 1995, Mr. Chen served as the deputy general manager of marketing department of Zhongshan Xiaobawang Electronic Industry Co., Ltd* (中山小霸王電子工業有限公司), where he was responsible for product development and marketing work. From April 1996 to April 2004, Mr. Chen served as the chairman of the board of directors of Zhongshan Rijia Electronics Co., Ltd* (中山市日佳電子有限公司).

Mr. Chen received his bachelor's degree in engineering with a major in electronic physics technology from Zhejiang University* (浙江大學) in July 1983. Mr. Chen is one of our Controlling Shareholders.

Executive Directors

Mr. Qin Shuguang (秦曙光), aged 52, is our chairman, chief executive officer and executive Director. Mr. Qin was appointed as a Director on February 8, 2021 and was re-designated as the chairman, chief executive officer and executive Director of our Company on April 13, 2021. Mr. Qin is responsible for formulating overall operations, management, strategic planning and business development.

Mr. Qin joined our Group in May 1999 and has been serving as the general manager of Readboy Technology. Since June 2016, Mr. Qin has been serving as the chairman of the board of directors of Readboy Technology. As of the Latest Practicable Date, Mr. Qin also held several directorships in our subsidiaries, including Readboy Technology, Zhuhai Readboy, Readboy Education Group, Readboy Education HK and Readboy Technology Zhongshan.

Mr. Qin has more than 25 years of extensive experience in the electronics industry. From September 1993 to April 1995, Mr. Qin served as the head of the planning and operating department of Zhongshan Xiaobawang Electronic Industry Co., Ltd* (中山小霸王電子工業有限公司). From May 1995 to March 1999, Mr. Qin served as the legal representative of Zhongshan Rijia Electronics Co., Ltd* (中山市日佳電子有限公司).

Mr. Qin received his bachelor's degree in engineering with a major in electrical automation from South China University of Technology* (華南理工大學) in July 1992. Mr. Qin is one of our Controlling Shareholders.

Ms. Liu Zhilan (劉志蘭), aged 47, is our executive Director and deputy general manager. She was appointed as the deputy general manager of Readboy Technology on December 28, 2017 and was later appointed as an executive Director on April 13, 2021. Ms. Liu is responsible for supervising overall operations, management, strategic planning and business development.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Liu Zhilan served as an accountant of Zhongshan Yuncai Cosmetics Co., Ltd* (中山市雲彩化妝品有限公司) from July 1997 to September 1999. Ms. Liu Zhilan joined our Group since September 1999 and she has served in various roles related to accounting or operations. From September 1999 to October 2003, Ms. Liu served as an accountant of the finance department of Readboy Technology. From October 2003 to December 2015, Ms. Liu served as the head of the finance department of Readboy Technology. Ms. Liu performs the responsibility of the deputy general manager since 2016 and was officially appointed to this position in December 28, 2017.

Ms. Liu Zhilan received her professional diploma in accounting from Chenzhou Grain Vocational School* (郴州市糧食中等專業學校) in June 1995 and she subsequently graduated from Harbin Institute of Technology* (哈爾濱工業大學) with major in public affairs management (administrative management) through online learning in July 2018.

Mr. Chen Jiafeng (陳家峰), aged 46, is our executive Director and deputy general manager. He was appointed as the deputy general manager of Readboy Technology in December 2017 and was later appointed as an executive Director of our Company on April 13, 2021. Mr. Chen Jiafeng is responsible for supervising overall operations, management, strategic planning, business development and software research and development.

Mr. Chen Jiafeng joined our Group in September 2002 and he has served in various roles of Readboy Technology, including software engineer from September 2002 to August 2008, chief engineer (R&D) from August 2008 to December 2017 and deputy general manager since December 2017.

Mr. Chen Jiafeng has more than 20 years of extensive experience in the software engineering industry. Prior to joining our Group, Mr. Chen Jiafeng served as an engineer of Xi'an Northwest Optoelectronic Instrument Factory* (西安市西北光電儀器廠) from July 1997 to March 1998. From March 1998 to September 1999, Mr. Chen Jiafeng served as a software engineer of Guangzhou Sijinta Co., Ltd.* (廣州矽金塔有限公司). From October 1999 to June 2000, Mr. Chen Jiafeng served as a software engineer of Guangzhou Jinbei Co., Ltd* (廣州金貝有限公司). From July 2000 to July 2002, Mr. Chen Jiafeng served as a software engineer of Shenzhen Lingyao Technology Co., Ltd.* (深圳凌耀科技有限公司).

Mr. Chen Jiafeng received his bachelor's degree in engineering with a major in mechanical technology manufacture and equipment from Beijing Institute of Technology* (北京理工大學) in July 1997.

Mr. Deng Denghui (鄧登輝), aged 35, is our executive Director and assistant to general manager. He was appointed as the head of the education research college (currently known as education technology college) in February 2019 and was later appointed as an executive Director on April 13, 2021. Mr. Deng Denghui is responsible for implementing marketing plan of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Deng Denghui joined our Group in July 2011 and he has served in various roles of Readboy Technology, including research and development engineer from July 2011 to May 2017; head of product department from May 2017 to December 2017; head of the operations department from December 2017 to February 2019 and head of the education research college (currently known as education technology college) from February 2019 to August 2021. Since August 2021, he has been serving as our assistant to general manager. As of the Latest Practicable Date, Mr. Deng Denghui is also a director of Zhuhai Technology.

Mr. Deng received his bachelor's degree with a major in software engineering from Beijing Institute of Technology* (北京理工大學) in July 2011. He also obtained an assistant engineer qualification awarded by the Guangdong Ministry of Human Resources and Social Security* (廣東省人力資源和社會保障廳) in October 2014.

Non-executive Director

Mr. Shen Jianfei (沈劍飛), aged 48, is our non-executive Director. He was appointed as a non-executive Director of our Company on April 13, 2021. Mr. Shen Jianfei is responsible for overseeing the corporate development and strategic planning of our Group.

Prior to joining our Group in 2019, Mr. Shen Jianfei served in the public service industry. He was as a director for Gongshu Management Office, Hangzhou Motor Vehicle Service Bureau* (杭州市機動車服務管理局拱墅管理處) from November 2015 to August 2018. Subsequently, Mr. Shen Jianfei founded Jianzhi (Hangzhou) Equity Investment Fund Partnership Enterprise (Limited Partnership)* (劍智(杭州)股權投資基金合夥企業(有限合夥)) and has been acting as an executive partner since November 2018.

Mr. Shen Jianfei graduated from Xi'an Politics Institute of People Liberation Army* (西安政治學院) with a major in law in June 2004.

Independent non-executive Directors

Mr. Li Xinshou (李新首), aged 50, is our independent non-executive Director. He was appointed as an independent non-executive Director on June 21, 2022. Mr. Li Xinshou is responsible for supervising and providing independent judgment to our Board.

Mr. Li Xinshou has more than 20 years of extensive experience in the accounting industry. Since July 1993, Mr. Li Xinshou served as a managing accountant of Changsha Auto Electrical Equipment Factory* (長沙汽車電器廠) for a few years. Since September 1997 he worked in an audit firm in the PRC for a few years. Since January 2011 he served as a partner of China Audit Asia Pacific Certified Public Accountants (Hunan)* (中審亞太會計師事務所湖南分所) for a few years. He is currently and has been serving as a senior partner of Mazars Certified Public Accountants (Hunan)* (中審眾環會計師事務所湖南分所) for a few years. Mr. Li Xinshou is currently the deputy director of the Hunan Provincial social and legal committee of the

DIRECTORS AND SENIOR MANAGEMENT

Revolutionary Committee of the Chinese Kuomintang* (中國國民黨革命委員會湖南省社會和法制委員會) and deputy director of the Changsha Municipal economic committee of the Revolutionary Committee of the Chinese Kuomintang* (中國國民黨革命委員會長沙市經濟委員會).

Mr. Li Xinshou has been appointed as independent non-executive director of two PRC companies listed on the NEEQ, including Hunan Wuxin Tunnel Intelligent Equipment Co., Ltd (湖南五新隧道智能裝備股份有限公司) (NEEQ: 835174) since November 2016 and Zhonghuilv Smart Scenic Management Ltd (中惠旅智慧景區管理股份有限公司) (NEEQ: 834260) since September 2018.

Mr. Li Xinshou graduated from Hunan University of Finance and Economics* (湖南財政經濟學院) in July 1993 with a major in statistics planning and infrastructure. He is qualified as a practicing certified public accountant issued by the Chinese Institute of Certified Public Accountants* (中國註冊會計師協會) since June 1998.

Ms. Kong Fanhua (孔繁華), aged 46, is our independent non-executive Director. She was appointed as an independent non-executive Director on June 21, 2022. Ms. Kong Fanhua is responsible for supervising and providing independent judgment to our Board.

Ms. Kong Fanhua has more than 20 years of extensive experience in the legal education industry. From July 2001 to November 2004, Ms. Kong Fanhua served as an assistant lecturer of the School of law of South China Normal University* (華南師範大學法學院). From December 2004 to October 2007, Ms. Kong Fanhua served as a lecturer of the School of law of South China Normal University. From November 2007 to November 2012, she served as an assistant professor of the School of law of South China Normal University. Since December 2012, Ms. Kong Fanhua has been serving as a professor of the School of law of South China Normal University and since June 2018, Ms. Kong Fanhua has also been serving as the deputy dean of the School of law of South China Normal University.

Ms. Kong Fanhua received her bachelor's degree in law from Wuhan University* (武漢大學) in August 1998. She subsequently received her master's degree in constitutional law and administrative law from Wuhan University in June 2001 and her PhD degree specializing in constitution and administrative law from Wuhan University in June 2006.

Prof. Li Renfa (李仁發), aged 66, is our independent non-executive Director. He was appointed as an independent non-executive Director on June 21, 2022. Prof. Li Renfa is responsible for supervising and providing independent judgment to our Board.

Prof. Li Renfa has more than 30 years of extensive experience in the network communication and computing industry. Prof. Li Renfa worked as a technician for State-owned Factory Number 742* (國營742廠) (currently known as China Resources Microelectronics Limited* (華潤微電子有限公司) (SSE:688396)) in 1985. He has been involved in teaching and scientific research in colleges and universities since 1987. He served as an associate professor and professor for department of computer science of Hunan University* (湖南大學) in 1993

DIRECTORS AND SENIOR MANAGEMENT

and 1997, respectively. He has been serving as the dean of the school of computer and communication of Hunan University since 2002. Prof. Li Renfa has been serving as the dean of the school of information science and engineering of Hunan University since 2014.

Prof. Li Renfa received his bachelor's degree in engineering and master's degree in engineering from Tianjin University* (天津大學) in 1982 and 1987, respectively. He obtained a doctoral degree in engineering from Huazhong University of Science and Technology* (華中科技大學) in 2002.

Save as disclosed herein, none of our Directors held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our Group also has the following senior management members to carry out our daily operation. Our senior management is responsible for the day-to-day management of our business.

Ms. Chen Huiying (陳慧英), aged 41, is our chief financial officer. She is responsible for the financial management, accounting, cost and expense management and control and review of internal business processes of the Group.

Ms. Chen Huiying joined our Group in August 2000. She served as a general ledger accountant of Readboy Technology from August 2000 to December 2015. She served as a head of finance department of Readboy Technology from January 2016 to December 2017. Since January 2018, Ms. Chen Huiying has been serving as the chief financial officer of Readboy Technology.

Ms. Chen Huiying obtained a bachelor's degree with a major in finance management from Southwestern University of Finance and Economics* (西南財經大學) through online learning in July 2018. She obtained the intermediate accounting qualification approved and issued jointly by the Ministry of Human Resources and Social Security and the Ministry of Finance in September 2019.

Mr. Chen Gang (陳鋼), aged 40, is our chief marketing officer. He is responsible for the sales and marketing of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Gang joined our Group in November 2008 and he worked as a marketing officer of Readboy Technology from November 2008 to May 2017. Since May 2017, Mr. Chen Gang has been serving as our chief marketing officer.

Mr. Chen Gang graduated from the school of tourism of Hainan University* (海南大學旅遊學院) with a major in tourism management and marketing in June 2008.

Mr. Huang Qingzhong (黃慶忠), aged 34, is our human resources, legal and administrative director. He is responsible for human resources and legal affairs related management work of our Group.

Mr. Huang Qingzhong joined our Group in November 2014 and he worked as our legal officer from November 2014 to July 2019. He has been promoted as our human resources, legal and administrative director since August 2019. Prior to joining our Group, Mr. Huang Qingzhong served as an administrative officer of Zhongshan Huajin Construction Engineering Co., Ltd* (中山市華晉建築工程有限公司) from December 2009 to June 2012. From June 2014 to October 2014, he served as an administration manager of Zhongshan Torch Development Zone Huirun Building Material Trading Company* (中山火炬開發區匯潤建材商行).

Mr. Huang Qingzhong graduated with a major in law from University of Electronic Science and Technology of China, Zhongshan Institute* (電子科技大學中山學院) in January 2015.

JOINT COMPANY SECRETARIES

Mr. Huang Qingzhong (黃慶忠), was appointed as a joint company secretary on April 14, 2021. For biographical details of Mr. Huang Qingzhong, please see “– Senior Management”.

Ms. So Shuk Yi Betty (蘇淑儀), was appointed as a joint company secretary of our Company on April 14, 2021. Ms. So is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years of experience in corporate secretarial field. She is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom since 1997. In addition, she received a master of law degree from the City University of Hong Kong and a master of business administration degree from the University of Leicester in the United Kingdom in 2004 and 1999, respectively.

COMPETING INTERESTS

Saved as disclosed in this prospectus, none of our Directors or any of their respective associates had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit Committee

We have established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, namely, Mr. Li Xinshou, Ms. Kong Fanhua and Mr. Chen. Mr. Li Xinshou, who is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

Remuneration Committee

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, namely Mr. Li Xinshou, Ms. Kong Fanhua and Mr. Chen. Ms. Kong Fanhua currently serves as the chairlady of the Remuneration Committee.

Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)’ ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive Director(s)’ ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, namely Prof. Li Renfa, Ms. Kong Fanhua and Mr. Qin. Mr. Qin currently serves as the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

ESG Committee

We have established a ESG Committee with written terms of reference. The primary duty of the ESG Committee is to oversee and guide our Company's ESG initiatives. The ESG Committee comprises three Directors, namely Ms. Liu Zhilan, Mr. Deng Denghui and Mr. Shen Jianfei. Ms. Liu Zhilan is the chairlady of our ESG Committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth and support the execution of our business strategy. Pursuant to our Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board members also obtained degrees in various majors including accounting, software engineering, electronics physics technology, mechanical technology manufacture and equipment, statics planning and infrastructure, constitutional and administrative law, and public affairs management. Furthermore, the ages of our Directors range from 34 years old to 65 years old.

While we recognize that gender diversity of our Company can be improved given two out of nine of our Directors and one out of three of our senior management member are female upon the Listing, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole, and we have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels.

After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our Board Diversity Policy. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, our Group will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the service contracts and appointment letters that we have entered into with our Directors, please refer to the section headed “Statutory and General Information – C. Further Information About our Directors and Substantial Shareholders – 2. Particulars of Service Contracts” in Appendix V to this prospectus.

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind we paid to our Directors in respect of FY2019, FY2020 and FY2021 were approximately RMB2.0 million, RMB1.7 million and RMB1.8 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountants’ Report in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB1.9 million.

The five highest paid individuals of our Group for FY2019, FY2020 and FY2021 included two, three and three, Directors, respectively, whose remuneration is included in the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind we paid to the relevant Directors as set out above. For FY2019, FY2020 and FY2021, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind paid to the remaining three, two and two individuals were approximately RMB1.5 million, RMB0.9 million and RMB1.0 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountants’ Report in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after the Listing.

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing except for Code Provision C.2.1 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman of the Board and chief executive officer of our Company are currently performed by Mr. Qin. In view of Mr. Qin’s substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Qin acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it

DIRECTORS AND SENIOR MANAGEMENT

appropriate and beneficial to our business development and prospects that Mr. Qin continues to act as both our chairman and chief executive officer after the Listing, and therefore currently do not propose to separate the functions of chairman and chief executive officer.

While this would constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Qin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and president is necessary.

SHARE INCENTIVE SCHEMES

Our Company has conditionally adopted the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme. The purpose of the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme is to reward the participants defined under the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme for their past contribution to the success of our Group and to provide incentives to them to further contribute to our Group. For details, please refer to the paragraph head “D. Share Incentive Schemes” in Appendix V to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business – Our Development Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimate of the net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Assuming an Offer Price of HK\$8.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$425.5 million	Approximately HK\$492.4 million
Assuming an Offer Price of HK\$10.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$486.3 million	Approximately HK\$562.3 million
Assuming an Offer Price of HK\$7.60 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$364.6 million	Approximately HK\$422.4 million

We intend to use the net proceeds of the Global Offering for the following purposes (assuming an Offer Price of HK\$8.80 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering, and the Over-allotment Option is not exercised):

- approximately 35% of our estimated net proceeds, representing approximately HK\$148.9 million, will be used to deepen the reform of our distribution network and strengthen its geographic expansion and penetration because we believe the smart learning device service market in China remains to be broadly imbalanced and underserved, given that (i) according to the Frost & Sullivan Report, total K-12 students, our target users, in China was approximately 232.2 million in 2021 while our registered users were over 5.5 million as of the Latest Practicable Date and by

FUTURE PLANS AND USE OF PROCEEDS

May 2022, our average MAU amounted to over 1.4 million in the past 12 months, (ii) there are over 3,100 county level cities or above in China while our offline distributor network currently only covers 344 county level cities, (iii) there are over 220,000 primary and secondary schools in China while the number of schools to which we supplied our smart classroom solutions was approximately 320 as of the Latest Practicable Date; and (iv) under the recent new education regulatory regime, schools are highly encouraged to carry out digital transformation which creates intensified needs for sophisticated smart classroom solutions; all of the above indicate that our current penetrations, in terms of geographic coverage, student population or school coverage, are generally low and there remain huge market demands and opportunities for us;

- o approximately 30% of which will be used to strengthen and expand the offline distributors for individual end users, mainly including the investments and expenses we expect to incur to motivate such distributor by supporting their new store opening or existing store upgrades, such as decoration and furnishing; to this end, we expect to newly add approximately 100, 120 and 150 offline distributors in 2022, 2023 and 2024, respectively; moreover, through identifying new offline distributors and motivating existing distributors, we expect that the number of the points of sales controlled by our offline distributors increase by approximately 380, 610 and 890 in 2022, 2023 and 2024, respectively, and we expect the majority of these new points of sales will be upgraded to meet the standards of our 4S experience stores; subject to the scale and location of the new points of sale, the allowance we provide for each new points of sales is estimated to be from approximately RMB30,000 to RMB70,000; as the expansion of our offline distributors plays an important role to our overall growth, we plan to encourage our offline distributors to establish new points of sales by offering such allowances, which we believe will help our offline distributors to pay new store opening costs, including rental payments and decoration and furnishing expenses, and therefore lower the financial barrier for them to open new points of sales; and

- o (ii) approximately 5% of which will be used to expand and enhance our distribution network for our smart classroom solutions, which mainly include the investments and expenses we expect to incur to motivate our offline distributors for our smart classroom solutions to cover more schools and classes across the country; subject to the scale and location of the school or class contracted, the allowance we provide to the relevant distributor for each new school is estimated to be from approximately RMB30,000 to RMB70,000; we plan to provide offline distributors who are marketing our smart classroom solutions into new school customers with such allowances, which support them to purchase sample devices from us to better demonstrate the features and functions of our smart classroom solutions to school customers and provide them with funds in covering certain costs incurred by marketing activities, such as traveling expenses;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 25% of our estimated net proceeds, representing approximately HK\$106.4 million, will be used for the research and development of our information technologies and infrastructure to enhance our overall technical advantages in delivering smart learning devices with digital educational resources, including:
 - o 20% of which will be used to recruit additional IT technical staff and support their research and development activities to increase the technical competitiveness and attractiveness of our product portfolio, which are mainly in connection with:
 - (i) developing new functions, new product models and new product categories, such as research on upgraded smart eye-protecting features for study lamps and tablets, research on detachable tablet, and research on additional smart teaching and learning devices compatible for our smart classroom solutions,
 - (ii) optimizing and improving technologies in use to meet the evolving market trends and customer preferences, such as research on virtual reality technology empowered accessories, research on various 5G applications for smart learning devices and smart classroom solutions, research various AI applications to achieve more efficient human-machine learning features, as well as the continuous updates to our LearningOS system, the core operating system for all of our smart learning devices,
 - (iii) strengthening the technical researches and innovations to upgrade our smart classroom solutions, such as the development of all-in-one host machine, the further upgrades of lesson preparation and exam review systems hosting more concurrently working teachers and offering variable teaching functions, as well as various upgrades to improve user experience and fulfill precise education purpose,
 - (iv) strengthening IT infrastructure and back-end IT capabilities, such as algorithm development and optimization, including the practical applications, expansion of cloud-based service offering capabilities, upgrades of data analysis and mining abilities for precise user growth study, and full digitalization of different operating modules, such as marketing and distributor management systems;

FUTURE PLANS AND USE OF PROCEEDS

our existing and future research and development projects either require additional manpower due to the increasing scale, or require additional advanced technical knowledge or experience that the existing staff do not possess; to this end, we expect to newly hire an aggregate approximately 37, 82 and 110 technical and development staff in 2022, 2023 and 2024, respectively; the number of new hires is generally in line with the expected scale of our existing and future research and development projects and the expected salary range matches the market's average; the details of our planned new hires in the next three years are as follows:

	2022	2023	2024	Major responsibilities	Expected salary range per year per person
Hardware development engineers	4	9	12	device hardware research and development, follow-up tests, upgrades and trouble-shooting during trial and mass production	RMB200,000 to RMB400,000
Software development engineers	7	16	21	device software, including cloud-related infrastructure, research, development and improvement	RMB200,000 to RMB400,000
Test engineers	15	33	45	software and hardware testing design and execution	RMB100,000 to RMB250,000
Product managers	2	4	5	product planning, design and promotion, market research and analysis for product improvements and upgrades	RMB200,000 to RMB400,000
Algorithm engineers	9	20	27	the establishment and improvement of deep learning framework for our smart learning devices, the realization and improvement of image processing algorithm, and assisting the AI applications to hardware development	RMB200,000 to RMB400,000

FUTURE PLANS AND USE OF PROCEEDS

- o 5% of which will be used to establish our new big-data center in Zhuhai, which is expect to be used to mainly accommodate the staff and equipment for software developing, algorithm, and AI related technologies; this also includes purchases of radio testing devices and analyzers for the improvement of 5G application and various other equipment for network improvement, purchases of additional software, and purchases of additional cloud infrastructure to support our expanding operations, such as cloud-based video-on-demand services, content delivery network as well as elastic cloud servers and cloud storage, so as to further strengthen our IT network capabilities; improved elastic cloud servers and cloud storage capacity will enhance our back-end operating efficiency as more of our operations become digitalized; moreover, low-latency and high performance cloud services, powered by 5G technologies, will further enhance the stability and quality of our digital educational resources as the concurrent online users continue to increase; please refer to “Business – Information Technologies and Infrastructure – Application of 5G” for more details about our current research focuses of 5G technology; to this regard, we require more spaces for our expanding data technical and development team, especially those specialists in the abovementioned areas we plan to hire, as well as for the upgraded research and experimental environment accommodating new equipment for those new data related development projects; we have leased office spaces with a total gross floor area of approximately 560 sq.m. for our new Zhuhai big-data center which has commenced trial operation as of the Latest Practicable Date; we intend to lease more spaces for our Zhuhai big-data center in the upcoming years to accommodate additional staff and equipment;

- approximately 20% of our estimated net proceeds, representing approximately HK\$85.1 million, will be used for the investments in optimizing our product and service offerings to further enhance our competitiveness; to this end, we may selectively pursue potential acquisitions of businesses, brands, hardware product and/or educational resource providers in our upstream or downstream sectors that are in line with our growth strategy and are complementary to our existing operations, including but not limited to manufacturers who have patents or technologies for the development of new learning device accessories adaptive to our smart learning devices, and education resource developers and publishers who possess competitive advantages in areas or subjects we consider valuable to our existing educational resources; our industry is subject to rapidly evolving changes, with respect not only to various technology innovations but also the improvements to content and formation of educational resources; as such, we believe strategic acquisitions may become a more cost-efficient way to access desirable technologies, products or educational resources in the market, comparing with solely relying on in-house research and development; the amount for this use is determined based on our current evaluation and estimation of potential acquisition transactions we may pursue, and in selecting and assessing potential acquisition opportunities, we will consider synergies between the target and our existing operations and development

FUTURE PLANS AND USE OF PROCEEDS

strategies (such as the adaptability of the device accessories offered by the potential target and the costs in association with making them available on our smart learning devices, or the scope of education content offered by the potential target that we are not able to provide at current stage), the expected contribution to our future business growth (i.e. enhancing the user experience and the technical competitiveness of our smart learning devices, or increasing the variety and completeness of our education resources), experience and skills of the management team, operation scale, technological capability, product portfolio, valuation and estimated costs, as well as culture fit; in assessing the feasibility of any potential targeted technology or patent, we will closely analyze its compatibility with our existing research and development capabilities and will assign suitable personal who are most familiar with such newly acquired technology or patent to lead its development; we currently focus on potential targets located in China, and as advised by our industry consultant who conducted a desktop research on the number of domestic educational resources providers and hardware manufacturers, such as liquid crystal display specialized technology companies, with varying registered capital, we believe there are plenty number of potential targets that meet our requirements; to be prudent, we currently consider we will make minority equity investment when an appropriate opportunity arises; while we will continue to evaluate potential acquisitions of business or products, as of the Latest Practicable Date, we had not identified any acquisition targets;

- approximately 10% of our estimated net proceeds, representing approximately HK\$42.6 million, will be used to enhance our educational material development capability and further diversify our digital educational resources; digital educational resources are important to us in a sense that they will offer competitive advantages for our devices to appeal to more students with different learning needs;

FUTURE PLANS AND USE OF PROCEEDS

- o 7% of which will be used to recruit and train our educational material development personnel; our digital educational resource development under contemplation either require additional manpower due to the increasing scale as we intend to introduce more resources that appeal to students with different learning needs, or require additional knowledge or experience in different subjects, including certain featured and specialized sessions for quality education such as art, music, public speaking and physical education, that the existing crew do not possess; to this end, we expect to hire additional educational resource development crew and digital resource product development crew to improve the quality and quantity of the educational materials we could offer; the number of new hires is generally in line with the expected scale of our digital educational resource development plans and the expected salary range matches the market’s average; the details of our planned new hires in the next three years are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Major responsibilities</u>	<u>Expected salary range per year per person</u>
Full-time educational resource development crew	13	13	17	establishment and improvement of our internal educational resource standardization process; studying national and local compulsory education curriculum and syllabus frameworks and collaborating with product design team to work out product model designs with various embedded educational materials meeting the needs of different students and their teachers and parents; conducting researches and collaborating with various third-parties to jointly develop educational materials; and collaborating with digital tool development personnel to design and develop compatible educational materials	RMB200,000 to RMB300,000

FUTURE PLANS AND USE OF PROCEEDS

	2022	2023	2024	Major responsibilities	Expected salary range per year per person
Digital resource product development crew	16	16	21	closely studying national and local educational policies and regulations and market trends to ensure the feasibility and compliance of the existing and potential products; leading the detailed design and development of various courseware, including the establishment of digital resource development standards; constantly assessing and verifying the quality and effectiveness of various educational resources; collecting and studying the feedback and demands from students and their teachers and parents so as to upgrade the existing products	RMB100,000 to RMB200,000

- o 3% of which will be used to expand and update our digital educational resources, mainly to license high quality learning materials from reputable publishers; and
- approximately 10% of our estimated net proceeds, representing approximately HK\$42.5 million, will be used as our working capital and for general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the Offer Price range stated in this prospectus.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net proceeds into short-term demand deposits with licensed banks or authorized financial institutions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

Implementation Timeframe

Based on our current business plans and development strategies, as well as our current estimates and understanding of our market, we plan to use the net proceeds of the Global Offering in the next four years with an indicative detailed timetable as follows:

	2022	2023	2024 and afterwards	Total
	<i>(In HK\$ million)</i>			
Distribution network	28.3	50.6	70.0	148.9
Research and development of IT and infrastructure				
– Recruitment of additional IT staff	13.6	30.6	40.8	85.1
– Establishment of Zhuhai big-data center	6.4	6.4	8.6	21.3
Subtotal	20.0	37.0	49.4	106.4
Strategic investments and/or acquisitions	N/A	N/A	N/A	85.1
Educational resources				
– Recruitment and training educational resource research and development crew	8.9	8.9	11.9	29.6
– Expanding and updating educational content, mainly through licensing	4.3	4.3	4.3	12.8
Subtotal	13.2	13.2	16.2	42.6
Working capital	14.1	14.2	14.2	42.5
Total	75.6	115.0	238.4	425.5

Note:

- (1) We will make the strategic investment and/or acquisition once appropriate opportunities arise. We are not able to specify the allocation at current stage.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for certain number of our Offer Shares (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$7.60 per Offer Share, being the low end of the range of the Offer Price set out in this Prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 28,204,400, representing approximately (i) 8.01% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 7.84% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and no options which may be granted under the Post-IPO Share Option Scheme are exercised.

Based on the Offer Price of HK\$8.80 per Offer Share, being the mid-point of the range of the Offer Price set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 24,358,800, representing approximately (i) 6.92% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 6.77% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and no options which may be granted under the Post-IPO Share Option Scheme are exercised.

Based on the Offer Price of HK\$10.00 per Offer Share, being the high end of the range of the Offer Price set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 21,436,400, representing approximately (i) 6.09% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 5.96% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised and no options which may be granted under the Post-IPO Share Option Scheme are exercised.

One of the Cornerstone Investors, namely Eastland Limited (“**Eastland**”), is wholly-owned by Mr. Cheng Yangshi (“**Mr. Cheng**”) who is a pre-IPO investor of the Company (the “**Participating Existing Shareholder**”), and therefore is his close associate. For details, please refer to “The Cornerstone Investors” below. We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares to the Participating Existing Shareholder. For details, please refer to the paragraphs headed “Waivers from Strict Compliance with the Listing Rules – Waiver from strict compliance with rule 10.04 of the Listing Rules and the Stock Exchange’s consent under paragraph 5(2) of Appendix 6 to the Listing Rules” in this prospectus.

CORNERSTONE INVESTORS

Our Company is of the view that the investments of the Cornerstone Investors will help raise the profile of our Company and demonstrate to the potential investors that they are confident in our business (in respect of, for instance, our brand image and reputation, the future development of smart learning device service industry and the prospects of our Group's business). Save for Eastland Limited ("**Eastland**") which is wholly-owned by Mr. Cheng who is a pre-IPO investor of our Company, (i) each of Mr. Zheng Changping ("**Mr. Zheng**") and Mr. Gui Chunfang ("**Mr. Gui**") were introduced to our Group through Mr. Chen, who is their friend; (ii) each of Azure Telecommunication Sdn. Bhd. ("**Azure Telecommunication**"), Gold Synergy Limited ("**Gold Synergy**"), Tower Lead Limited ("**Tower Lead**") and Mr. Jin Tao ("**Mr. Jin**") learned about our Group due to our reputation in the market, and approached our Group or was introduced to our Group through the Underwriters for investment opportunity due to their confidence in the prospect of our Group and the industry; and (iii) Ms. Yang Xiaojie ("**Ms. Yang**") learnt about our Group through her husband, who acquainted with Mr. Chen through previous business dealings.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and for the purpose of Rule 8.08 of the Listing Rules, will be counted towards the public float of our Company.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of the Cornerstone Investors (i) is an independent third party and is not our connected persons and their respective associates (as defined under the Listing Rules), is not existing Shareholders of our Company (save for the Participating Existing Shareholder as described above) or their respective close associates; (ii) is not financed by our Company, our subsidiaries, our Directors, chief executive, substantial Shareholders, Controlling Shareholders, existing Shareholders (save for the Participating Existing Shareholder as described above) or their respective close associates, and (iii) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive, substantial Shareholders, Controlling Shareholders, existing Shareholders (save for the Participating Existing Shareholder as described above) or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

CORNERSTONE INVESTORS

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, his/her/its subscription under the Cornerstone Placing would be financed by his/her/its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements, and the Cornerstone Investors shall settle the full payment of their respective subscription amount on or before the Listing Date. The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation”. In such case, the amount allocated to each Cornerstone Investor will be scaled back on a *pro rata* basis. Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around July 11, 2022. For details of the Over-allotment Option, please refer to the paragraphs headed “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus.

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount ⁽¹⁾ (HK\$ in million)	Number of Offer Shares to be acquired ⁽⁶⁾	Assuming a final Offer Price of HK\$7.60 per Share (being the low-end of the indicative Offer Price range)			
			Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Mr. Zheng ⁽²⁾	39.2	5,164,000	9.93%	1.47%	8.64%	1.44%
Mr. Gui ⁽³⁾	11.8	1,549,200	2.98%	0.44%	2.59%	0.43%
Azure Telecommunication ⁽⁴⁾	48.1	6,328,400	12.17%	1.80%	10.58%	1.76%
Gold Synergy	16.0	2,105,200	4.05%	0.60%	3.52%	0.59%
Tower Lead ⁽⁵⁾	39.2	5,164,000	9.93%	1.47%	8.64%	1.44%
Eastland	20.0	2,631,200	5.06%	0.75%	4.40%	0.73%
Ms. Yang	20.0	2,631,200	5.06%	0.75%	4.40%	0.73%
Mr. Jin	20.0	2,631,200	5.06%	0.75%	4.40%	0.73%
Total	214.4	28,204,400	54.24%	8.01%	47.16%	7.84%

CORNERSTONE INVESTORS

Assuming a final Offer Price of HK\$8.80 per Share
(being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Subscription amount ⁽¹⁾ (HK\$ in million)	Number of Offer Shares to be acquired ⁽⁶⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Mr. Zheng ⁽²⁾	39.2	4,460,000	8.58%	1.27%	7.46%	1.24%
Mr. Gui ⁽³⁾	11.8	1,338,000	2.57%	0.38%	2.24%	0.37%
Azure Telecommunication ⁽⁴⁾	48.1	5,465,600	10.51%	1.55%	9.14%	1.52%
Gold Synergy	16.0	1,818,000	3.50%	0.52%	3.04%	0.51%
Tower Lead ⁽⁵⁾	39.2	4,460,000	8.58%	1.27%	7.46%	1.24%
Eastland	20.0	2,272,400	4.37%	0.65%	3.80%	0.63%
Ms. Yang	20.0	2,272,400	4.37%	0.65%	3.80%	0.63%
Mr. Jin	20.0	2,272,400	4.37%	0.65%	3.80%	0.63%
Total	214.4	24,358,800	46.84%	6.92%	40.73%	6.77%

Assuming a final Offer Price of HK\$10.00 per Share
(being the high-end of the indicative Offer Price range)

Cornerstone Investor	Subscription amount ⁽¹⁾ (HK\$ in million)	Number of Offer Shares to be acquired ⁽⁶⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Mr. Zheng ⁽²⁾	39.2	3,924,800	7.55%	1.12%	6.56%	1.09%
Mr. Gui ⁽³⁾	11.8	1,177,200	2.26%	0.33%	1.97%	0.33%
Azure Telecommunication ⁽⁴⁾	48.1	4,809,600	9.25%	1.37%	8.04%	1.34%
Gold Synergy	16.0	1,600,000	3.08%	0.45%	2.68%	0.44%
Tower Lead ⁽⁵⁾	39.2	3,924,800	7.55%	1.12%	6.56%	1.09%
Eastland	20.0	2,000,000	3.85%	0.57%	3.34%	0.56%
Ms. Yang	20.0	2,000,000	3.85%	0.57%	3.34%	0.56%
Mr. Jin	20.0	2,000,000	3.85%	0.57%	3.34%	0.56%
Total	214.4	21,436,400	41.22%	6.09%	35.85%	5.96%

CORNERSTONE INVESTORS

Notes:

- (1) Excluding the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy.
- (2) Calculated for illustrative purpose based on the investment amount of US\$5 million and the exchange rate as described in “Information about this Prospectus and the Global Offering – Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (3) Calculated for illustrative purpose based on the investment amount of US\$1.5 million and the exchange rate as described in “Information about this Prospectus and the Global Offering – Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (4) Calculated for illustrative purpose based on the investment amount of US\$6 million and HK\$1 million and the exchange rate as described in “Information about this Prospectus and the Global Offering – Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (5) Calculated for illustrative purpose based on the investment amount of US\$5 million and the exchange rate as described in “Information about this Prospectus and the Global Offering – Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (6) Rounded down to the nearest whole board lot of 400 Offer Shares.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Mr. Zheng

Mr. Zheng Changping is the general manager of Shaoxing Qiku Electric Appliance Co., Ltd.* (紹興啟酷電器有限公司), a company incorporated in the PRC and principally engaged in marketing management and wholesale of mobile phones, and is responsible for the operation and management of the company. Mr. Zheng has extensive experience in the marketing industry. He was the general manager of an electric appliance company incorporated in the PRC and was responsible for the operation and management of the company. Mr. Zheng had participated in equity investments in the Shenzhen, Shanghai and NASDAQ stock markets since 2016 with a focus on healthcare, technology, communication, basic materials and industrials sectors. His investment portfolio consists of equity securities and residential properties.

To the best knowledge and belief of our Directors, Mr. Zheng decided to invest in our Company as a cornerstone investor due to our expertise and reputation in our industry.

Mr. Gui

Mr. Gui Chunfang is the general manager of Zhejiang Guangrun Communication Co., Ltd.* (浙江廣潤通信有限公司), a company incorporated in the PRC and principally engaged in marketing management, and is responsible for the operation and management of the company. Mr. Gui has extensive experience in the marketing industry. Mr. Gui had participated in equity investments in the Hong Kong and Shanghai stock markets since 2018 with a focus on technology, communication, real estate and automobile sectors. His investment portfolio consists of equity securities and residential and commercial properties.

To the best knowledge and belief of our Directors, Mr. Gui decided to invest in our Company as he recognizes our corporate culture and is confident in our long-term development prospects.

Azure Telecommunication

Azure Telecommunication (formerly known as Vivo Telecommunication Sdn. Bhd.) is a company incorporated in Kuala Lumpur, Malaysia and mainly engaged in retailing, wholesaling and distributing of telecommunication equipment, drones, camera and accessories. Azure Telecommunication is wholly owned by Mr. Xu Miao, who is the chief executive officer of Azure Telecommunication with extensive experience in the telecommunication equipment industry.

To the best knowledge and belief of our Directors, Azure Telecommunication decided to make the investment due to its confidence in the prospects of our industry.

Gold Synergy

Gold Synergy Limited (金順隆有限公司) is a company incorporated in Hong Kong with limited liability, and mainly engaged in, among others, retail and wholesale e-commerce after its incorporation in 2018. Gold Synergy is wholly owned by Mr. Guo Shuang, who is an entrepreneur with extensive experience in e-commerce-related industry, and has been conducting trading business within and outside the PRC.

To the best knowledge and belief of our Directors, Gold Synergy made the investment due to its confidence in the prospects of our industry, and the potential of our business operation.

Tower Lead

Tower Lead Limited is an investment holding company incorporated in BVI with limited liability. Tower Lead is wholly-owned by Ebang International Holdings Inc., a global blockchain technology company whose shares are listed on the NASDAQ stock exchange (NASDAQ: EBON). The listed company is in turn ultimately controlled by Mr. Hu Dong mainly through a family trust, where he is the settlor and investment manager. Mr. Hu Dong has extensive experience in network communication and computing industry.

CORNERSTONE INVESTORS

To the best knowledge and belief of our Directors, Tower Lead decided to make the investment due to its confidence in the prospects of our industry, and the potential of our business operation.

Eastland

Eastland Limited (東方源有限公司) is a company incorporated in Hong Kong with limited liability, and mainly engaged in textile export. Eastland is wholly owned by Mr. Cheng, a pre-IPO investor of our Company, and therefore is his close associate. For details of Mr. Cheng, please refer to the paragraphs headed “Information about the Pre-IPO Investors” in this prospectus.

Ms. Yang

Ms. Yang Xiaojie is an investor with investment experience, and had from time to time participated in investments with her husband, Mr. Lun Ganming (“**Mr. Lun**”), an individual investor with years of investment experience who had also entered into the relevant Cornerstone Investment Agreement as the guarantor of Ms. Yang. Ms. Yang and Mr. Lun are primarily interested in investing in the logistics and transport sector and mobile phones and electronics sector, and had participated in equity investments in both Hong Kong and US stock markets since 2020 with a focus on technology and real estate sectors. Ms. Yang and Mr. Lun’s investment portfolio consists of equity securities, investment funds and residential properties.

To the best knowledge and belief of our Directors, Ms. Yang decided to invest in our Company as a cornerstone investor as, through her husband, she has known our Company for many years and is familiar with our products, management and performance. She is confident in the prospects of our industry and our company’s business.

Mr. Jin

Mr. Jin is the founder and has been the general manager of XZJ Digital Co., Ltd. (深圳市芯知已數碼有限公司) (“**XZJ Digital**”), a company incorporated in the PRC and principally engaged in import and export trade of electronics, for 17 years and is responsible for the daily operation of the company. As such, Mr. Jin has extensive experience in the electronics industry. Through his equity interest in XZJ Digital, Mr. Jin invested in SunWin (Hubei) Optoelectronic Technology Co., Ltd. (湖北三贏興光電科技股份有限公司), a company incorporated in the PRC and principally engaged in the research and development, manufacturing and sales of high-technology products, which is in the process of getting listed on Shenzhen Stock Exchange. In addition, Mr. Jin had participated in equity investments in the Shenzhen and Shanghai stock markets since 2017 with a focus on technology, communication and banking sectors. His investment portfolio consists of his equity interests in XZJ Digital and equity securities.

CORNERSTONE INVESTORS

To the best knowledge and belief of our Directors, Mr. Jin decided to invest in our Company as a cornerstone investor as he has been interested in investing in and following the business of our Company since our incorporation.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Representatives (on behalf of the Underwriters);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

CORNERSTONE INVESTORS

- (d) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the representations, warranties, undertakings and confirmations of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor and the guarantor of such Cornerstone Investor (where applicable).

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date (the “**Lock-up Period**”), directly or indirectly, (i) dispose of, in any way, any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described above whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

UNDERWRITING

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited

Macquarie Capital Limited

Haitong International Securities Company Limited

Guotai Junan Securities (Hong Kong) Limited

BOCOM International Securities Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Livermore Holdings Limited

Eddid Securities and Futures Limited

China Merchants Securities (HK) Co., Limited

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 5,200,000 Hong Kong Offer Shares and the International Offering of initially 46,800,000 International Offer Shares, subject, in each case, to adjustment on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 5,200,000 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Green Application Form at the Offer Price.

UNDERWRITING

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Green Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Representatives, for themselves and on behalf of the Hong Kong Underwriters, and the Joint Sponsors shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any local, national or international event or circumstance, or series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government, orders of any court declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalation of infectious disease (including but without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS)), economic sanctions, strikes, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, severe transport disruption, paralysis in government operation, public disorder, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, any member of the European Union, Japan or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (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; or

UNDERWRITING

- (iii) 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, (A) securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or (B) securities of our Company or any other member of our Group listed or quoted on a stock exchange or an over-the-counter market; or
- (iv) 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 Federal or New York State level or other competent authority), London, the PRC, the Cayman Islands, the BVI, the European Union (or any member thereof), Japan or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi or the Australian dollar against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions, or adversely affecting an investment in the Shares; or
- (viii) any proceedings of any third party being threatened or instigated against any member of the Group, any Director or any Controlling Shareholder; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

UNDERWRITING

- (x) the chairman, chief executive officer or any Director of the Company vacating his/her office; or
- (xi) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or any Controlling Shareholder; or
- (xii) any contravention by any member of the Group, any Director, any director of any member of the Group or any Controlling Shareholder of the Listing Rules or applicable laws; or
- (xiii) a prohibition on the Company or any of the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) except as otherwise agreed by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;
- (xvii) any change, development or event involving a prospective change, or a materialization, of any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (xviii) an order or petition is presented 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 material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group or its material assets or undertaking,

UNDERWRITING

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives and the Joint Sponsors:

- (A) has or will have or may have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospectus, shareholders' equity, profits, losses, trading positions, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
 - (B) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
 - (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Green Application Forms, the formal notice, the preliminary offering circular or the final offering circular; or
 - (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Hong Kong Underwriting Agreement and the International Underwriting Agreement; or
- (b) there has come to the notice of the Joint Representatives and the Joint Sponsors as at or after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), the application proof prospectus, the post hearing information pack and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions; or

UNDERWRITING

- (ii) that 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 misstatement or an omission from 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 issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach of any of the representations, warranties, obligations, undertakings or provisions imposed upon any party of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters or the International Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company and the Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement; or
- (v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or affecting the ability of the Company and the Controlling Shareholders to execute, deliver and perform their obligations of the Hong Kong Underwriting Agreement and the International Underwriting Agreement and other transaction documents or to offer and issue Shares as contemplated under Hong Kong Underwriting Agreement and the International Underwriting Agreement, this prospectus, the preliminary offering circular and the final offering circular; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by our Company and the Controlling Shareholders in either the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

UNDERWRITING

- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the Capitalization Issue and any exercise, whether fully or partially, of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions), revoked or withheld; or
- (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (ix) any expert named in this prospectus has withdrawn its respective 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; or
- (x) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
- (xi) a material portion of the orders in the book-building process have been withdrawn, terminated or cancelled or the investment commitments by any cornerstone investors, have been withdrawn, terminated or cancelled or the Joint Representatives, in their sole and absolute discretion, consider that any cornerstone investor is unlikely to fulfill its obligation under the respective agreement; or;
- (xii) the Stock Borrowing Agreement is not duly authorized, executed and delivered in accordance with the terms of the Stock Borrowing Agreement and the relevant applicable Laws or it is terminated unilaterally; or
- (xiii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

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- (xiv) a prohibition on the Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the additional Shares to be issued by the Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within the First Six-Month Period), except in circumstances allowed under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that except and for the circumstances permitted under the Listing Rules or pursuant to the stock borrowing agreement which may be entered into by any of the Controlling Shareholders and the Stabilizing Manager, they shall not and shall procure that each of their respective associates or companies controlled by them or their respective nominees or trustees (as the case may be) in whose name the Shares are registered (the “**Relevant Registered Holders**”) shall not:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding in our Company is made in the 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 or other securities of our Company in respect of which they are shown by the Prospectus to be the beneficial owners (whether direct or indirect); and
- (b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph 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 or other securities referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be controlling shareholders (as defined in the Listing Rules) of our Company.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that, within the period commencing from the date by reference to which disclosure of their shareholding in our Company is made in the Prospectus and ending on a date which is 12 months from the Listing Date, they shall:

- (a) when any of them (or through the Relevant Registered Holder(s)) pledge or charge any securities of our Company beneficially owned by any of them in favour of any authorised 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 us of such pledge or charge together with the number of such securities of our Company so pledged or charged; and
- (b) when any of us (or through the Relevant Registered Holder(s)) receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and 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.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), the issue of Shares pursuant to the Capitalization Issue, any option that may be granted under the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-Month Period**”), we have undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant

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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 contract 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 share capital or any other equity securities of our Company or any share capital or other equity 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 equity securities of our Company or any share capital or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities convertible into equity securities of our Company or any share capital or other equity securities of such other member of the Group, as applicable, 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 Shares or other equity securities of our Company, or any such share capital or other equity 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 equity securities of our Company or any share capital or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction described in paragraph (a), (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of Shares or such other equity securities of our Company or share capital or other equity securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the issue of such share capital or other securities convertible into equity securities will be completed within the First Six-Month Period).

During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company shall not enter into any of the transactions specified in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company. The Company further agrees that, during the Second Six-Month Period, in the event that the Company enters into any of the transactions specified

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in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders undertake to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings in this sub-section.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option), any option that may be granted under the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, including, the date that is 18 months from the Listing Date, dispose, contract or agree to dispose, grant or create any options, rights, or interests or encumbrances in respect of, any Shares or other equity securities of our Company or entity holding or controlling (directly or indirectly) any Shares, or permit or cause a change in control of any company or entity holding or controlling (directly or indirectly) any Shares or, to the extent applicable, shares or other securities of Sky Focus, Kimlan or Trade Honour or any interest respectively 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 equity securities of our Company or, to the extent applicable, shares or other securities of Sky Focus, Kimlan or Trade Honour, as applicable or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company or, to the extent applicable, shares or other securities of Sky Focus, Kimlan or Trade Honour with a depositary in connection with the issue of depositary receipts; or
- (b) he/it shall, and shall procure that any nominee acting on its behalf shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by any nominee acting on its behalf of any Shares or other securities of the Company.

provided that nothing in sub-paragraphs (a) and (b) shall prevent the Controlling Shareholders from using the Shares or other securities of the Company or any interest therein beneficially owned by them as securities (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

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Each of our Controlling Shareholders has further undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, within a period commencing on the date of the Hong Kong Underwriting Agreement and ending on a date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by it 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, to the extent permitted by applicable law, immediately inform the Joint Representatives of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, to the extent permitted by applicable law, immediately inform the Joint Representatives of such indications.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 7,800,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

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UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Joint Representatives (for themselves and on behalf of the Underwriters) will receive a gross underwriting commission (excluding incentive fee) equal to 2.5% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering) and are expected to receive a gross underwriting commission (excluding incentive fee) equal to 2.5% of the aggregate Offer Price in respect of all of the International Offer Shares. In addition, the Company may, at its sole and absolute discretion, pay to the Joint Representatives an incentive fee of up to 3.0% of the aggregate Offer Price in respect of all Offer Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option).

The aggregate underwriting commissions, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, the FRC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering to be borne by us, are estimated to be approximately HK\$57.3 million (based on an Offer Price of HK\$8.80 per Share, being the mid-point of the Offer Price range stated in this Prospectus and the assumption that the Over-allotment Option is not exercised).

The Joint Sponsors are entitled to an aggregate sponsor fee of US\$880,000.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members,” may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transaction 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
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

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, financing and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets or holding security interest over the Shares. Those activities may require hedging activity by those entities involving directly or indirectly, buying and selling the Shares. All such activity 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 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 of these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering – Stabilization” in this Prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS’ INTEREST IN OUR GROUP

Except as disclosed in this Prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

JOINT SPONSORS’ INDEPENDENCE

Each of China Securities (International) Corporate Finance Company Limited and Macquarie Capital Limited satisfies the independent criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 5,200,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “– The Hong Kong Public Offering;” and
- (b) the International Offering of initially 46,800,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, or other available exemption from the registration requirements under the U.S. Securities Act, as described below in “– The International Offering.”

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 7,800,000 additional Shares, representing 15% of the initial number of Offer Shares under the Global Offering, at the Offer Price, to cover over-allocations, if any, in the International Offering.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 52,000,000 Offer Shares in the Global Offering will represent approximately 14.8% of our enlarged share capital immediately after the completion of the Capitalization Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.6% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, Green Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

We are initially offering 5,200,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering.

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 which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth below in “– Conditions of the Global Offering.”

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based 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. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would 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 the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy); and
- Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor

STRUCTURE OF THE GLOBAL OFFERING

(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 but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,600,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 15,600,000 Offer Shares (in the case of (i)), 20,800,000 Offer Shares (in the case of (ii)) and 26,000,000 Offer Shares (in the case of (iii)), representing 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 10,400,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low end of the Offer Price range (that is, HK\$7.60 per Offer Share) stated in this Prospectus in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

STRUCTURE OF THE GLOBAL OFFERING

Subject to the above, the Joint Representatives (for themselves and on behalf of the Underwriters) shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making 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 under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$10.00 per Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “– Pricing and Allocation” below, is less than the maximum price of HK\$10.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 46,800,000 Shares, representing 90% of the Offer Shares under the Global Offering and approximately 13.3% of our enlarged issued share capital immediately after completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

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 our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and will be based on a number of factors including the level and timing of demand, 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 hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares under the International Offering on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Joint Representatives (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 Representatives 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 applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation” or 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.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time during the 30-day period from the last day for lodging applications

STRUCTURE OF THE GLOBAL OFFERING

under the Hong Kong Public Offering, to require our Company to issue up to 7,800,000 Shares, representing 15% of the total number of the Offer Shares initially available under the Global Offering, under the International Offering to, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued by our Company pursuant thereto will represent 15% of our issued share capital immediately following the completion of the Global Offering. In the event that 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 over-allocate or effect transactions with a view to stabilizing or supporting the market price of our 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 persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the 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 our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our 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 paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager 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 period for which the Stabilizing Manager 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 stabilizing period which will begin on the Listing Date and is expected to expire on Thursday, August 4, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including 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, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares. Our Company will ensure or procure 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 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, by using 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 arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 7,800,000 Shares, representing 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from Trade Honour, a Controlling Shareholder, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager and Trade Honour. Such stock borrowing arrangement under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STRUCTURE OF THE GLOBAL OFFERING

Such stock borrowing arrangement is fully described in this Prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option. The same number of Offer Shares so borrowed must be returned to Trade Honour or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option having been issued and allotted by our Company, or (c) such earlier time as the Stabilizing Manager and Trade Honour may agree in writing. No payment will be made to Trade Honour by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us, and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, July 5, 2022 (Hong Kong time), and in any event, no later than Friday, July 8, 2022 (Hong Kong time). 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 Offer Price range stated in this Prospectus.

The Offer Price will not be more than HK\$10.00 and is expected to be not less than HK\$7.60 unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK\$10.00 per Offer Share, plus 1.0% brokerage fee, 0.0027% SFC transaction levy, 0.005% Stock Exchange trading fee and 0.00015% FRC transaction levy.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$10.00, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee, the SFC transaction levy and the FRC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares.”

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 around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives, for themselves and on behalf of the Hong Kong Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus prior to the morning of the last day for lodging

STRUCTURE OF THE GLOBAL OFFERING

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 publish a notice of the reduction and posted on the website of the Stock Exchange (www.hkexnews.hk) and on our website (<http://www.readboy.com/>) (the contents of the website do not form a part of this Prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), 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 the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section “Summary,” and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price range stated in this Prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants 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. The Company will also issue supplemental prospectus and extend the period for the Hong Kong Public Offering.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section “How to Apply for Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies.”

UNDERWRITING AGREEMENT

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 the agreement on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section “Underwriting.”

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Capitalization Issue and the Global Offering (including any Shares which may be sold or issued by us pursuant to the exercise of the Over-allotment Option); and
- the Offer Price being duly agreed among our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters); and
- the execution and delivery of the International Underwriting Agreement on 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 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 Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) on or before Friday, July 8, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates 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 our Company on the website of the Stock Exchange (www.hkexnews.hk) and on our website (<http://www.readboy.com/>) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section “How to Apply for Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, July 12, 2022, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, July 12, 2022.

The Shares will be traded in board lots of 400 Shares each and the stock code of the Shares is 2385.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus 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 <http://www.readboy.com>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

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.

Our Company, the Joint Representatives, 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

You can apply for Hong Kong Offer Shares if you or the 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, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a PRC legal or natural person.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, our Company and the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

We, the Joint Representatives or the designated **White Form eIPO Service Provider** (where applicable), or our or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

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 our Company and/or any its subsidiaries;
- a Director, or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Our Company, the Joint Representatives and the designated **White Form eIPO Service Provider** (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the **White Form eIPO** service, among other things, you:

- undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives (or their agents or nominees), as agents of our Company, 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 Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;
- 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 only relied on the information and representations contained 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 in this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- 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 Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they 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 none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law 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 contained 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;
- 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 (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (iii) the purchaser is not an “affiliate” (as defined in Regulation S) of our Company or a person acting on behalf of our Company or an affiliate of our Company;
- 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;
- authorize our Company to place your name(s) or the name of the HKSCC Nominees on our Company’s register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- understand that our Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of 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 or to the **White Form eIPO Service Provider** 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 their agent.

Minimum Application Amount and Permitted Numbers

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Readboy Education Holding Company Limited (HK\$10.00 per Hong Kong Offer Share)							
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>
400	4,040.32	8,000	80,806.28	40,000	404,031.40	600,000	6,060,471.00
800	8,080.63	10,000	101,007.85	50,000	505,039.25	700,000	7,070,549.50
1,200	12,120.94	12,000	121,209.42	60,000	606,047.10	800,000	8,080,628.00
1,600	16,161.25	14,000	141,410.99	70,000	707,054.95	900,000	9,090,706.50
2,000	20,201.57	16,000	161,612.56	80,000	808,062.80	1,000,000	10,100,785.00
2,400	24,241.89	18,000	181,814.13	90,000	909,070.65	1,400,000	14,141,099.00
2,800	28,282.20	20,000	202,015.70	100,000	1,010,078.50	1,800,000	18,181,413.00
3,200	32,322.51	24,000	242,418.84	200,000	2,020,157.00	2,200,000	22,221,727.00
3,600	36,362.82	28,000	282,821.98	300,000	3,030,235.50	2,600,000 ⁽¹⁾	26,262,041.00
4,000	40,403.14	32,000	323,225.12	400,000	4,040,314.00		
6,000	60,604.71	36,000	363,628.26	500,000	5,050,392.50		

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “– 2. Who Can Apply” in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted 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 on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize 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.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO Service Provider** at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, June 29, 2022 until 11:30 a.m. on Tuesday, July 5, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, July 5, 2022 or such later time under the “– 9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, 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** service more than once and obtaining different payment 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** is to save the use of paper 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\$2.00 for each “Readboy Education Holding Company Limited” **White Form eIPO** application submitted via the website www.eipo.com.hk to support sustainability.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant 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).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

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 Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (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 you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and signed by HKSCC Nominees on your behalf:

- (i) 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;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued 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 Offer Shares under the International Offering 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 authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/or 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, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or its respective advisors and agents;
- 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 before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day 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 before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a 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 gives a public notice under that section 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 our Company's announcement of the Hong Kong Public Offering results;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, 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 shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy 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 per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, June 29, 2022—9:00 a.m. to 8:30 p.m.

Thursday, June 30, 2022—8:00 a.m. to 8:30 p.m.

Monday, July 4, 2022—8:00 a.m. to 8:30 p.m.

Tuesday, July 5, 2022—8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 29, 2022 until 12:00 noon on Tuesday, July 5, 2022 (24 hours daily, except on July 5, 2022, being the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, July 5, 2022, the last application day or such later time as described in “– 9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

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.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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, our 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 our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents 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 our Company and its 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 their latest correct personal data to our Company or its 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 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 our Company or its 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 despatch of Share Certificate(s), and/or the despatch of e-Refund payment instructions, and/or the despatch of refund cheque(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and e-Refund payment instructions/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;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's register of members;
- verifying identities of the holders of our Company's Shares;
- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- making disclosures as required by laws, rules or regulations;
- disclosing identities of successful applicants by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Transfer of personal data

Personal data held by our Company and its Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and its 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:

- our Company's appointed agents such as financial advisers and receiving bank;
- 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 our Company or the 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

Our Company and its Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill 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.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the 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 our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Share Registrar for the attention of the privacy compliance officer.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also 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 application day in making your electronic applications. Our Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted 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 Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, July 5, 2022, the last application day or such later time as described in “– 9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

7. HOW MANY APPLICATIONS CAN YOU 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 **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 benefit to HKSCC will 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

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,

then the application will be treated as being 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).

8. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK\$10.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%. This means that for one board lot of 400 Hong Kong offer shares, you will pay HK\$4,040.32.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy in full upon application for Shares.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 400 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in “– 3. Terms and Conditions of an Application – Minimum Application Amount and Permitted Numbers” in this section, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the FRC transaction levy, collected by the Stock Exchange on behalf of the FRC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- 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 Tuesday, July 5, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, July 5, 2022 or if there is a tropical cyclone warning signal number 8 or above or 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 in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication 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 Monday, July 11, 2022 on our Company’s website at <http://www.readboy.com/> and the website of the 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 will be available at the times and date and in the manner specified below.

- in the announcement to be posted on our Company’s website at <http://www.readboy.com/> and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, July 11, 2022;
- 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 Monday, July 11, 2022 to 12:00 midnight on Sunday, July 17, 2022; and
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday, July 11, 2022 to Thursday, July 14, 2022 on a business day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If our Company accepts 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 contained 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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By giving **electronic application instructions** to HKSCC or to the **White Form eIPO Service Provider**, 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 the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day 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 which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of 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 Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying 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 **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. 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 of HK\$10.00 per Offer Share (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, July 11, 2022.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheque and Share certificates are expected to be posted on or before Monday, July 11, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, July 12, 2022 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from 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 Monday, July 11, 2022, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheque.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, July 11, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched 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 despatched to the address as specified in your application instructions in the form of refund cheque(s) on or before Monday, July 11, 2022 by ordinary post at your own risk.

(ii) If you apply via Electronic Application Instructions to HKSCC

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 Monday, July 11, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “– 10. Publication of Results” above on Monday, July 11, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 11, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted 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 Monday, July 11, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of 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, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, July 11, 2022.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 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 advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VI headed “Documents Delivered to the Registrar of Companies and on Display” to this document, a copy of the accountants’ report is available for inspection.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF READBOY EDUCATION HOLDING COMPANY LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND MACQUARIE CAPITAL LIMITED

Introduction

We report on the historical financial information of Readboy Education Holding Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-64, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and the statement of financial position of the Company as at December 31, 2021 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-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 29, 2022 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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 accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the financial position of the Group as at December 31, 2019, 2020 and 2021 and of the Company as at December 31, 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 11 to the Historical Financial Information for details of dividends paid by the Group in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation.

Ernst & Young

Certified Public Accountants

Hong Kong

June 29, 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 accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "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 AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,		
		2019	2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	669,853	733,997	813,181
Cost of sales		<u>(495,470)</u>	<u>(532,285)</u>	<u>(644,009)</u>
Gross profit		174,383	201,712	169,172
Other income and gains	5	30,623	42,741	60,098
Selling and distribution expenses		(63,490)	(74,163)	(73,060)
Administrative expenses		(20,203)	(21,865)	(44,008)
Research and development expenses		(36,428)	(30,211)	(43,870)
Other expenses		(7,752)	(15,067)	(22,867)
Finance costs	7	(1,227)	(359)	(88)
Changes in fair value of financial liabilities at fair value through profit or loss	6	<u>–</u>	<u>–</u>	<u>26,649</u>
PROFIT BEFORE TAX	6	75,906	102,788	72,026
Income tax (expense)/credit	10	<u>(6,471)</u>	<u>(10,775)</u>	<u>10,120</u>
PROFIT FOR THE YEAR		<u>69,435</u>	<u>92,013</u>	<u>82,146</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>69,435</u>	<u>92,013</u>	<u>82,146</u>
Attributable to Owners of the Company		<u>69,435</u>	<u>92,013</u>	<u>82,146</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic	12	0.07	0.09	0.08
Diluted	12	<u>0.07</u>	<u>0.09</u>	<u>0.05</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	51,993	50,394	48,453
Investment properties	14	14,378	13,992	13,606
Right-of-use assets	15(a)	1,769	1,141	3,103
Other intangible assets	16	7,224	5,184	6,074
Deferred tax assets	17	18,761	22,131	32,548
Time deposit	22	20,000	20,000	–
Other non-current assets	21	3,867	3,510	1,853
Total non-current assets		117,992	116,352	105,637
CURRENT ASSETS				
Inventories	18	219,409	198,766	258,219
Trade receivables	19	16,965	23,566	47,551
Prepayments, other receivables and other assets	20	21,380	48,210	48,155
Time deposit	22	–	–	20,000
Cash and cash equivalents	22	133,366	253,318	333,340
Total current assets		391,120	523,860	707,265
CURRENT LIABILITIES				
Trade and bills payables	24	85,101	97,206	68,299
Other payables, accruals and contract liabilities	25	145,419	190,525	197,748
Interest-bearing bank borrowings	26	10,000	–	–
Lease liabilities	15(b)	642	773	1,318
Amounts due to shareholders	33(d)	–	128,000	117,561
Tax payable		7,094	7,637	7,018
Total current liabilities		248,256	424,141	391,944
NET CURRENT ASSETS		142,864	99,719	315,321
TOTAL ASSETS LESS CURRENT LIABILITIES		260,856	216,071	420,958
NON-CURRENT LIABILITIES				
Lease liabilities	15(b)	1,234	556	1,935
Financial liabilities at fair value through profit or loss	27	–	–	120,365
Contract liabilities	25	31,158	37,728	39,720
Total non-current liabilities		32,392	38,284	162,020
Net assets		228,464	177,787	258,938
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	–	–	1
Reserves	29	228,464	177,787	258,937
Total equity		228,464	177,787	258,938

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000 (note 28)	Merger reserve RMB'000* (note 29)	Statutory reserve RMB'000* (note 29)	Retained profits RMB'000*	
As at December 31, 2018	–	72,595	5,497	39,439	117,531
Profit and total comprehensive income for the year	–	–	–	69,435	69,435
Capital contribution	–	41,470	–	–	41,470
Transfer from retained profits	–	–	9,502	(9,502)	–
Waiver of an amount due to a shareholder (note 32(a))	–	28	–	–	28
As at December 31, 2019	–	114,093	14,999	99,372	228,464
Profit and total comprehensive income for the year	–	–	–	92,013	92,013
Capital contribution	–	17,310	–	–	17,310
Dividend declared by a subsidiary to the then equity holders (note 11)	–	–	–	(160,000)	(160,000)
Transfer from retained profits	–	–	10,125	(10,125)	–
As at December 31, 2020 and January 1, 2021	–	131,403	25,124	21,260	177,787
Profit and total comprehensive income for the year	–	–	–	82,146	82,146
Issue of shares (notes 28)	1	–	–	–	1
Capital contribution	–	1,678	–	–	1,678
Deemed distribution to the then equity owners	–	(2,674)	–	–	(2,674)
Transfer from retained profits	–	–	11,630	(11,630)	–
As at December 31, 2021	<u>1</u>	<u>130,407</u>	<u>36,754</u>	<u>91,776</u>	<u>258,938</u>

* These reserve accounts comprise the consolidated reserves of RMB228,464,000, RMB177,787,000 and RMB258,937,000 in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		75,906	102,788	72,026
Adjustments for:				
Foreign exchange losses		–	–	1,814
Finance costs	7	1,227	359	88
Bank interest income	5	(1,096)	(3,167)	(3,335)
Investment income from structured deposit	5	–	(1,189)	(2,266)
Finance income on the net investment in a lease	5	–	(43)	(99)
Net losses/(gain) on disposal of items of property, plant and equipment	6	477	122	(90)
COVID-19-related rent concessions from lessors	15(b)	–	(62)	–
Depreciation of property, plant and equipment	13	4,351	4,046	4,125
Depreciation of investment properties	14	386	386	386
Depreciation of right-of-use assets	15(a)	162	628	981
Amortization of other intangible assets	16	4,659	5,114	10,714
Government grants		(817)	–	–
Write-down/(reversal of write-down) of inventories to net realizable value	6	3,148	(4,626)	1,189
(Reversal of impairment)/impairment of trade receivables	6	(243)	276	429
Changes in fair value of financial liabilities at fair value through profit or loss	6	–	–	(26,649)
		<u>88,160</u>	<u>104,632</u>	<u>59,313</u>
(Increase)/decrease in inventories		(71,290)	25,270	(60,641)
Decrease/(increase) in trade receivables		30,930	(6,876)	(24,415)
(Increase)/decrease in prepayments, other receivables and other assets		(15,272)	(26,830)	15,607
(Increase)/decrease in other non-current assets		(3,366)	399	1,756
Decrease in an amount due from a related party		251	–	–
Increase/(decrease) in trade and bills payables		24,907	12,105	(28,907)
Increase in contract liabilities		32,286	27,857	2,705
Increase/(decrease) in other payables and accruals		5,847	(8,182)	(8,291)
Decrease in amounts due to related parties		(141)	–	–
Cash generated from/(used in) operations		92,312	128,375	(42,873)
Interest received		1,096	3,167	3,335
Tax paid		(3,317)	(13,602)	(916)
Net cash flows generated from/(used in) operating activities		<u>90,091</u>	<u>117,940</u>	<u>(40,454)</u>

	Notes	Year ended December 31,		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	13	(3,559)	(2,569)	(3,002)
Additions of other intangible assets	16	(6,591)	(3,074)	(11,604)
Increase in time deposit		(20,000)	–	–
Investment income from structured deposit	5	–	1,189	2,266
Increase in structured deposit		–	(90,000)	(1,210)
Redemption on maturity of structured deposit		–	90,000	1,210
Proceeds from disposal of items of property, plant and equipment		1,046	–	908
Net cash flows used in investing activities		(29,104)	(4,454)	(11,432)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from shareholders		41,470	17,310	1,678
Proceeds from issue of shares	28	–	–	1
Proceeds from financial liabilities at fair value through profit or loss		–	–	147,014
New bank loans		10,000	–	–
Repayment of bank loans		(30,000)	(10,000)	–
Interest paid	7	(1,199)	(359)	(88)
Principal portion of lease payments		(214)	(485)	(1,019)
Decrease in amounts due to shareholders	33(b)/33(d)	(16,615)	–	(10,439)
Payment for deferred listing expenses		–	–	(751)
Deemed distribution to the then equity owners		–	–	(2,674)
Net cash flows generated from financing activities		3,442	6,466	133,722
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		64,429	119,952	81,836
Effect of foreign exchange rate changes, net		68,937	133,366	253,318
		–	–	(1,814)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	<u>133,366</u>	<u>253,318</u>	<u>333,340</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	<u>133,366</u>	<u>253,318</u>	<u>333,340</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows		<u>133,366</u>	<u>253,318</u>	<u>333,340</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at December 31 2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	23	—
Total non-current assets		—
CURRENT ASSETS		
Prepayments, other receivables and other assets	20	3,911
Due from subsidiaries		66,734
Cash and cash equivalents	22	63,038
Total current assets		133,683
NET CURRENT ASSETS		133,683
TOTAL ASSETS LESS CURRENT LIABILITIES		133,683
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	27	120,365
Total non-current liabilities		120,365
Net assets		13,318
EQUITY		
Share capital	28	1
Other reserves		13,317
Total equity		13,318

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Readboy Education Holding Company Limited (the “Company”) was incorporated in the Cayman Islands on February 8, 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box, 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the production and sales of personal student tablets, smart classroom solutions, wearable products, other products and advertisement and content licensing in the People’s Republic of China (the “PRC”). There has been no significant change in the Group’s principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus (the “Reorganization”). Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Readboy Education Group Limited (<i>Note (a)</i>)	British Virgin Islands (“BVI”) February 23, 2021	US\$1	100	–	Investment holding
Readboy Education (HK) Limited (<i>Note (a)</i>)	Hong Kong March 5, 2021	HK\$10,000	–	100	Investment holding
Readboy Technology (Zhongshan) Company Limited 讀書郎科技(中山)有限公司* (“WFOE”) (<i>Note (a)</i>)	PRC/Mainland China March 22, 2021	RMB20,000,000	–	100	Provision of management and consultancy services
Readboy Educational Technology Company Limited 讀書郎教育科技有限公司* (“Readboy Technology”) (<i>Note (b)</i>)	PRC/Mainland China May 28, 1999	RMB87,333,333	–	100	Production and sales of AI learning equipment
Zhuhai Readboy Network Education Company Limited 珠海讀書郎網絡教育有限公司** (“Zhuhai Readboy”) (<i>Note (b)</i>)	PRC/Mainland China November 24, 2017	RMB10,000,000	–	100	Production and sales of digital educational resources
Dream Exploration Technology (Zhongshan) Company Limited 夢想探索技術(中山)有限公司* (“Zhongshan Dream”) (<i>Note (b)</i>)	PRC/Mainland China June 22, 2020	RMB1,000,000	–	100	Production and sales of personal student tablets
Zhuhai Readboy Software Technology Company Limited 珠海讀書郎軟件科技有限公司* (“Zhuhai Technology”) (<i>Note (a)</i>)	PRC/Mainland China January 8, 2021	RMB10,000,000	–	100	Provision of software and information services
Readboy New Media Technology (Hangzhou) Company Limited 讀書郎新媒體技術(杭州)有限公司* (“Readboy New Media Hangzhou”) (<i>Note (a)</i>)	PRC/Mainland China December 6, 2021	RMB10,000,000	–	100	Online sales
Zhongshan Reader Technology Company Limited 中山讀書者科技有限公司*** (“Zhongshan Reader”) (<i>Note (a)</i>)	PRC/Mainland China December 27, 2021	RMB2,000,000	–	55	Sales of electronic products

Notes:

- (a) No audited financial statements have been prepared as these companies are either newly incorporated or they are incorporated in jurisdictions which do not have any statutory audit requirements.
- (b) The statutory financial statements for the year ended December 31, 2019 prepared in accordance with accepted accounting principles and financial regulations under the PRC (the “PRC GAAP”) were audited by Zhongshan Ruihe Certified Public Accountants (中山市睿和會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.
- * The English names of these companies in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.
- ** This entity was an indirectly wholly owned subsidiary of the Company and owned as to 100% by Readboy Technology prior to the Reorganization. After the Reorganization, it became the PRC operating entity which the Company controls through the Contractual Arrangements.
- *** This entity was an indirectly non-wholly owned subsidiary of the Company which is owned as to 55% by Readboy Technology and 45% by Zhongshan Chengtian Technology Co., Ltd, an independent third party save for its shareholding in Zhongshan Reader.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on April 19, 2021.

Due to regulatory restrictions on foreign ownership in digital educational resources production and sales business in the PRC, the digital educational resources and services were carried out by Zhuhai Readboy during the Relevant Periods. Pursuant to the Reorganization, Readboy Technology (Zhongshan) Company Limited (the “Wholly Foreign Owned Enterprise”, or the “WFOE”), the Company’s indirectly wholly-owned subsidiary, has entered into contractual arrangements (the “Contractual Arrangements”) with, among others, Zhuhai Readboy and its respective equity holders, on March 23, 2021. The arrangements of the Contractual Arrangements enable the WFOE to exercise effective control over Zhuhai Readboy and obtain substantially all economic benefits of Zhuhai Readboy. Accordingly, Zhuhai Readboy is controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in Zhuhai Readboy. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Prospectus.

On March 28, 2016, Mr. Chen Zhiyong (陳智勇) and Mr. Qin Shuguang (秦曙光) entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in excising their rights as shareholders of Readboy Technology before entering into the agreement, and agreed to continue the same going forward. On April 1, 2021, Mr. Chen Zhiyong and Mr. Qin Shuguang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of the Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of the Group which shall be decided by the shareholders of each of the members of the Group.

The companies now comprising the Group were under the common control of Mr. Chen Zhiyong and Mr. Qin Shuguang (collectively the “Controlling Shareholders”) before and after the Reorganization. As the Reorganization only involved inserting new holding companies and entering into Contractual Arrangements that has not resulted in a change of respective voting, economic substance and beneficial interests. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of Readboy Technology and its subsidiaries including Zhuhai Readboy by applying the principles of merger accounting as if the Company had been the holding company of Readboy Technology and its subsidiaries at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss which have been measured at fair value at the end of each of the Relevant Periods.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2,4}
Amendments to HKAS 1	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2,5}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41 ¹

¹ Effective for annual periods beginning on or after January 1, 2022

² Effective for annual periods beginning on or after January 1, 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses

Subsidiaries arising from the Reorganization

Zhuhai Readboy has entered into Contractual Arrangements with, among others, WFOE and the equity holders of Zhuhai Readboy. The Contractual Arrangements became effective on March 23, 2021. The shareholders of Zhuhai Readboy authorized and appointed WFOE, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as equity holders of Zhuhai Readboy. In particular, WFOE undertakes to provide Zhuhai Readboy with certain technical services as required to support its operation. In return, WFOE is entitled to substantially all of the operating profits and residual benefits generated by Zhuhai Readboy through intercompany charges levied on these services rendered. The equity holders of Zhuhai Readboy are also required to transfer their equity interests in Zhuhai Readboy to WFOE or the designee appointed by WFOE upon a request made by WFOE when permitted by the PRC laws for nominal consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations. The equity interests in Zhuhai Readboy have also been pledged by the equity holders to WFOE in respect of the continuing obligations of Zhuhai Readboy. Accordingly, the Group has rights to variable returns from its involvement with Zhuhai Readboy and has the ability to affect those returns through its power, and thus control over Zhuhai Readboy.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38%-2.75%
Plant and machinery	9.50%
Motor vehicles	19.00%
Electronic equipment	9.50%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary digital educational resources of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	2.38%-2.75%
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Subsequent expenditure is capitalized in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortized on a straight-line basis over its estimated useful life of 5 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

Copyrights

Copyrights are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives of 2 to 3 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 8 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalized at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognized in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and reward of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables and financial liabilities at fair value through profit or loss, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, lease liabilities, interest-bearing bank borrowings, amounts due to shareholders, an amount due to a related party and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities. The Group designated the ordinary shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the ordinary shares are carried at fair value with changes in fair value recognized in profit or loss.

The ordinary shares are classified as non-current liabilities because the holders of the ordinary shares cannot demand the Company to redeem the ordinary shares until at least 12 months after December 31, 2021.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, lease liabilities and interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

The Group provides for warranties in relation to the sale of devices for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with deductions, which give rise to variable consideration.

Rebates may be provided to certain customers to support their sales activities. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected rebates, the Group applies the most likely amount method which best predicts the amount of variable consideration which usually is a fixed percentage of cash collection amount as agreed in the contract. The Group then applies the requirements on constraining estimates of variable consideration and the expected future rebates are deducted from receivables from customers.

(a) Sale of personal student tablets

The Group provides the sale of devices that are bundled together with the provision of digital educational resources and services to the customer. Contracts for bundled sales of devices and digital educational resources and services are comprised of two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the personal student tablets is transferred to the customers. Significant part of the Group's products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. The Group also sells its product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when the digital educational resources is activated by the end users, i.e. the users are able to use and benefit from the digital educational resources and services, and other revenue recognition criteria are met. The Group estimates the user life and re-assesses such period at the end of each reporting period. For some models of personal student tablets targeting preschool children, the digital educational resources only include pre-installed offline digital educational resources and APPs. For those personal student tablets, revenue from the provision of digital educational resources is recognized at a point in time when the right to use of the digital educational resources is transferred, i.e., when the digital educational resources are activated by the user.

(b) Sale of smart classroom solutions

The Group provides the sale of smart classroom solutions that include devices together with the provision of customized digital educational resources based on local curriculum standards as well as tutoring content and services to enable an interactive learning environment for teachers and students. Contracts for bundled sales of devices and digital educational resources and services are comprised of two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the devices is transferred to the customers. Significant part of the Group's products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. The Group also sells its product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when the digital educational resources is activated by the end users, i.e. the users are able to use and benefit from the digital educational resources, and other revenue recognition criteria are met. The Group estimates the user life and re-assesses such period at the end of each reporting period.

(c) Sale of wearable products and other products

Revenue from the sale of wearable products and other products is recognized at the point in time when control of the products is transferred to the customer, that is when the products are accepted by the customers.

(d) Sale of advertisement and content licensing

The Group places links to the APPs of the customers on the devices sold by the Group. The Group collects a fee based on the fixed price per click or download as agreed in the contract with the customers and number of clicks performed by the end users. Monthly statements are issued and agreed by both parties to confirm the volume of actual clicks or downloads and revenue amount. The Group estimates revenue based on available information which has no material differences with the confirmed amount on the monthly statement.

The Group licenses pre-recorded digital educational resources to third-party channels which place the digital educational resources on their platforms to sell to the end users. When the users purchase the digital educational resources from the platforms, the Group is entitled to a prescribed fixed percentage of gross proceeds collected by the channels. The Group views the channels as its customers as the channels control the digital educational resources and have the primary responsibility to sell the digital educational resources to the users. The Group recognize the net amount remitted from the channels as revenue based on the monthly statement issued and confirmed by the platforms.

Other income

Rental income is recognized on a time proportion basis over the lease terms.

Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits***Social pension plans***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the equity holders of relevant entities comprising the Group in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Contractual Arrangements

Zhuhai Readboy is mainly engaged in the provision of digital educational resources and services, which falls in the scope of "Catalog of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in the PRC.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over Zhuhai Readboy and enjoys all the economic benefits of Zhuhai Readboy through the Contractual Arrangements.

The Group considers that it controls Zhuhai Readboy, notwithstanding the fact that it does not hold any direct equity interest in Zhuhai Readboy, as it has power over the financial and operating policies of Zhuhai Readboy and receives substantially all of the economic benefits from the business activities of Zhuhai Readboy through the Contractual Arrangements. Accordingly, Zhuhai Readboy has been accounted for as a subsidiary during the Relevant Periods.

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (a) *Identifying performance obligations in a bundled sale of devices and digital educational resources and services*

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The Group determined that both devices and digital educational resources and services are each capable of being distinct.

In assessing whether each item has stand-alone value to the customer, the Group considers factors such as the availability of readily available resources in the market and whether the entity sells goods or services separately, which indicates that the customer can benefit from both devices and digital educational resources and services on their own.

The Group determined that the promises to provide digital educational resources are not distinct from the maintenance and renewal services as the customer cannot exploit the value of the digital educational resources without receipt of such maintenance and renewal services. Therefore, the provision of digital educational resources and the maintenance and renewal services are consolidated as one performance obligation. The Group concluded that the promises to transfer devices and to provide digital educational resources and services are distinct. The device is separately identifiable in the contract and will be transferred upon the acceptance by customers. The digital educational resources represent academic content offerings which are not an integrated part of the device. The Group is not providing a significant integration service because the presence of the devices and digital educational resources and services together in the contract does not result in any additional or combined functionality and neither the device nor the digital educational resources modifies or customizes the other. In addition, the devices and the digital educational resources and services are not highly interdependent or highly interrelated, because the delivery of device is not dependent on the digital educational resources and services to be provided in the future. Therefore, the devices and provision of digital educational resources and services are two separate performance obligations.

Consequently, the Group has allocated the transaction price to devices and digital educational resources and services based on relative stand-alone selling prices. The stand-alone selling prices are not directly observable; therefore the Group estimates it using expected cost plus margin approach. The Group has considered all information that is reasonably available, including but not limited to, third-party or industry pricing, costs incurred to provide the good or service, related profit margins.

(b) *Determining the timing of satisfaction of digital educational resources and services*

The Group concluded that revenue from provision of digital educational resources and services is recognized over time because the user is granted a right to access digital educational resources embedded in the devices and is provided with continuing maintenance and renewal services over the user life. The Group uses the average user life when estimating the period over which revenue is being recognized.

For sale of personal student tablets, the Group tracks each user's log in history to estimate the average user life. For sale of smart classroom solutions, the Group considers the types of schools and grade of end users to whom the smart classroom solutions are sold to estimate the average user life.

The determination of the average user life for each type of products is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Future user classifications, patterns and behaviors may differ from the historical usage patterns and therefore the estimated average user life may change in the future. The Group will continue to monitor the estimated average user life, which may differ from the historical period, and any change in the estimate may result in the revenue being recognized on a different basis to that in prior periods. Any adjustments arising from changes in user life as a result of new information will be accounted for as a change in accounting estimate.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax (the "CIT"). This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expenses in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the Historical Financial Information.

Deferred tax liabilities have been established for withholding taxes that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The plan of the distribution of dividends is influenced by projected future market and economic conditions and future financing requirements of the Group. If these undistributed earnings of subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred tax charge and deferred tax liabilities would have been recognized.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of property, plant and equipment are set out in note 13 to the Historical Financial Information.

Provision for expected credit losses on accounts and other receivables

The provision rate of receivables is made based on assessment of their recoverability and aging analysis of receivables as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a debtor's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 19 and 20 to the Historical Financial Information, respectively.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 17 to the Historical Financial Information.

Warranty provisions

The Group makes provisions for the warranties it gives on the sale of its products, taking into account the Group's current sales levels and past experience of the level of repairs. As the Group is continually upgrading its product designs and launching new products, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

Write-down of inventories to net realizable value

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realizable value and makes provision against obsolete and slow-moving items by using the lower of cost and net realizable value rule. The assessment of the write-down required involves management's judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed. As at December 31, 2019, 2020 and 2021, the carrying amount of inventory was RMB219,409,000, RMB198,766,000 and RMB258,739,000, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has five reportable operating segments as follows:

- (a) Production and sale of personal student tablets;
- (b) Production and sale of smart classroom solutions;
- (c) Production and sale of wearable products;

- (d) Production and sale of other products; and
- (e) Advertisement and content licensing.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment result is evaluated based on gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Year ended December 31, 2019					Total RMB'000
	Personal student tablets RMB'000	Smart classroom solutions RMB'000	Wearable products RMB'000	Other products RMB'000	Advertisement and content licensing RMB'000	
Segment revenue (note 5)						
Sales to external customers	541,494	8,163	111,778	5,987	2,431	669,853
Segment results	152,626	2,415	15,877	1,393	2,072	174,383
Reconciliation:						
Other income and gains						30,623
Selling and distribution expenses						(63,490)
Administrative expenses						(20,203)
Research and development expenses						(36,428)
Other expenses						(7,752)
Finance costs						(1,227)
Profit before tax						<u>75,906</u>

	Year ended December 31, 2020					Total RMB'000
	Personal student tablets RMB'000	Smart classroom solutions RMB'000	Wearable products RMB'000	Other products RMB'000	Advertisement and content licensing RMB'000	
Segment revenue (note 5)						
Sales to external customers	664,928	22,293	31,664	2,144	12,968	733,997
Segment results	182,968	4,102	3,446	3	11,193	201,712
Reconciliation:						
Other income and gains						42,741
Selling and distribution expenses						(74,163)
Administrative expenses						(21,865)
Research and development expenses						(30,211)
Other expenses						(15,067)
Finance costs						(359)
Profit before tax						<u>102,788</u>

	Year ended December 31, 2021					Total RMB'000
	Personal student tablets RMB'000	Smart classroom solutions RMB'000	Wearable products RMB'000	Other products RMB'000	Advertisement and content licensing RMB'000	
Segment revenue (note 5)						
Sales to external customers	705,023	23,579	53,695	17,918	12,966	813,181
Segment results	140,673	4,662	7,884	5,432	10,521	169,172
Reconciliation:						
Other income and gains						60,098
Selling and distribution expenses						(73,060)
Administrative expenses						(44,008)
Research and development expenses						(43,870)
Other expenses						(22,867)
Finance costs						(88)
Changes in fair value of financial liabilities at fair value through profit or loss						26,649
Profit before tax						72,026

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from goods or services provided to a single customer amounted to 10% or more of the total revenue of the years ended December 31, 2019 and 2020.

Revenue from continuing operations of approximately RMB81,567,000 for the year ended December 31, 2021 were derived from sales to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Revenue from contracts with customers			
Devices	448,321	550,702	571,626
Digital educational resources and services	93,173	114,226	133,397
Personal student tablets	541,494	664,928	705,023
Devices	7,249	20,419	19,300
Digital educational resources and services	914	1,874	4,279
Smart classroom solutions	8,163	22,293	23,579
Wearable products	111,778	31,664	53,695
Other products	5,987	2,144	17,918
Advertisement and content licensing	2,431	12,968	12,966
	669,853	733,997	813,181

(a) Disaggregated revenue information

	Year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods			
Devices	455,570	571,121	590,926
Wearable products	111,778	31,664	53,695
Other products	5,987	2,144	17,918
	<u>573,335</u>	<u>604,929</u>	<u>662,539</u>
Provision of services			
Digital educational resources and services	94,087	116,100	137,676
Advertisement and content licensing	2,431	12,968	12,966
	<u>96,518</u>	<u>129,068</u>	<u>150,642</u>
Total revenue from contracts with customers	<u>669,853</u>	<u>733,997</u>	<u>813,181</u>
Timing of revenue recognition			
Goods transferred at a point in time	573,335	604,929	662,539
Services transferred at a point in time	5,365	14,451	14,361
Services transferred over time	91,153	114,617	136,281
	<u>669,853</u>	<u>733,997</u>	<u>813,181</u>

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of devices, wearable products and other products

The performance obligation is satisfied upon acceptance of the goods by the customers and payment is generally due within 30 days from delivery, except for direct sales to end users where payment in advance is normally required. Some contracts with the distributors contain terms for sales rebates which give rise to variable consideration subject to constraint.

Digital educational resources and services

The performance obligation is satisfied over time as services are rendered and payment is generally made upfront together with the sale of the devices.

Advertisement

The performance obligation is satisfied when the services are rendered and the consideration is based on an agreed unit price and the volume of clicks or downloads. The payment is made on monthly basis when the monthly statement is received and confirmed.

Content licensing

The performance obligation is satisfied at a point in time when the control of digital educational resources is transferred to the customer but revenue is only determinable when the monthly statement is issued and confirmed.

(c) Disaggregated revenue information

The Group recognized the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at December 31, 2019, 2020 and 2021 and were expected to be recognized:

	December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognized as revenue:			
Within one year	97,243	118,530	119,243
After one year	31,158	37,728	39,720
	<u>128,401</u>	<u>156,258</u>	<u>158,963</u>
Total contract liabilities	<u>128,401</u>	<u>156,258</u>	<u>158,963</u>

Digital educational resources and services are sold bundled with devices for which considerations from customers are normally paid when devices are delivered. Revenue from digital educational resources and services is recognized on straight-line basis over the estimated user life.

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained.

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in contract liabilities at the beginning of the year:			
Devices	2,248	15,623	16,647
Digital educational resources and services	67,824	81,620	101,883
	<u>70,072</u>	<u>97,243</u>	<u>118,530</u>

An analysis of other income and gains is as follows:

		Year ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains				
Sales of raw materials and accessory parts		5,851	10,249	20,739
Rental income on investment properties and equipment		2,534	2,530	2,308
Bank interest income		1,096	3,167	3,335
Investment income from structured deposit		–	1,189	2,266
Repair and maintenance service income		845	8,086	9,189
Government grants	<i>(a)</i>	11,734	4,747	7,278
Value added tax refund		8,373	9,901	11,452
Trademark licensing income		–	2,590	2,904
Finance income on the net investment in a lease		–	43	99
Others		190	239	528
		<u>30,623</u>	<u>42,741</u>	<u>60,098</u>

- (a) Government grants represent the subsidies compensated for the incurred expenses arising from research and development activities, which are recognized as other income when the incurred operating expenses fulfilled the conditions attached. There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognized. The amount for the year ended December 31, 2019 included income released from deferred income amounted to RMB817,000 which has fulfilled the conditions in the year.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
Cost of devices, wearable products and other products*		459,786	489,955	595,540
Cost of digital educational resources and services*		35,324	40,555	45,503
Cost of advertisement and content licensing*		360	1,775	2,445
Research and development expenses		36,428	30,211	43,870
Employee benefit expense (excluding directors' and chief executive officer's remuneration) (note 8):				
Wages and salaries		24,423	30,316	34,476
Pension scheme contributions, social welfare and other welfare		6,518	3,209	8,829
		<u>30,941</u>	<u>33,525</u>	<u>43,305</u>
Depreciation of property, plant and equipment	13	4,351	4,046	4,125
Depreciation of investment properties	14	386	386	386
Depreciation of right-of-use assets	15(a)	162	628	981
Amortization of other intangible asset**	16	4,659	5,114	10,714
Lease payment not included in the measurement of lease liabilities	15(c)	44	88	67
COVID-19-related rent concessions from lessors	15(b)	–	(62)	–
Impairment/(reversal of impairment) of financial assets***	19	(243)	276	429
Write-down/(reversal of write-down) of inventories to net realizable value****		3,148	(4,626)	1,189
Net foreign exchange differences		–	–	1,814
Listing expenses		–	–	21,506
Auditor's remuneration		38	62	–
Product warranty provision*****	25(i)	18,171	20,780	16,264
Net losses on disposal of items of property, plant and equipment		477	122	(90)
Changes in fair value of financial liabilities at fair value through profit or loss	27	–	–	(26,649)

* These types of costs include expenses relating to depreciation of property, plant and equipment, amortisation of copyrights, write-down or reversal of write-down of inventories and staff costs which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Included in cost of sales and administrative expenses in profit or loss during the Relevant Periods.

*** Included in administrative expenses in profit or loss.

**** Included in cost of sales in profit or loss.

***** Included in selling and distribution expenses in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	1,157	288	–
Interest on lease liabilities	42	71	88
Interest on an amount due to a shareholder	28	–	–
	1,227	359	88
	1,227	359	88

8. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

Mr. Qin Shuguang were appointed as chief executive officer and executive director of the Company on February 8, 2021. On April 13, 2021, Mr. Chen Zhiyong was appointed as non-executive director of the Company. On April 13, 2021, Ms. Liu Zhilan, Mr. Chen Jiafeng and Mr. Deng Denghui were appointed as the executive directors of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or senior management of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended December 31,		
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	1,942	1,723	1,755
Pension scheme contributions	44	22	74
	1,986	1,745	1,829
	1,986	1,745	1,829

(a) Independent non-executive directors

Mr. Li Xinshou, Ms. Kong Fanhua and Prof. Li Renfa were appointed as independent non-executive directors of the Company on June 21, 2022. There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and a non-executive director

Year ended December 31, 2019

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:				
Mr. Qin Shuguang	–	517	15	532
Ms. Liu Zhilan	–	477	12	489
Mr. Chen Jiafeng	–	477	7	484
Mr. Deng Denghui	–	471	10	481
	–	1,942	44	1,986
Non-executive director:				
Mr. Chen Zhiyong	–	–	–	–
	–	1,942	44	1,986

Year ended December 31, 2020

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive director:				
Mr. Qin Shuguang	–	463	2	465
Ms. Liu Zhilan	–	412	11	423
Mr. Chen Jiafeng	–	427	2	429
Mr. Deng Denghui	–	421	7	428
	–	1,723	22	1,745
Non-executive director:				
Mr. Chen Zhiyong	–	–	–	–
	–	1,723	22	1,745

Year ended December 31, 2021

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive director:				
Mr. Qin Shuguang	–	479	17	496
Ms. Liu Zhilan	–	421	27	448
Mr. Chen Jiafeng	–	412	9	421
Mr. Deng Denghui	–	443	13	456
Non-executive director:				
Mr. Chen Zhiyong	–	–	8	8
	–	1,755	74	1,829

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2019, 2020 and 2021 included 2, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3, 2 and 2 highest paid employees, who are not a director nor chief executive officer of the Group during the years ended December 31, 2019, 2020 and 2021 respectively, are as follows:

	Year ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,487	936	1,000
Pension scheme contributions	26	11	27
	<u>1,513</u>	<u>947</u>	<u>1,027</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended December 31,		
	2019	2020	2021
Nil to RMB1,000,000	<u>3</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group. None of the five highest paid employees waived any remuneration during the Relevant Periods.

10. INCOME TAX (EXPENSE)/CREDIT

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, it is not subject to income tax from businesses carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

All of the Group's subsidiaries registered in the PRC and have operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% for the Relevant Periods.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries Readboy Technology, is qualified as a high and new technology enterprise and thus was entitled to a preferential tax rate of 15% for the Relevant Periods.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, two of the Group's subsidiaries Zhuhai Readboy and Zhuhai Technology, are entitled to an exemption from CIT for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the CIT rate for the following three years. Therefore, for Zhuhai Readboy, it was entitled to income tax exemption in 2018 and a preferential tax rate of 12.5% in 2019, 2020 and 2021. For Zhuhai Technology, it was entitled to income tax exemption in 2021.

CIT of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major components of income tax expense of the Group are as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Current income tax – Mainland China	9,744	14,145	297
Deferred (<i>note 17</i>)	(3,273)	(3,370)	(10,417)
	<u> </u>	<u> </u>	<u> </u>
Total tax charge /(credit) for the year	<u>6,471</u>	<u>10,775</u>	<u>(10,120)</u>

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>75,906</u>	<u>102,788</u>	<u>72,026</u>
Tax at the statutory tax rate of 25%	18,977	25,697	18,007
Lower tax rates for specific provinces or enacted by local authority	(8,742)	(11,999)	(23,629)
Expenses not deductible for tax	262	283	153
Research and development super deduction	(4,026)	(3,370)	(4,902)
Tax losses not recognized	<u>–</u>	<u>164</u>	<u>251</u>
	<u> </u>	<u> </u>	<u> </u>
Tax charge/(credit) at the Group's effective rate	<u>6,471</u>	<u>10,775</u>	<u>(10,120)</u>

11. DIVIDEND

No dividend has been declared and paid by the Company during the Relevant Periods. Readboy Technology, a subsidiary of the Group, declared a dividend of RMB160,000,000 to the then equity holders on November 10, 2020.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profits for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000 in issue during the year ended 31 December 2021. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,		
	2019	2020	2021
Earnings:			
Profits attributable to ordinary equity holders of the Company (RMB'000)	69,435	92,013	82,146
Changes in fair value of financial liabilities at fair value through profit or loss (RMB'000)	<u>N/A</u>	<u>N/A</u>	<u>26,649</u>

	Year ended December 31,		
	2019	2020	2021
Shares:			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (<i>Note 1</i>)	990,375	1,066,916	1,000,000
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>990,375</u>	<u>1,066,916</u>	<u>1,051,987</u>

Note:

- (1) The basic earnings per share calculation does not include the 67,288 ordinary shares with redemption right issued on March 24, 2021.

13. PROPERTY, PLANT AND EQUIPMENT

December 31, 2019

	Buildings	Plant and machinery	Motor vehicles	Electronic equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2019:						
Cost	39,397	12,658	770	12,752	1,233	66,810
Accumulated depreciation	<u>(3,090)</u>	<u>(4,328)</u>	<u>(169)</u>	<u>(4,915)</u>	<u>–</u>	<u>(12,502)</u>
Net carrying amount	<u>36,307</u>	<u>8,330</u>	<u>601</u>	<u>7,837</u>	<u>1,233</u>	<u>54,308</u>
At January 1, 2019, net of accumulated depreciation	36,307	8,330	601	7,837	1,233	54,308
Additions	–	1,355	–	1,275	929	3,559
Disposals	–	(1,183)	–	(340)	–	(1,523)
Depreciation provided during the year	(969)	(1,285)	(146)	(1,951)	–	(4,351)
Transfers	–	1,233	–	–	(1,233)	–
At December 31, 2019, net of accumulated depreciation	<u>35,338</u>	<u>8,450</u>	<u>455</u>	<u>6,821</u>	<u>929</u>	<u>51,993</u>
At December 31, 2019:						
Cost	39,397	13,535	770	11,577	929	66,208
Accumulated depreciation	<u>(4,059)</u>	<u>(5,085)</u>	<u>(315)</u>	<u>(4,756)</u>	<u>–</u>	<u>(14,215)</u>
Net carrying amount	<u>35,338</u>	<u>8,450</u>	<u>455</u>	<u>6,821</u>	<u>929</u>	<u>51,993</u>

December 31, 2020

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2020:						
Cost	39,397	13,535	770	11,577	929	66,208
Accumulated depreciation	(4,059)	(5,085)	(315)	(4,756)	–	(14,215)
Net carrying amount	<u>35,338</u>	<u>8,450</u>	<u>455</u>	<u>6,821</u>	<u>929</u>	<u>51,993</u>
At January 1, 2020, net of accumulated depreciation	35,338	8,450	455	6,821	929	51,993
Additions	–	1,916	–	653	–	2,569
Disposals	–	–	–	(122)	–	(122)
Depreciation provided during the year	(969)	(1,332)	(146)	(1,599)	–	(4,046)
Transfers	–	541	–	388	(929)	–
At December 31, 2020, net of accumulated depreciation	<u>34,369</u>	<u>9,575</u>	<u>309</u>	<u>6,141</u>	<u>–</u>	<u>50,394</u>
At December 31, 2020:						
Cost	39,397	15,992	770	12,420	–	68,579
Accumulated depreciation	(5,028)	(6,417)	(461)	(6,279)	–	(18,185)
Net carrying amount	<u>34,369</u>	<u>9,575</u>	<u>309</u>	<u>6,141</u>	<u>–</u>	<u>50,394</u>

December 31, 2021

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021:					
Cost	39,397	15,992	770	12,420	68,579
Accumulated depreciation	(5,028)	(6,417)	(461)	(6,279)	(18,185)
Net carrying amount	<u>34,369</u>	<u>9,575</u>	<u>309</u>	<u>6,141</u>	<u>50,394</u>
At January 1, 2021, net of accumulated depreciation	34,369	9,575	309	6,141	50,394
Additions	–	1,414	–	1,588	3,002
Disposals	–	(799)	–	(19)	(818)
Depreciation provided during the year	(969)	(1,443)	(122)	(1,591)	(4,125)
At December 31, 2021, net of accumulated depreciation	<u>33,400</u>	<u>8,747</u>	<u>187</u>	<u>6,119</u>	<u>48,453</u>
At December 31, 2021:					
Cost	39,397	13,957	770	13,863	67,987
Accumulated depreciation	(5,997)	(5,210)	(583)	(7,744)	(19,534)
Net carrying amount	<u>33,400</u>	<u>8,747</u>	<u>187</u>	<u>6,119</u>	<u>48,453</u>

The buildings of the Group located in Huanggang city, Hubei Province, the PRC and Zhongshan city, Guangdong Province, the PRC. As at December 31, 2019, 2020 and 2021, certificate of ownership in respect of a building of the Group located in Huanggang city with total net carrying amounts of approximately RMB7,751,000, RMB7,506,000 and RMB7,261,000, respectively, have not yet been issued by the relevant PRC authorities. Up to the date of this report, the Group was still in the process of obtaining the certificate.

14. INVESTMENT PROPERTIES

	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at January 1,	14,764	14,378	13,992
Depreciation provided during the year	(386)	(386)	(386)
	<u>14,378</u>	<u>13,992</u>	<u>13,606</u>
Carrying amount at December 31,	<u>14,378</u>	<u>13,992</u>	<u>13,606</u>
Cost	16,261	16,261	16,261
Accumulated depreciation	(1,883)	(2,269)	(2,655)
	<u>14,378</u>	<u>13,992</u>	<u>13,606</u>
Net carrying amount at December 31,	<u>14,378</u>	<u>13,992</u>	<u>13,606</u>

As at December 31, 2019, 2020 and 2021, the fair values of the investment properties were estimated to be approximately RMB24,280,000, RMB24,670,000 and RMB24,450,000, respectively.

The valuation was performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was determined using the income approach and the discounted cash flow method. The most significant input into this valuation approach is estimated rental value, rental growth, vacancy rate and discount rate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

The Group's investment properties located in Wuhan city, Hubei Province, the PRC and Zhongshan city, Guangdong Province, the PRC were leased to third parties during the Relevant Periods. Details of the lease arrangements are set out in note 15 to the Historical Financial Information.

15. LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Office premises			
As at January 1,	824	1,769	1,141
Additions	1,107	–	2,943
Depreciation charged during the year	(162)	(628)	(981)
	<u>1,769</u>	<u>1,141</u>	<u>3,103</u>
As at December 31,	<u>1,769</u>	<u>1,141</u>	<u>3,103</u>

The Group has lease contracts for various items of office premises. Leases of office premises generally have lease terms between 2 and 8 years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Office premises			
Carrying amount at January 1,	983	1,876	1,329
New leases	1,107	–	2,943
Accretion of interest recognized during the year	42	71	88
COVID-19-related rent concessions from lessors	–	(62)	–
Payments	(256)	(556)	(1,107)
	<u>1,876</u>	<u>1,329</u>	<u>3,253</u>
Carrying amount at December 31,	<u>1,876</u>	<u>1,329</u>	<u>3,253</u>
Analyzed into:			
Current	642	773	1,318
Non-current	1,234	556	1,935
	<u>1,234</u>	<u>556</u>	<u>1,935</u>

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	As at December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses)	44	88	67
Depreciation charge of right-of-use assets	162	628	981
Interest expense on lease liabilities	42	71	88
COVID-19-related rent concessions from lessors	–	(62)	–
	<u>248</u>	<u>725</u>	<u>1,136</u>

The Group as a lessor

The Group leases certain of its building units and equipment under operating lease arrangements. Leases for buildings and equipment were negotiated for terms of one to eight years. On December 31, 2021, the lease contract in Wuhan city was terminated in advance due to the lessee's own business reasons. Rental income recognized by the Group during the years ended December 31, 2019, 2020 and 2021 was RMB2,534,000 and RMB2,530,000 and RMB2,308,000 respectively, details of which are included in note 5 to the Historical Financial Information.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,690	1,951	2,253
After one year but within two years	1,397	1,494	1,409
After two years but within three years	1,494	1,599	1,443
After three years but within four years	1,599	1,711	1,454
After four years but within five years	1,711	1,831	1,465
After five years	1,831	–	733
	<u>10,722</u>	<u>8,586</u>	<u>8,757</u>

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Copyrights RMB'000	Total RMB'000
December 31, 2019			
At January 1, 2019:			
Cost	126	12,704	12,830
Accumulated amortization	(21)	(7,517)	(7,538)
Net carrying amount	<u>105</u>	<u>5,187</u>	<u>5,292</u>
At January 1, 2019, net of accumulated amortization			
	105	5,187	5,292
Additions	–	6,591	6,591
Amortization provided during the year	(25)	(4,634)	(4,659)
At December 31, 2019, net of accumulated amortization	<u>80</u>	<u>7,144</u>	<u>7,224</u>
At December 31, 2019:			
Cost	126	19,295	19,421
Accumulated amortization	(46)	(12,151)	(12,197)
Net carrying amount	<u>80</u>	<u>7,144</u>	<u>7,224</u>
December 31, 2020			
At January 1, 2020:			
Cost	126	19,295	19,421
Accumulated amortization	(46)	(12,151)	(12,197)
Net carrying amount	<u>80</u>	<u>7,144</u>	<u>7,224</u>
At January 1, 2020, net of accumulated amortization			
	80	7,144	7,224
Additions	508	2,566	3,074
Amortization provided during the year	(89)	(5,025)	(5,114)
At December 31, 2020, net of accumulated amortization	<u>499</u>	<u>4,685</u>	<u>5,184</u>
At December 31, 2020:			
Cost	634	21,861	22,495
Accumulated amortization	(135)	(17,176)	(17,311)
Net carrying amount	<u>499</u>	<u>4,685</u>	<u>5,184</u>

	Software RMB'000	Copyrights RMB'000	Total RMB'000
December 31, 2021			
At January 1, 2021:			
Cost	634	21,861	22,495
Accumulated amortization	(135)	(17,176)	(17,311)
Net carrying amount	<u>499</u>	<u>4,685</u>	<u>5,184</u>
At January 1, 2021, net of accumulated amortization			
	499	4,685	5,184
Additions	2,628	8,976	11,604
Amortization provided during the year	(1,209)	(9,505)	(10,714)
At December 31, 2021, net of accumulated amortization	<u>1,918</u>	<u>4,156</u>	<u>6,074</u>
At December 31, 2021:			
Cost	3,262	30,837	34,099
Accumulated amortization	(1,344)	(26,681)	(28,025)
Net carrying amount	<u>1,918</u>	<u>4,156</u>	<u>6,074</u>

17. DEFERRED TAX ASSETS

The movements in deferred tax assets during the years ended December 31, 2019, 2020 and 2021 are as follows:

	Contract liabilities RMB'000	Impairment of assets RMB'000	Tax losses RMB'000	Accrued expense RMB'000	Total RMB'000
At January 1, 2019	14,080	1,408	–	–	15,488
Deferred tax credited to the statement of profit or loss during the year	<u>2,837</u>	<u>436</u>	<u>–</u>	<u>–</u>	<u>3,273</u>
At December 31, 2019 and at January 1, 2020	16,917	1,844	–	–	18,761
Deferred tax credited/(charged) to the statement of profit or loss during the year	<u>4,025</u>	<u>(655)</u>	<u>–</u>	<u>–</u>	<u>3,370</u>
At December 31, 2020 and at January 1, 2021	20,942	1,189	–	–	22,131
Deferred tax credited to the statement of profit or loss during the year	<u>2,903</u>	<u>168</u>	<u>7,027</u>	<u>319</u>	<u>10,417</u>
Deferred tax assets at December 31, 2021	<u>23,845</u>	<u>1,357</u>	<u>7,027</u>	<u>319</u>	<u>32,548</u>

As at December 31, 2020 and 2021, the Group has tax losses arising in Mainland China of RMB655,000 and RMB1,005,000, respectively that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available in the foreseeable future against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after August 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

As at December 31, 2019, 2020 and 2021, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at December 31, 2019, 2020 and 2021, the aggregate amounts of temporary differences associated with the unremitted earnings of subsidiaries in the PRC for which deferred tax liabilities have not been recognized were approximately RMB99,480,000, RMB22,013,000 and RMB81,786,000, respectively.

18. INVENTORIES

	As at December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	112,781	133,737	175,970
Finished goods	57,589	36,274	54,623
Work in progress	23,792	24,385	14,966
Goods in transit	25,247	4,370	12,660
	<u>219,409</u>	<u>198,766</u>	<u>258,219</u>

19. TRADE RECEIVABLES

	As at December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	17,049	23,926	48,340
Impairment	(84)	(360)	(789)
	<u>16,965</u>	<u>23,566</u>	<u>47,551</u>

The Group granted credit period to its customers (other than direct sales to end users). The credit period is generally one month. The Group granted extended credit terms for several distributors during 2021 to explore new business initiatives and potential monetization opportunities. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by customer service department. In view of the fore-mentioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at December 31, 2019, 2020 and 2021, based on the invoice date and net of loss allowance, is as follows:

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Within 30 days	8,182	11,558	19,552
31 to 180 days	8,313	11,290	27,125
181 to 365 days	470	718	874
	<u>16,965</u>	<u>23,566</u>	<u>47,551</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2020 RMB'000	2021 RMB'000
At beginning of year	327	84	360
Impairment losses, net (<i>note 6</i>)	<u>(243)</u>	<u>276</u>	<u>429</u>
At end of year	<u>84</u>	<u>360</u>	<u>789</u>

An impairment analysis is performed at December 31, 2019, 2020 and 2021 using a provision matrix to measure ECLs of trade receivables.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at December 31, 2019		
	Expected credit loss rate RMB'000	Gross carrying amount RMB'000	ECLs RMB'000
Within 30 days	0.01%	8,183	1
31-180 days	0.06%	8,318	5
181 to 365 days	7.66%	509	39
Over 1 year	100.00%	39	39
		<u>17,049</u>	<u>84</u>

	As at December 31, 2020		
	Expected credit loss rate RMB'000	Gross carrying amount RMB'000	ECLs RMB'000
Within 30 days	0.01%	11,559	1
31-180 days	0.06%	11,297	7
181 to 365 days	4.52%	752	34
Over 1 year	100.00%	318	318
		<u>23,926</u>	<u>360</u>

	As at December 31, 2021		
	Expected	Gross carrying	ECLs
	credit loss rate	amount	
	RMB'000	RMB'000	RMB'000
Within 30 days	0.83%	19,715	163
31-180 days	1.09%	27,424	299
181 to 365 days	6.22%	932	58
Over 1 year	100.00%	269	269
		<u>48,340</u>	<u>789</u>

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	Notes	As at December 31,		
		2019	2020	2021
		RMB'000	RMB'000	RMB'000
Prepayments	(a)	13,018	34,194	9,631
Prepaid listing expenses		–	–	6,584
Deposits and other receivables		8,362	12,359	30,409
Long-term receivables within one year	21	–	941	921
Net investment in a lease – current	21	–	716	610
		<u>21,380</u>	<u>48,210</u>	<u>48,155</u>

Note:

- (a) Prepayments mainly represent the payments made to certain of the raw material suppliers pursuant to the procurement agreements, advanced payment for the advertising agreements and other technology services agreements.

The Company

	As at December 31 2021 RMB'000
Prepaid listing expenses	<u>3,911</u>

As at December 31, 2019, 2020 and 2021, financial assets included in prepayments, other receivables and other assets above were categorized in stage 1 for measurement of ECLs. As no comparable companies with credit ratings can be identified, ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. These financial assets included in the above balances relate to receivables for which there was no recent history of default and which were neither past due nor impaired. As at the end of each of the Relevant Periods, the loss allowance was assessed to be insignificant.

Except for net investment in a lease, the financial assets included in prepayments, other receivables and other assets above are interest-free and are not secured with collateral.

21. OTHER NON-CURRENT ASSETS

	Notes	As at December 31,		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
Prepaid advertisement fee		3,867	227	–
Long-term receivables	(1)	–	1,420	535
Net investment in a lease	(2)	–	1,863	1,318
		<u>3,867</u>	<u>3,510</u>	<u>1,853</u>

Notes:

- (1) Long term receivables represented the present value of receivables from trademark licensing income and the finance income is recognized in other income and gains based on a constant periodic rate of return at 4.75%.
- (2) The Group entered into a finance lease arrangement for smart classroom solutions, pursuant to which, the Group has transferred substantially all the significant risks and rewards of the products. The net investment in a lease represented the present value of the lease payments and the finance income on the net investment is recognized in other income and gains based on a constant periodic rate of return at 4.75%.

22. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT

The Group

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Cash and bank balances	133,366	253,318	333,340
Time deposit	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	153,366	273,318	353,340
Less: Time deposit	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Cash and cash equivalents	<u>133,366</u>	<u>253,318</u>	<u>333,340</u>
Denominated in:			
RMB	133,366	253,318	270,765
USD	–	–	62,472
HKD	–	–	103
Cash and cash equivalents	<u>133,366</u>	<u>253,318</u>	<u>333,340</u>

The Company

	As at December 31 2021 RMB'000
Cash and bank balances	63,038
Denominated in:	
RMB	463
USD	62,472
HKD	103
Cash and cash equivalents	<u>63,038</u>

As at December 31, 2019, 2020 and 2021, the provisions for impairment of cash and cash equivalents were assessed to be immaterial based on 12-month ECLs.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Time deposit is made for three years with maturity date of June 21, 2022 and bearing interest of 4.18% per annum. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

23. INVESTMENT IN A SUBSIDIARY**The Company**

	As at December 31 2021 RMB'000
Unlisted shares, at cost	<u>—*</u>

* Less than RMB1,000

Particulars of the subsidiary of the Company are set out in note 1 to the Historical Financial Information.

24. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of within 90 days.

An aging analysis of the trade payables as at December 31, 2019, 2020 and 2021, based on the invoice date, is as follows:

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Within 90 days	84,723	91,214	56,849
91-180 days	378	5,753	11,344
181-365 days	—	239	106
	<u>85,101</u>	<u>97,206</u>	<u>68,299</u>

25. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Contract liabilities – current	97,243	118,530	119,243
Payables for salary and welfare	25,633	22,201	20,385
Payables for services	5,071	1,661	4,242
Accruals for sales rebates	3,221	1,453	1,536
Other tax payables	4,377	35,792	36,202
Product warranty provision (i)	7,389	7,241	8,019
Payable for listing expenses	–	–	4,125
Others	2,485	3,647	3,996
	<u>145,419</u>	<u>190,525</u>	<u>197,748</u>
Contract liabilities – non-current	<u>31,158</u>	<u>37,728</u>	<u>39,720</u>

Contract liabilities represent advances received from customers for sale of devices and provision of digital educational resources and services.

Other payables and accruals are unsecured, non-interest-bearing and expected to be settled within 12 months.

(i) Product warranty provision

	RMB'000
At January 1, 2019	7,090
Additional provision	18,171
Amounts utilized during the year	<u>(17,872)</u>
At December 31, 2019 and at January 1, 2020	7,389
Additional provision	20,780
Amounts utilized during the year	<u>(20,928)</u>
At December 31, 2020 and at January 1, 2021	7,241
Additional provision	16,264
Amounts utilized during the year	<u>(15,486)</u>
At December 31, 2021	<u>8,019</u>

The Group provides one-year warranties to the end users on devices for general repairs of defects occurring during the warranty period. The amount of the warranty provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. INTEREST-BEARING BANK BORROWINGS

	As at December 31, 2019		RMB'000
	Effective interest rate (%)	Maturity	
Current			
Bank loans – secured	4.84%	2020	10,000

All of the Group's bank loans were denominated in RMB.

The Group's bank loans were secured by certificates of deposits by Mr. Qin Shuguang, in amounts of RMB12,000,000 as at December 31, 2019. The guarantees provided by Mr. Qin Shuguang were fully released in August 2020.

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On March 24, 2021, the Company issued and allotted 67,288 shares of a par value of HKD\$0.001 each to three Pre-IPO investors, Glorious Achievement Investments Limited (“Glorious Achievement”), Golden Genius International Limited (“Golden Genius”), and Mr. Cheng Yangshi at a consideration of US\$22,731,000 (equivalent to RMB147,014,000).

The investors were granted a redemption right which was set out as follows:

Redemption

The Pre-IPO investors have the right to mandate the Company to repurchase all its shareholding interests in the Company at an annual interest rate of 8% (simple interest) if no qualified IPO (i.e. our Company’s initial public offering of the Shares and listing on a renowned securities exchange within or outside PRC) within three years after March 23, 2021, being the completion date of the share purchase agreement.

The investment was classified as financial liabilities and designated upon initial recognition as fair value through profit or loss. The movement during the Relevant Periods were as follows.

	<i>RMB'000</i>
As at February 8, 2021 (date of incorporation)	–
Issue of ordinary shares with redemption right	147,014
Changes in fair value	(26,649)
	<hr/>
As at December 31, 2021	<u>120,365</u>

The Company has used the Backsolve Method to determine the underlying share value of the Company and adopted the equity allocation model to determine the fair value of the shares as at December 31, 2021.

	As at December 31, 2021
Significant unobservable inputs	
Risk-free interest rate	0.78%
Volatility	46.85%

Key assumptions are set out as follow:

The Group estimated the risk-free interest rate based on the yield of the United States Treasury Active Curve denominated in USD with a maturity life equal to the expected terms as of the valuation date. Volatility was estimated based on daily stock prices of the comparable company for a period with length commensurate to the expected terms.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities recognized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the year ended 31 December 2021:

	Increase/(decrease) in the inputs	(Decrease)/increase in the fair value
Significant unobservable inputs		As at December 31, 2021 RMB'000
Volatility	1%/(1%)	(7)/6

28. SHARE CAPITAL

	As at December 31, 2021 HK\$'000
Authorized:	
380,000,000 ordinary shares of HK\$0.001 each	380
Issued but credit fully paid:	
1,067,288 ordinary shares of HK\$0.001 each	1

The movement in the Company's share capital during the Relevant Periods is as follows:

	<i>Notes</i>	Number of shares in issue RMB'000	As at December 31, 2021
At 8 February 2021 (date of incorporation)		1,000,000	1
New shares issued on 24 March 2021	(1)	67,288	–
At December 31, 2021		1,067,288	1

Note:

- (1) 67,288 new shares issued on 24 March 2021, as aforementioned in note 27 to the FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on February 8, 2021 with authorized share capital of HK\$380,000 divided into 380,000,000 shares with par value of HK\$0.001 per share. At the time of incorporation, the issued share capital of the Company was HK\$0.001, with one share of HK\$0.001 and held by Charlotte Cloete, an independent third party for a consideration at par value. On the same date, the said one share was transferred to Eminent Future Holdings Limited, and an aggregate of 999,999 shares with par value of HK\$0.001 per share were allotted and issued to (i) Chance High Developments Limited, (ii) Driving Force Global Limited, (iii) Eminent Future Holdings Limited, (iv) Excellent Zone Holdings Limited, (v) Rapid Gains Developments Limited, (vi) Robbinsville Limited, (vii) Sky Focus Holdings Limited, (viii) Trade Honour Holdings Limited, (ix) Glorious Achievement Investments Limited, (x) Golden Genius International Limited, and (xi) Mr. Cheng Yangshi. On March 24, 2021, 44,403, 18,308 and 4,577 shares with par value of HK\$0.001 per share were allotted and issued to Glorious Achievement, Golden Genius and Mr. Cheng Yangshi, respectively.

Save for the aforesaid and the Reorganization, the Company has not conducted any business during the Relevant Periods.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

Merger reserve

The merger reserve of the Group represents (i) the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries and (ii) the waiver of an amount due to a shareholder.

Statutory reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital.

30. CONTINGENT LIABILITIES

As at December 31, 2019, 2020 and 2021, the Group did not have any significant contingent liabilities.

31. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Contracted, but not provided for:			
Copyrights	–	3,000	–
Plant and machinery	541	–	–
	<u>541</u>	<u>–</u>	<u>–</u>
	<u>541</u>	<u>3,000</u>	<u>–</u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

During the years ended December 31, 2019, interest on an amount due to a shareholder amounting to RMB28,000 was waived and credited to the capital reserve account as a capital contribution from the shareholder as instructed by the shareholder for the year ended, respectively.

During the years ended December 31, 2019 and 2021, the Group had non-cash additions to both right-of-use and lease liabilities of approximately RMB1,107,000 and RMB2,943,000, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities**Year ended December 31, 2019**

	Interest payable RMB'000	Interest- bearing bank borrowings RMB'000	Amounts due to shareholders RMB'000	Lease Liabilities RMB'000
As at January 1, 2019	–	30,000	16,615	983
Changes from financing cash flows	(1,157)	(20,000)	(16,615)	(256)
New leases	–	–	–	1,107
Interest expenses charge to profit and loss	1,157	–	28	42
Waiver of interest on amounts due to a shareholder	–	–	(28)	–
	<u>–</u>	<u>–</u>	<u>(28)</u>	<u>–</u>
As at December 31, 2019	<u>–</u>	<u>10,000</u>	<u>–</u>	<u>1,876</u>

Year ended December 31, 2020

	Interest payable <i>RMB'000</i>	Interest- bearing bank borrowings <i>RMB'000</i>	Amounts due to shareholders <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
As at January 1, 2020	–	10,000	–	1,876
Changes from financing cash flows	(288)	(10,000)	–	(556)
COVID-19-related rent concessions from lessors	–	–	–	(62)
Dividend declared but not paid (net of tax)	–	–	128,000	–
Interest expenses charge to profit or loss	288	–	–	71
	<u>–</u>	<u>–</u>	<u>128,000</u>	<u>1,329</u>
As at December 31, 2020	<u>–</u>	<u>–</u>	<u>128,000</u>	<u>1,329</u>

Year ended December 31, 2021

	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Amounts due to shareholders <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
As at January 1, 2021	–	128,000	1,329
Changes from financing cash flows	147,014	(10,439)	(1,107)
New leases	–	–	2,943
Changes in fair value of financial liabilities at fair value through profit or loss	(26,649)	–	–
Interest expenses charge to profit or loss	–	–	88
	<u>120,365</u>	<u>117,561</u>	<u>3,253</u>
As at December 31, 2021	<u>120,365</u>	<u>117,561</u>	<u>3,253</u>

(c) Total cash outflow for leases

Total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended December 31,		
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within operating activities	44	88	67
Within financing activities	256	556	1,107
	<u>300</u>	<u>644</u>	<u>1,174</u>

33. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Zhuhai Dreamcatcher Network Technology Company Limited (“Zhuhai Dreamcatcher”)	A company owned as to 51.02% by Mr. Chen Zhiyong and the remaining 48.98% by Mr. Qin Shuguang
Mr. Chen Zhiyong	One of the controlling shareholders and non-executive director
Mr. Qin Shuguang	One of the controlling shareholders and executive director
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	One of the shareholders
Mr. Chen Jiafeng (陳家峰)	One of the shareholders and executive director
Mr. Shen Jianfei (沈劍飛)	One of the shareholders
Mr. Wu Jianhua (吳建華)	One of the shareholders
Ms. Liu Zhilan (劉志蘭)	One of the shareholders and executive director
Ms. Zhong Xiangling (鍾響鈴)	One of the shareholders

(b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from a related party			
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)			
(note (i))	—	—	3
	<u> </u>	<u> </u>	<u> </u>
Lease expense paid to a related party			
Zhuhai Dreamcatcher (note (ii))	123	128	339
	<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) The Group leased property to Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership) for office use.
- (ii) The Group leased properties from the Zhuhai Dreamcatcher for office use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of RMB707,000, RMB590,000 and RMB453,000 and lease liabilities of RMB765,000, RMB666,000 and RMB535,000 in respect to the leases were recognized in the consolidated statement of financial position as at December 31, 2019, 2020 and 2021, respectively. During the years ended December 31, 2019, 2020 and 2021, depreciation of right-of-use assets of RMB117,000, RMB117,000 and RMB113,000 and interest expense on the lease liabilities of RMB38,000, RMB33,000 and RMB28,000 was charged to profit or loss.

	Year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Repayment to a shareholder			
Mr. Qin Shuguang (<i>note (iii)</i>)	16,615	–	–
Waiver of interest on amounts due to a shareholder			
Mr. Qin Shuguang (<i>note (iii)</i>)	28	–	–
Dividends to shareholders			
Mr. Chen Zhiyong	–	68,527	–
Mr. Qin Shuguang	–	56,313	–
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	–	7,607	–
Mr. Chen Jiafeng	–	7,550	–
Mr. Shen Jianfei	–	6,403	–
Mr. Wu Jianhua	–	6,012	–
Ms. Liu Zhilan	–	3,794	–
Ms. Zhong Xiangling	–	3,794	–
	–	160,000	–

(iii) The amounts relate to the repayments for a loan from Mr. Qin Shuguang, which bears interests at 4.35% per annum and was repaid in full in 2019. The interest charges were waived by Mr. Qin Shuguang for the years ended December 31, 2019.

(c) **Guarantees provided by related parties**

During the Relevant Periods, Mr. Qin Shuguang provided guarantees for the Group's interest-bearing bank borrowings free of charge (*note 26*). The guarantees provided by Mr. Qin Shuguang were fully released in August 2020.

(d) **Outstanding balances with related parties**

Amounts due to shareholders

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Mr. Chen Zhiyong	–	54,821	49,138
Mr. Qin Shuguang	–	45,050	40,714
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	–	6,087	6,087
Mr. Chen Jiafeng	–	6,040	6,040
Mr. Shen Jianfei	–	5,122	5,122
Mr. Wu Jianhua	–	4,810	4,390
Ms. Liu Zhilan	–	3,035	3,035
Ms. Zhong Xiangling	–	3,035	3,035
	–	128,000	117,561

The outstanding non-trade balance due to shareholders are expected to be settled prior to listing.

(e) Compensation of key management personnel of the Group

	Year ended December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,736	2,544	2,676
Pension scheme contributions	77	48	123
	<u>2,813</u>	<u>2,592</u>	<u>2,799</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Financial assets at amortized cost			
Other non-current assets	–	3,283	1,853
Trade receivables	16,965	23,566	47,551
Financial assets included in prepayments, other receivables and other assets	1,286	4,450	7,203
Cash and cash equivalents	133,366	253,318	333,340
Time deposit	20,000	20,000	20,000
	<u>171,617</u>	<u>304,617</u>	<u>409,947</u>

The Company

	As at December 31, 2021 RMB'000
Financial assets at amortized cost	
Due from a subsidiary	66,734
Cash and cash equivalents	<u>63,038</u>
	<u>129,772</u>

The Group

	As at December 31,		
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial liabilities at amortized cost			
Trade payables	85,101	97,206	68,299
Financial liabilities included in other payables and accruals	18,166	14,002	21,918
Amounts due to shareholders	–	128,000	117,561
Lease liabilities	1,876	1,329	3,253
Interest-bearing bank borrowings	10,000	–	–
	<u>115,143</u>	<u>240,537</u>	<u>211,031</u>

The Group and the Company

	As at December 31, 2021 <i>RMB'000</i>
Financial liabilities at fair value through profit or loss	
Financial liabilities at fair value through profit or loss	<u>120,365</u>

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2019, 2020 and 2021 the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to shareholders and approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of other non-current assets and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

Assets or which fair values are disclosed:

The Group

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Time deposit	–	20,000	–	20,000
	<u>–</u>	<u>20,000</u>	<u>–</u>	<u>20,000</u>

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Time deposit	–	20,000	–	20,000
Other non-current assets	–	3,283	–	3,283
	<u>–</u>	<u>23,283</u>	<u>–</u>	<u>23,283</u>

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Time deposit	–	20,000	–	20,000
Other non-current assets	–	1,853	–	1,853
	<u>–</u>	<u>21,853</u>	<u>–</u>	<u>21,853</u>

Liabilities measured at fair value:

The Group and the Company

As at December 31, 2021

	Fair value measurement using			Total RMB'000		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000			
	Financial liabilities at fair value through profit or loss	–	–		120,365	120,365
		<u>–</u>	<u>–</u>		<u>120,365</u>	<u>120,365</u>

The changes in Level 3 instruments of financial liabilities at fair value through profit or loss and a summary of significant unobservable inputs to the valuation of these financial instruments for the year ended December 31, 2021 are presented in note 27 the Historical Financial Information.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, an amount due from a related party, other non-current assets, other payables and accruals, amounts due to shareholders, and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 26. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each of the Relevant Periods and the Group assumed that the amount outstanding at the end of each of the Relevant Periods was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB with all the variable held constant of the Group's profit before tax. This is mainly attributable to the Group's exposure to interest rates on its bank loans with variable rates.

	Increase/ (decrease) in basic points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	50	(6)

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors.

The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and cash equivalents

As of December 31, 2019, 2020 and 2021, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The expected credit loss is close to zero.

Financial assets included in prepayments, other receivables and other assets and other non-current assets

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2019, 2020 and 2021. The amounts presented are gross carrying amounts for financial assets.

The Group

	As at December 31, 2019				Total RMB'000
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach RMB'000	
Trade receivables	–	–	–	17,049	17,049
Financial assets included in prepayments, other receivables and other assets	1,286	–	–	–	1,286
Cash and cash equivalents					
– Not yet past due	133,366	–	–	–	133,366
Time deposit					
– Not yet past due	20,000	–	–	–	20,000
	<u>154,652</u>	<u>–</u>	<u>–</u>	<u>17,049</u>	<u>171,701</u>

	As at December 31, 2020					
	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	23,926	23,926	
Financial assets included in prepayments, other receivables and other assets	4,450	–	–	–	4,450	
Cash and cash equivalents						
– Not yet past due	253,318	–	–	–	253,318	
Time deposit						
– Not yet past due	20,000	–	–	–	20,000	
Other non-current assets						
– Not yet past due	3,283	–	–	–	3,283	
	<u>281,051</u>	<u>–</u>	<u>–</u>	<u>23,926</u>	<u>304,977</u>	

	As at December 31, 2021					
	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	48,340	48,340	
Financial assets included in prepayments, other receivables and other assets	7,203	–	–	–	7,203	
Cash and cash equivalents						
– Not yet past due	333,340	–	–	–	333,340	
Time deposit						
– Not yet past due	20,000	–	–	–	20,000	
Other non-current assets						
– Not yet past due	1,853	–	–	–	1,853	
	<u>362,396</u>	<u>–</u>	<u>–</u>	<u>48,340</u>	<u>410,736</u>	

The Company

	As at December 31, 2021					
	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due from a subsidiary						
– Not yet past due	66,734	–	–	–	66,734	
Cash and cash equivalents						
– Not yet past due	63,038	–	–	–	63,038	
	<u>129,772</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>129,772</u>	

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on contractual undiscounted payments, was as follows:

The Group

	As at December 31, 2019				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	85,101	–	–	85,101
Financial liabilities included in other payables and accruals	–	18,166	–	–	18,166
Interest-bearing bank borrowings and interest accruals	–	11,157	–	–	11,157
Lease liabilities	–	713	1,331	–	2,044
	–	115,137	1,331	–	116,468
	As at December 31, 2020				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	97,206	–	–	97,206
Financial liabilities included in other payables and accruals	–	14,002	–	–	14,002
Lease liabilities	–	814	612	–	1,426
Amounts due to a shareholders	–	128,000	–	–	128,000
	–	240,022	612	–	240,634
	As at December 31, 2021				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	68,299	–	–	68,299
Financial liabilities included in other payables and accruals	–	21,918	–	–	21,918
Financial liabilities at fair value through profit or loss	–	–	179,715	–	179,715
Lease liabilities	–	1,452	2,025	–	3,477
Amounts due to shareholders	–	117,561	–	–	117,561
	–	209,230	181,740	–	390,970

The Company

	As at December 31, 2021				Total RMB'000
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities at fair value through profit or loss	–	–	179,715	–	179,715

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at December 31,		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Total liabilities	280,648	462,425	553,964
Total assets	509,112	640,212	812,902
Debt-to-asset ratios	55%	72%	68%

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its companies now comprising the Group in respect of any period subsequent to December 31, 2021.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2021 as if the Global Offering had taken place on December 31, 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2021 or any future date. It is prepared based on our consolidated net tangible assets as at December 31, 2021 as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as at December 31, 2021	Estimated net proceeds from the Global Offering	Estimated impact upon the conversion of the financial liabilities at fair value through profit or loss	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB (Note 4)	HK\$ equivalent (Note 5)
Based on an Offer Price of HK\$7.60 per offer share	252,864	312,063	120,365	685,292	1.95	2.27
Based on an Offer Price of HK\$10.00 per offer share	252,864	416,195	120,365	789,424	2.24	2.62

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at December 31, 2021 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as at December 31, 2021 of approximately RMB258,938,000 less intangible assets as of December 31, 2021 of approximately RMB6,074,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$7.60 per offer share or HK\$10.00 per offer share, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.85585 prevailing on June 13, 2022.
- (3) Upon the Listing and the completion of the Global Offering, the redemption right will be lapsed and the redeemable shares will be re-classified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB120,365,000, being the carrying amount of the redeemable shares as at December 31, 2021.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 352,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.85585 prevailing on June 13, 2022.
- (6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2021.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.



Ernst & Young
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Quarry Bay, Hong Kong

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To the Directors of Readboy Education Holding Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Readboy Education Holding Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at December 31, 2021 and related notes as set out on pages II-1 and II-2 of the prospectus dated June 29, 2022 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages II-1 and II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at December 31, 2021 as if the transaction had taken place at December 31, 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended December 31, 2021, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
June 29, 2022

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at May 31, 2022 of the selected property interest held by Readboy Education Holding Company Limited.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

June 29, 2022

The Board of Directors
Readboy Education Holding Company Limited
No. 38 Changyi Road
Wuguishan
Zhongshan City
Guangdong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the selected property interest held by Readboy Education Holding Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at May 31, 2022 (the “**valuation date**”).

The selected property interest forms part of property activities that the property has a carrying amount of 1% or more of the Group’s total assets and therefore the valuation report of the property interest is required to be included in the prospectus.

For the purpose of this report, we classified the property as the property interest relating to “property activities” which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments.

Furthermore, we have adopted the below guidance on what constitutes a property interest:

- a. one or more units in the same building or complex;
- b. one or more properties located at the same address or lot number;

- c. one or more properties comprising an integrated facility;
- d. one or more properties, structures or facilities comprising a property development project (even if there are different phases);
- e. one or more properties held for investment within one complex;
- f. one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/business purposes; or
- g. a project or phases of development presented to the public as one whole project or forming a single operating entity.

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest which is held for investment by the Group by the income approach by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Real Estate Title Certificate and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We refer to the legal opinion issued by the Company's PRC legal advisor – Jingtian & Gongcheng concerning the validity of the property interest in the PRC.

We have not carried out detailed measurement to verify the correctness of the area in respect of the property but have assumed that the area shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in April 2021 by Mr. Le Yu who is a China Certified Public Valuer and has 11 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on March 11, 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the property under frequent review.

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for investment by the Group

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
			<i>RMB</i>
Unit 801 and 8 underground car parking spaces of Building B3 of Phase 4.1 of Wuhan Optical Valley Software Park located at Software Park East Road Hongshan District Wuhan City Hubei Province The PRC	<p>The property is located at No. 1 Software Park East Road, Hongshan District. The locality of the property is a well-developed area served by various public facilities and transportation means.</p> <p>The property comprises a unit on the 8th floor of a 24-storey industrial building (known as Building B3) and 8 underground car parking spaces of Phase 4.1 of Wuhan Optical Valley Software Park with a total gross floor area of approximately 1,606.45 sq.m. The classification, usage and gross floor area details of the property are set out in note 2.</p> <p>The land use rights of the property have been granted for a term expiring on November 30, 2059 for industrial use.</p>	As at the valuation date, the property was rented to a third party for research office and car parking purposes.	20,740,000 (see note 4)

Notes:

- Pursuant to a Real Estate Title Certificate – E (2018) Wu Han Shi Dong Kai Bu Dong Chan Quan No. 0000936, the unit of the property with a gross floor area of approximately 1,506.45 sq.m. is owned by Readboy Education Technology Co., Ltd. (讀書郎教育科技有限公司, “Readboy Technology”) and the relevant land use rights have been granted to Readboy Technology for a term expiring on November 30, 2059 for industrial use.
- According to the information provided by the Group, the approximate gross floor area of the property is set out as below:

Usage	Gross Floor Area	No. of car parking space
	<i>(sq.m.)</i>	
Industrial	1,506.45	
Car parking spaces	100.00	8
Total:	1,606.45	8

- Pursuant to a Tenancy Agreement dated June 29, 2021, the property with a total gross floor area of approximately 1,606.45 sq.m. was leased to a tenant with a term expiring on June 30, 2027, and the monthly rent receivable as at the valuation date was RMB75 per sq.m. for industrial unit and RMB200 per space for car parking spaces, exclusive of management fees, water and electricity charges.
- In our valuation, we have attributed no commercial value to the car parking spaces of the property due to the lack of title certificates. For reference purpose, we are of the opinion that the market value of the car parking spaces as at the valuation date was RMB460,000, assuming that they could freely be disposed of in the prevailing market without paying additional land use rights grant premium, if demanded.

5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing tenancy agreement and also have identified and analyzed various relevant lease evidences in the locality which have similar characteristics as the subject property such as use, size, layout and accessibility of the property. The monthly unit rent of these comparables ranged from RMB68 to RMB82 per sq.m. for similar industrial units and RMB220 to RMB260 per space for car parking spaces; and
 - b. Based on our market research in the surrounding area of the property, the stabilized market yield ranged from 5.8% to 6.2% for the industrial unit and from 2.7% to 3.2% for car parking spaces as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for the industrial park unit and 3% for the car parking spaces in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. Readboy Technology is legally in possession of the land use rights and the building ownership rights of the industrial unit of the property; and
 - b. Readboy Technology is entitled to occupy, use, lease, transfer, mortgage or by other legal means to dispose of the industrial unit of the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 8, 2021 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that 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.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 21, 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued 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. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the “**Listing Rules**”) that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange or by electronic means or other means in such manner as may be accepted by the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of nonpayment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for reelection. Any further Directors so to retire shall be those who have been longest in office since their last reelection or appointment but as between persons who became or were last reelected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for reelection.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules 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 are 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 to their nominal value.

Neither the Company nor the board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisors, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

(iv) 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 assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, 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.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:-
 - (aaa) 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; or
 - (bbb) 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 himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or 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;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) 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 or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) 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, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

All shareholders have the right to speak and vote at a general meeting except where a shareholder is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year other than the financial year of the Company's adoption of the Articles and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules. A meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities and participation in such a meeting shall constitute presence at such meeting.

Extraordinary general meetings may be convened on the requisition of one or more shareholders 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. Such requisition shall be made in writing to the board or the secretary for the purpose of

requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the Listing Rules, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 authorized representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or 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 two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *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 is 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 is 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during

any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the provisions of 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.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) 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 authorized 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 shareholder and the Companies Act expressly provides that 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the

treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from February 15, 2021.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. 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 members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on display" in Appendix VI to this prospectus. 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on February 8, 2021 in the Cayman Islands as an exempted company with limited liability with the registered company number 371593. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix IV of this prospectus. Our registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

Our principal place of business is in 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 26, 2021. Ms. So Shuk Yee Betty has been appointed as the authorized representative of our Company for the acceptance of service of process and notice, on behalf of our Company in Hong Kong at the above address.

2. Changes in authorized and issued share capital of our Company

As at the date of incorporation, our Company had an authorized share capital of HK\$380,000 divided into 380,000,000 Shares of a nominal or par value of HK\$0.001 each.

The following sets out the changes in our Company's share capital since its incorporation:

On February 8, 2021, one Share of our Company with a par value of HK\$0.001 was transferred from the incorporator, an independent third party, to Eminent Future. The Company on February 8, 2021 allotted and issued (i) 40,019 Shares to Chance High, (ii) 47,549 Shares to Driving Force, (iii) 23,709 Shares to Eminent Future, (iv) 47,189 Shares to Excellent Zone, (v) 23,710 Shares to Rapid Gains, (vi) 37,577 Shares to Robbinsville, (vii) 428,291 Shares to Sky Focus and (viii) 351,955 Shares to Trade Honour.

On March 24, 2021, 44,403, 18,308 and 4,577 Shares were allotted and issued to Glorious Achievement, Golden Genius and Mr. Cheng, respectively.

On June 21, 2022, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 9,620,000,000 new Shares pursuant to the written resolutions of the Shareholders referred to in the paragraph headed "A. Further information about our Group – 4. Written resolutions of the Shareholders passed on June 21, 2022" in this section below.

See "History, Reorganization and Corporate Structure – Reorganization" to this Prospectus for details of the Reorganization.

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme), the authorised share capital of our Company will be HK\$10,000,000 divided into 10,000,000,000 Shares, of which 352,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 9,648,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “4. Written resolutions of the Shareholders passed on June 21, 2022” and “5. Repurchase of our Shares by our Company” under this appendix, the Shares issuable pursuant to the exercise of the Over-allotment Option, the exercise of the options that may be granted under the Post-IPO Share Option Scheme, the Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of the written resolutions of our Shareholders, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and as mentioned in the paragraph headed “– 4. Written resolutions of the Shareholders passed on June 21, 2022” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and in the section headed “History, Reorganization and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

The following subsidiaries of our Company have been incorporated within two years immediately preceding the date of this prospectus:

Name of subsidiary	Place of incorporation	Date of incorporation
Dream Exploration Technology (Zhongshan) Co., Ltd* (夢想探索技術(中山)有限公司)	PRC	June 22, 2020
Zhuhai Readboy Software Technology Co., Ltd* (珠海讀書郎軟件科技有限公司)	PRC	January 8, 2021
Readboy Education Group Limited	BVI	February 23, 2021
Readboy Education (HK) Limited (讀書郎教育(香港)有限公司)	Hong Kong	March 5, 2021
Readboy Technology (Zhongshan) Co., Ltd* (讀書郎科技(中山)有限公司)	PRC	March 22, 2021
Readboy New Media Technology (Hangzhou) Co., Ltd (讀書郎新媒體技術(杭州)有限公司)	PRC	December 6, 2021
Zhongshan Reader Technology Co., Ltd* (中山讀書者科技有限公司)	PRC	December 27, 2021
Zhongshan Lang Selection Technology Co., Ltd* (中山市郎甄選科技有限公司)	PRC	January 13, 2022

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

Zhongshan Reader Technology Co., Ltd* (中山讀書者科技有限公司)

On April 14, 2022, the registered capital of Zhongshan Reader was increased from RMB2.0 million to RMB2.36 million by way of capital injection of RMB198,000 by Readboy Technology and RMB162,000 by Zhongshan Chengtian Technology Co., Ltd* (中山市誠天科技有限公司).

Zhongshan Lang Selection Technology Co., Ltd* (中山市郎甄選科技有限公司)

On May 5, 2022, the registered capital of Zhongshan Selection was increased from RMB2.0 million to RMB2.36 million by way of capital injection of RMB198,000 by Readboy Technology and RMB162,000 by Hainan Zhenpin Selection Technology Co., Ltd.* (海南省臻品甄選科技有限公司).

Save as disclosed above and in the section headed “History, Reorganization and Corporate Structure” in this prospectus, there has been no alteration in the share capital or the maximum number of shares allowed to be issued of any of our subsidiaries within the two years preceding the date of this prospectus.

For details of the Reorganization which our Group has underwent in preparation for the Listing, please refer to the section headed “History, Reorganization and Corporate Structure – Reorganization” in this prospectus for further details.

4. Written resolutions of the Shareholders passed on June 21, 2022

On June 21, 2022, resolutions of the Company were passed by the Shareholders that, among other things, the following:

- a) the authorised share capital of our Company was increased from HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 Shares of HK\$0.001 each by the creation of additional 9,620,000,000 new Shares of a par value of HK\$0.01 each, all of which shall rank pari passu in all respects with the existing Shares;
- (b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure of the Global Offering – The Global Offering” in this prospectus and pursuant to the terms set out therein:
 - (i) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Global Offering;

- (ii) the Global Offering and the grant of the Over-allotment Option were approved and executive Director of our Company from time to time or (if applicable), any of his duly authorized attorney (the “**Authorized Signatory**”) were authorized to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;
- (iii) the Global Offering was approved and any Authorized Signatory would be authorized to implement the Global Offering;
- (iv) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalize a maximum amount of HK\$298,932.7 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par an aggregate of 298,932,712 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalization Issue), to the Shareholders on the register of members of our Company at the close of business on June 21, 2022 (or as they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions), and our Directors were authorised to give effect to such capitalization and distribution;
- (v) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors 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 aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights 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 or vesting of shares granted under the Post-IPO Share Option Scheme or (iv) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:
 - (A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering;
 - (B) the aggregate number of Shares brought back by the Company (if any) under the general mandate to buy back Shares referred to in paragraph below;

- (C) such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the “**Relevant Period**”);
- (vi) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to buy back the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company or under the Post-IPO Share Option Scheme in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.
- (vii) the general unconditional mandate as mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (v) above up to 10% of the aggregate number of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Overallotment Option or under the Post-IPO Share Option Scheme; and
- (viii) the conditional adoption of the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme were approved.

5. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed purchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong 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 written resolution passed by our then Shareholders on June 21, 2022, a general unconditional mandate (the “**Buy-back Mandate**”) was given to the Directors authorizing any purchase by us of Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any options which may be granted under the Post-IPO Share Option Scheme) such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Purchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account before or at the time our Shares are repurchased.

(iii) Trading restrictions

The total number of Shares which we may buy back is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a purchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from buying back Shares on the Hong Kong Stock Exchange if the purchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a purchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the purchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) 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 (ii) 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) and ending on the date of the results announcement, 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.

(iv) Status of bought-back Shares

All bought-back Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed. Under Cayman Companies Act, a company's bought-back shares shall be treated as canceled (unless the company has resolved to hold the shares as treasury shares and the Memorandum and the Article do not prohibit it from holding treasury shares and the relevant provisions of the Memorandum and the Articles (if any) are complied with) and the amount of the company's issued share capital shall be reduced by the aggregate par value of the bought back shares accordingly although the authorized share capital of the company will not be reduced.

(v) *Suspension of buy back*

Pursuant to the Listing Rules, we may not make any purchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of our 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), and in each case ending on the date of the results announcement, we may not buy back Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, purchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong 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 Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding purchases of Shares made during the year, including a monthly analysis of the number of shares bought-back, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A company is prohibited from knowingly buying back securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(a) *Reasons for purchases*

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to buy back Shares in the market. Such purchases 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 the Directors believe that such purchases will benefit us and our Shareholders.

(b) Funding of purchases

In securities buy-back, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

(c) General

The exercise in full of the Buy-back Mandate, on the basis of 352,000,000 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme), could accordingly result in 35,200,000 Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not bought back any Shares since our incorporation.

If, as a result of a repurchase of Shares pursuant to the Buy-back Mandate, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code),

could obtain or consolidate control of our Company and may become(s) 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 consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Buy-back Mandate immediately after the Listing.

Our Directors will not exercise the Buy-back Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) the share purchase agreement dated March 22, 2021 entered into among Glorious Achievement Investments Limited, Golden Genius International Limited, Mr. Cheng Yangshi (程洋澁), Mr. Chen Zhiyong (陳智勇), Sky Focus Holdings Limited, Mr. Qin Shuguang (秦曙光), Trade Honour Holdings Limited, Readboy Education Group Limited, Readboy Education (HK) Limited (讀書郎教育(香港)有限公司), Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司), Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) and Readboy Education Holding Company Limited (讀書郎教育控股有限公司), pursuant to which Glorious Achievement Investments Limited, Golden Genius International Limited and Mr. Cheng Yangshi (程洋澁) subscribed for 44,403, 18,308 and 4,577 Shares respectively for a consideration of US\$15,000,000, US\$6,184,674.38 and US\$1,546,168.59 respectively;
- (b) an exclusive business cooperation agreement dated March 23, 2021 entered into by and between Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) and Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司), pursuant to which Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) agreed to engage Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) as its exclusive service provider of business support, technical services and consulting services in exchange for a service fee;

- (c) an exclusive call option agreement dated March 23, 2021 entered into by and between Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), Mr. Qin Shuguang (秦曙光), Mr. Shen Jianfei (沈劍飛) and Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司), pursuant to which (i) Mr. Qin Shuguang (秦曙光) and Mr. Shen Jianfei (沈劍飛) severally and jointly agree to irrevocably and unconditionally grant to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) an irrevocable and exclusive option to purchase, or to designate a nominee to purchase, all or any part of the equity interests in Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司); and (ii) Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) irrevocably and unconditionally granted to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) an irrevocable and exclusive option to purchase, or to designate a nominee to purchase, all or any part of the assets of Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司), during the effective period of the exclusive call option agreement in the sole discretion of Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), to the extent permitted by PRC laws;
- (d) an equity pledge agreement dated March 23, 2021 entered into by and between the Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), Mr. Qin Shuguang (秦曙光), Mr. Shen Jianfei (沈劍飛) and Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司), pursuant to which Mr. Qin Shuguang (秦曙光) and Mr. Shen Jianfei (沈劍飛) agreed to pledge all of the equity interests in Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司);
- (e) the shareholders' rights entrustment agreement dated March 23, 2021 entered into by and between Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), Mr. Qin Shuguang (秦曙光), Mr. Shen Jianfei (沈劍飛) and Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司), pursuant to which Mr. Qin Shuguang (秦曙光) and Mr. Shen Jianfei (沈劍飛) unconditionally and irrevocably undertook to execute a power of attorney to authorise Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) or the directors of its offshore parent company designated by Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) or the liquidator or other successors who perform the duties of such directors to (i) exercise all their rights as shareholders of Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) and (ii) exercise corresponding rights on behalf of Mr. Qin Shuguang (秦曙光) and Mr. Shen Jianfei (沈劍飛) on all major matters of Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司);
- (f) the equity transfer agreement dated March 23, 2021 entered into between Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) and Mr. Qin Shuguang (秦曙光), pursuant to which Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) transferred its 49% equity interests held in Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) to Mr. Qin Shuguang (秦曙光) for a consideration of RMB 4.9 million;

- (g) the equity transfer agreement dated March 23, 2021 entered into between Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) and Mr. Shen Jianfei (沈劍飛), pursuant to which Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) transferred its 51% equity interests held in Zhuhai Readboy Network Education Co., Ltd (珠海讀書郎網絡教育有限公司) to Mr. Shen Jianfei (沈劍飛) for a consideration of RMB 5.1 million;
- (h) the share transfer agreement dated April 15, 2021 entered into between Mr. Chen Zhiyong (陳智勇) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Mr. Chen Zhiyong (陳智勇) transferred his 42.4008% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB424,008;
- (i) the share transfer agreement dated April 15, 2021 entered into between Mr. Qin Shuguang (秦曙光) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Mr. Qin Shuguang (秦曙光) transferred his 34.8435% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB348,435;
- (j) the share transfer agreement dated April 15, 2021 entered into between Mr. Wu Jianhua (吳建華) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Mr. Wu Jianhua (吳建華) transferred his 3.7201% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB37,201;
- (k) the share transfer agreement dated April 15, 2021 entered into between Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership) (中山市匯通企業投資管理中心(有限合夥)) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership) (中山市匯通企業投資管理中心(有限合夥)) transferred its 4.7074% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB47,074;
- (l) the share transfer agreement dated April 15, 2021 entered into between Mr. Chen Jiafeng (陳家峰) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Mr. Chen Jiafeng (陳家峰) transferred his 4.6718% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB46,718;

- (m) the share transfer agreement dated April 15, 2021 entered into between Ms. Zhong Xiangling (鍾響鈴) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Ms. Zhong Xiangling (鍾響鈴) transferred her 2.3473% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB23,473;
- (n) the share transfer agreement dated April 15, 2021 entered into between Ms. Liu Zhilan (劉志蘭) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Ms. Liu Zhilan (劉志蘭) transferred her 2.3473% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB23,473;
- (o) the share transfer agreement dated April 15, 2021 entered into between Mr. Shen Jianfei (沈劍飛) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Mr. Shen Jianfei (沈劍飛) transferred his 3.9618% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB39,618;
- (p) the share transfer agreement dated April 19, 2021 entered into between Union Hi-Tech Development Limited (優寧高科發展有限公司) and Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司), pursuant to which Union Hi-Tech Development Limited (優寧高科發展有限公司) transferred its 1% equity interests held in Readboy Educational Technology Co., Ltd (讀書郎教育科技有限公司) to Readboy Technology (Zhongshan) Co., Ltd (讀書郎科技(中山)有限公司) at a consideration of RMB1,679,067;
- (q) the Deed of Indemnity;
- (r) the Deed of Non-Competition;
- (s) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Mr. Zheng Changping (鄭長平), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Mr. Zheng Changping (鄭長平) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$5.0 million;
- (t) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Mr. Gui Chunfang (桂春芳), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Mr. Gui Chunfang (桂春芳) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$1.5 million;


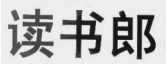

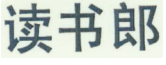
- (u) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Azure Telecommunication Sdn. Bhd., China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Azure Telecommunication Sdn. Bhd. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the aggregate of HK\$1.0 million and the Hong Kong dollar equivalent of US\$6.0 million;
- (v) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Gold Synergy Limited (金順隆有限公司), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Gold Synergy Limited (金順隆有限公司) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of HK\$16.0 million;
- (w) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Tower Lead Limited, China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Tower Lead Limited had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$5.0 million;
- (x) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Eastland Limited (東方源有限公司), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Eastland Limited (東方源有限公司) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of HK\$20.0 million;
- (y) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Ms. Yang Xiaojie (楊小結), Mr. Lun Ganming (倫淦明) (as the guarantor), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Ms. Yang Xiaojie (楊小結) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of HK\$20.0 million;





- (z) a cornerstone investment agreement dated June 27, 2022 entered into between Readboy Education Holding Company Limited (讀書郎教育控股有限公司), Mr. Jin Tao (金濤), China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) and Macquarie Capital Limited (麥格理資本股份有限公司), pursuant to which Mr. Jin Tao (金濤) had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of HK\$20.0 million; and
- (aa) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights



(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademark in the PRC which we consider to be material to our business:

No.	Trademark	Class	Registered Owner	Registration	
				Number	Expiry Date
1.		9	Readboy Technology	1261391	April 6, 2029
2.		28	Readboy Technology	1380908	April 6, 2030
3.		16	Readboy Technology	3027194	February 14, 2024
4.		41	Readboy Technology	3031731	April 20, 2023
5.	Readboy	41	Readboy Technology	3389891	June 6, 2024
6.	Readboy	28	Readboy Technology	3389897	August 13, 2024

No.	Trademark	Class	Registered Owner	Registration	
				Number	Expiry Date
7.	Readboy	16	Readboy Technology	3389898	September 27, 2024
8.	Readboy	9	Readboy Technology	3389899	March 13, 2024
9.		35	Readboy Technology	31711102	March 20, 2029
10.		28	Readboy Technology	31723288	March 20, 2029
11.		16	Readboy Technology	31726374	March 20, 2029
12.		9	Readboy Technology	31728593	March 20, 2029
13.	readboy	9	Readboy Technology	32324488	April 13, 2029
14.	readboy	41	Readboy Technology	32324580	April 20, 2029
15.	readboy	35	Readboy Technology	32327172	April 13, 2029
16.	readboy	28	Readboy Technology	32333427	April 13, 2029
17.	readboy	16	Readboy Technology	32335042	April 13, 2029
18.	读书郎	9	Readboy Technology	36154322	September 27, 2029
19.	读书郎	35	Readboy Technology	36155812	September 27, 2029
20.	读书郎	16	Readboy Technology	36159806	September 27, 2029
21.	读书郎	41	Readboy Technology	36168337	September 27, 2029
22.	读书郎	28	Readboy Technology	36172824	September 27, 2029

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong which we consider to be material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Class</u>	<u>Registered Owner</u>	<u>Registration Number</u>	<u>Expiry Date</u>
1.		9, 14, 25, 28	Readboy Technology	305561145AA	March 11, 2031
2.		16, 35	Readboy Technology	305561145AB	March 11, 2031
3.	readboy	9, 14, 16,18, 25, 28 35, 41	Readboy Technology	305561154	March 11, 2031

(b) Patents

As at the Latest Practicable Date, we have registered the following patents in the PRC which we consider to be material to our business:

<u>No.</u>	<u>Patent</u>	<u>Patentee</u>	<u>Patent Number</u>	<u>Expiry Date</u>
1.	A method of automatically targeting and transmitting with camera	Readboy Technology	ZL201510085571.4	February 15, 2035
2.	A method and apparatus capable of efficient access to notes	Readboy Technology	ZL201511016766.X	December 27, 2035
3.	A method and system for synchronous operation of mobile terminals	Readboy Technology	ZL201610997977.4	November 11, 2036
4.	A wearable smart device	Readboy Technology	ZL201810087397.0	January 29, 2038

No.	Patent	Patentee	Patent Number	Expiry Date
5.	A smart phone watch with precise touch and damp-proof function	Readboy Technology	ZL201810240971.1	March 21, 2038
6.	A power management method for mobile terminals	Readboy Technology	ZL201910209477.3	March 18, 2039
7.	A wearable device	Readboy Technology	ZL201910269391.X	April 3, 2039
8.	A safety insurance method and system based on a high-security smartwatch for children	Readboy Technology	ZL201910507893.1	June 11, 2039
9.	An identification method, device and storage medium with multiple fingerprint and palmprint information	Readboy Technology	ZL201910507196.6	June 11, 2039
10.	An intelligent growth companion robot for children	Readboy Technology	ZL201910809995.9	August 28, 2039
11.	A method, device and computer storage medium for smart classroom student management	Zhuhai Readboy	ZL201910268004.0	April 2, 2039
12.	Method, device and storage medium for linking microphone in online education live streaming	Zhuhai Readboy	ZL201910507188.1	June 11, 2039
13.	A smart classroom-based wireless routing device with configurable caching system	Zhuhai Readboy	ZL201910507184.3	June 11, 2039
14.	A method and system for switching student device accounts for an entire class in a smart classroom	Zhuhai Readboy	ZL201910651995.0	July 17, 2039
15.	A structure to realize AR photo-taking	Readboy Technology	ZL201921888916.X	November 3, 2029
16.	An assembly stacking structure for 5G portable communication devices	Readboy Technology	ZL202020549633.9	April 13, 2030
17.	An intelligent lifting device for AR photo-taking	Readboy Technology	ZL202020551266.6	April 13, 2030
18.	A tablet with retractable camera	Readboy Technology	ZL201720146092.3	February 17, 2027

(c) Domain Names

As at the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1	readboy.com	Readboy Technology	November 8, 1999	May 19, 2026
2	readboydata.com	Readboy Technology	November 3, 2004	June 3, 2026
3	readboykids.com	Readboy Technology	November 27, 2012	November 27, 2026
4	classone.cn	Readboy Technology	May 19, 2009	May 19, 2026
5	classone.com.cn	Readboy Technology	October 7, 2015	October 7, 2027
6	readboy.com.cn	Readboy Technology	August 4, 2018	August 4, 2024
7	readboybook.com	Readboy Technology	January 10, 2011	January 10, 2023
8	xcoad.com	Readboy Technology	May 10, 2010	May 10, 2026
9	readboy.net	Zhuhai Readboy	November 22, 2015	November 22, 2024
10	dslwx.com	Zhuhai Readboy	July 23, 2019	July 23, 2023
11	dslwx.cn	Zhuhai Readboy	July 23, 2019	July 23, 2023
12	dreamwang.com	Readboy Technology	June 17, 2010	June 17, 2027
13	dslxiaotiancai.com	Readboy Technology	October 29, 2015	October 29, 2023

(d) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

No.	Name of Copyright	Registered Owner	Copyright Registration Number	Place of Registration	Registration Date
1.	Readboy* (《讀書郎》)	Readboy Technology	Yue Zuo Deng Zi-2019-F- 00013755	PRC	July 25, 2019
2.	Cartoon Characters of the Journey to the West Series* (《西遊記系列卡通 人物》)	Readboy Technology	Yue Zuo Deng Zi-2013-F- 00000898	PRC	April 8, 2013
3.	Classes Taught by Famous Teacher* (《名師輔導班》)	Readboy Technology	Guo Zuo Deng Zi-2020-I- 01091067	PRC	August 4, 2020
4.	Xiaolang* (《小郎》)	Readboy Technology	Guo Zuo Deng Zi-2021-F- 00007365	PRC	January 12, 2021

No.	Name of Copyright	Registered Owner	Copyright Registration Number	Place of Registration	Registration Date
5.	Readboy-Bulu Boshi* (《讀書郎-布魯博士》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067844	PRC	December 17, 2020
6.	Readboy-Dagua* (《讀書郎-大瓜》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067841	PRC	March 23, 2021
7.	Readboy-Huanhuan* (《讀書郎-歡歡》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067847	PRC	March 23, 2021
8.	Readboy-Pipi* (《讀書郎-皮皮》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067840	PRC	March 23, 2021
9.	Readboy-Xiaogua* (《讀書郎-小瓜》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067843	PRC	March 23, 2021
10.	Readboy-Lele* (《讀書郎-樂樂》)	Readboy Technology	Guo Zuo Deng Zi-2021-F-00067846	PRC	March 23, 2021

(e) *Software Copyrights*

As at the Latest Practicable Date, we have registered the following software copyrights which we consider to be material to our business:

No.	Certificate Number	Name of Software	Registered Owner(s)	Registration Number	Expiry date of Protection
1.	Ruan Zhu Deng Zi No. 1254071	Readboy Online Test Bank Evaluation Software [Abb: Readboy Test Bank Software] V1.0	Readboy Technology	2016SR075454	December 31, 2065
2.	Ruan Zhu Deng Zi No. 1284854	Readboy Learning Eye Educational Software [Abb: Learning Eye] V1.0	Readboy Technology	2016SR106237	/
3.	Ruan Zhu Deng Zi No. 1286403	Readboy Learning OS System Software [Abb: Learning OS] V1.0	Readboy Technology	2016SR107786	/

No.	Certificate Number	Name of Software	Registered Owner(s)	Registration Number	Expiry date of Protection
4.	Ruan Zhu Deng Zi No. 2013153	Readboy E-backpack Smart Classroom Educational Software [Abb: Readboy E-backpack] V1.0	Readboy Technology	2017SR427869	December 31, 2067
5.	Ruan Zhu Deng Zi No. 4556182	Readboy Micro Classroom Educational Learning Software [Abb: Micro Classroom] V4.0.23	Readboy Technology	2019SR1135425	December 31, 2069
6.	Ruan Zhu Deng Zi No. 6307113	Touch Q&A Software [Abb: Touch Q&A] V1.0.20	Readboy Technology	2020SR1506141	December 31, 2070
7.	Ruan Zhu Deng Zi No. 6372905	Readboy Homework Correction Educational Learning Software [Abb: Homework Correction] V1.1.2	Readboy Technology	2020SR157933	December 31, 2070
8.	Ruan Zhu Deng Zi No. 6338791	Readboy Smart Marking System [Readboy Smart Marking] V1.0	Zhuhai Readboy	2020SR1537819	December 31, 2070
9.	Ruan Zhu Deng Zi No. 7064600	Readboy Dictionary Search Educational Learning Software [Abb: Dictionary Search] V2.5.1	Readboy Software	2021SR0342373	December 31, 2071
10.	Ruan Zhu Deng Zi No. 7064612	Readboy Multilingual Translation Educational Learning Software V2.1.9	Readboy Software	2021SR0342385	December 31, 2071
11.	Ruan Zhu Deng Zi No. 7064544	Readboy Parent Assistant Software [Abb: Parent Assistant] V2.3.22	Readboy Software	2021SR0342327	December 31, 2071
12.	Ruan Zhu Deng Zi No. 7071440	Readboy Phonics Learning Educational Learning Software [Abb: Phonics Learning] V5.9	Readboy Software	2021SR0349213	December 31, 2071

No.	Certificate Number	Name of Software	Registered Owner(s)	Registration Number	Expiry date of Protection
13.	Ruan Zhu Deng Zi No. 7093993	Readboy Interactive Teaching Software for Dual-tutor Live Streaming Classes [Abb: Dual-tutor Live Streaming Classes] V3.12.10	Readboy Software	2021SR0371766	December 31, 2071
14.	Ruan Zhu Deng Zi No. 7064608	Readboy Ask Homework Educational Learning Software [Abb: Ask Homework] V3.3.26	Readboy Software	2021SR0342381	December 31, 2071
15.	Ruan Zhu Deng Zi No. 7093994	Readboy Five Dimensional Educational Learning Software [Abb: Five Dimensional] V3.1.25	Readboy Software	2021SR0371767	December 31, 2071
16.	Ruan Zhu Deng Zi No. 7064607	Readboy Primary School English Grammar Educational Learning Software V1.3.4	Readboy Software	2021SR0342380	December 31, 2071
17.	Ruan Zhu Deng Zi No. 7064606	Readboy Learning Circle for Learning Tracking System V1.1.37	Readboy Software	2021SR0342379	December 31, 2071
18.	Ruan Zhu Deng Zi No. 7071352	Readboy Applied E-commerce Management System [Abb: Readboy E-commerce] V3.3.5	Readboy Software	2021SR0349125	December 31, 2070

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive*

Immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Post-IPO RSU Scheme and Post-IPO Share Option Scheme), so far as our Directors are aware, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying

Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 entered in the register referred to in that section, or which will be required, pursuant to the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

<u>Name of Directors</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding interest held immediately after the Capitalization Issue and the Global Offering⁽²⁾</u>
Mr. Chen ⁽³⁾⁽⁴⁾	Founder of a discretionary trust; interest held jointly with another person	219,316,436	62.3058%
Mr. Qin ⁽³⁾⁽⁵⁾	Interest in a controlled corporation; interest held jointly with another person	219,316,436	62.3058%
Ms. Liu Zhilan ⁽⁶⁾	Interest in a controlled corporation; Trustee	20,029,926	5.6903%
Mr. Chen Jiafeng ⁽⁷⁾	Interest in a controlled corporation	13,264,180	3.7682%
Mr. Shen Jianfei ⁽⁸⁾	Interest in a controlled corporation	11,248,791	3.1957%

Notes:

- (1) All interests are held in long positions.
- (2) Without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options that may be granted under the Post-IPO Share Option Scheme.

- (3) On April 1, 2021, Mr. Chen and Mr. Qin entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Acting in Concert Arrangement” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Kimlan Limited, Sky Focus, Mr. Chen, Trade Honour and Mr. Qin, is deemed to be interested in 62.3058% of the issued share capital of our Company.
- (4) Kimlan Limited is the holding vehicle used by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust which is a discretionary trust established by Mr. Chen as the settler, and Mr. Chen and his family members being the beneficiaries. Each of Mr. Chen, Kimlan Limited and Maples Trustee Services (Cayman) Limited is deemed to be interested in 120,386,719 Shares held by Sky Focus, by virtue of the SFO; and (ii) 98,929,717 Shares in which Mr. Chen is deemed to be interested as a result of being a party acting in concert with Mr. Qin.
- (5) Shares in which Mr. Qin is interested consist of (i) 98,929,717 Shares held by Trade Honour, a company wholly owned by Mr. Qin, in which Mr. Qin is deemed to be interested under the SFO; and (ii) 120,386,719 Shares in which Mr. Qin is deemed to be interested as a result of being a party acting in concert with Mr. Chen.
- (6) Shares in which Ms. Liu Zhilan is interested consist of (i) 6,664,555 Share held by Eminent Future, a company wholly owned by Ms. Liu Zhilan, in which Ms. Liu Zhilan is deemed to be interested under the SFO; and (ii) 13,365,371 Shares held by Driving Force, a company set up for the purpose of holding certain Share reserved for any future grant of RSUs under the Post-IPO RSU Scheme, which is wholly-owned by Ms. Liu Zhilan, who is in turn acting as the RSU Trustee. Pursuant to a declaration of trust dated March 21, 2022, Ms. Liu Zhilan (as the RSU Trustee) confirmed that (i) she held the entire shareholding interests of Driving Force for the sole purpose of setting up the Post-IPO RSU Scheme for the Company; and (ii) she in the capacity as the RSU Trustee will vest the relevant underlying Shares (reserved and held by Driving Force) of the RSUs granted under the Post-IPO RSU Scheme in accordance with the instruction of the Company for the benefit of the employees of the Company. By virtue of the above, Ms. Liu Zhilan is deemed to be interested in the 13,365,371 Shares held by Driving Force.
- (7) Under the SFO, Mr. Chen Jiafeng is interested in all of the 13,264,180 shares held by Excellent Zone, a company which is wholly-owned by him.
- (8) Under the SFO, Mr. Shen Jianfei is interested in all of the 11,248,791 shares held by Chance High, a company which is wholly-owned by him.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed “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 an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, 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 10.0% 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. Particulars of Service Contracts

Each of Mr. Qin, Ms. Liu Zhilan, Mr. Chen Jiafeng and Mr. Deng Denghui, being our executive Directors, will enter into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our non-executive Directors and independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as the aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members 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, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for FY2019, FY2020 and FY2021 were approximately RMB2.0 million, RMB1.7 million and RMB1.8 million respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended December 31, 2021.

Pursuant to the existing arrangements that currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2022 is estimated to be approximately RMB1.9 million in aggregate.

4. Agent fees or commissions received

Save in connection the Underwriting Agreements, none of our Directors nor any of the parties listed in “– E. Other Information – 7. Qualification of Experts” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation) between the Directors and member of our Group);

- (b) none of our Directors nor any of the parties listed in “– E. Other Information – 7. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;
- (c) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated corporation (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 SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (d) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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 is, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;
- (e) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in “– E. Other Information – 7. Qualification 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 the business in our Group;
- (f) save in connection with the Underwriting Agreements, none of the parties listed in “– E. Other Information – 7. Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in 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 in any member of our Group; and
- (g) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5.0% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. SHARE INCENTIVE SCHEMES**1. Post-IPO RSU Scheme***Summary of the Post-IPO RSU Scheme*

The following is a summary of the principal terms of the Post-IPO RSU Scheme approved and adopted by our Company on June 21, 2022, which will become effective subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares underlying the awards which may be granted pursuant to this Scheme (the “**Post-IPO Awards**”) and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purpose

The specific objective of the Post-IPO RSU Scheme is to reward the RSU Grantees (as defined hereunder) for their services and contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

(b) Term of the Post-IPO RSU Scheme

Subject to any early termination as may be determined by the Board pursuant to the Post-IPO RSU Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the date of adoption (the “**Scheme Period**”), after which period no further Post-IPO Awards shall be granted or accepted, but the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in order to give effect to the vesting of Post-IPO Awards granted and accepted prior to the expiration of the Scheme Period.

(c) Maximum number of Post-IPO Awards

Unless otherwise duly approved by the Shareholders, the Shares in aggregate underlying or represented by all Post-IPO Awards under the Post-IPO RSU Scheme (whether or not the same are finally allotted and issued) shall not exceed 13,365,371 Shares (representing approximately 3.80% of the Shares in issue immediately after the Capitalization Issue and the completion of the Global Offering, but assuming that the Over-allotment Option is not exercised), subject to such adjustments set out under the Post-IPO RSU Scheme.

(d) Administration of the Scheme

The Post-IPO RSU Scheme shall be subject to the administration of the Board in accordance with the rules of the Post-IPO RSU Scheme. The Board has the power to construe and interpret the rules of the Post-IPO RSU Scheme and the terms of the Post-IPO Awards granted hereunder. Any decision of the Board made in accordance with the rules of the Post-IPO RSU Scheme shall be final, conclusive and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

The Board may delegate the authority to administer the Post-IPO RSU Scheme to any one or more Directors.

The Board will appoint the RSU Trustee to administer the granting and vesting of Post-IPO Awards granted to the RSU Grantees pursuant to the Post-IPO RSU Scheme. Subject to compliance with the laws of the Cayman Islands and the Articles, the Company shall provide such assistance as may be appropriate or necessary to enable the RSU Trustee to satisfy its obligations in connection with the administration and vesting of Post-IPO Awards granted to the RSU Grantees pursuant to the Post-IPO RSU Scheme.

(e) Basis of Eligibility for Post-IPO Awards

Eligible persons of the Post-IPO RSU Scheme include the following persons eligible to receive Post-IPO Awards under the Post-IPO RSU Scheme:

- (i) employees of the Group (including director, chief executive officer, members of senior management, key technical personnel or employees of any member of the Group (the “**Employees**”)); and
- (ii) any other person selected by the Board at its sole discretion from time to time (collectively the “**Eligible Persons**”).

On and subject to the rules of the Post-IPO RSU Scheme and all applicable laws and other regulations, the Board, may within the Scheme Period, determine any Eligible Persons to participate in the Post-IPO RSU Scheme. Eligible Persons selected by the Board to be granted Post-IPO RSUs under the Post-IPO RSU Scheme at its discretion is regarded as “Selected Persons”. Unless being so selected, no person shall be entitled to participate in the Post-IPO RSU Scheme. The Board has full and sole discretion to determine, from time to time, the basis of eligibility of any Selected Person for participation in the Post-IPO RSU Scheme and the grant of Post-IPO Awards on the basis of their contribution to the development of the Group or any other factors as the Board deems appropriate.

(f) *Appointment of RSU Trustee*

Pursuant to a declaration of trust dated March 21, 2022, the RSU Trustee confirmed that (i) she held the entire shareholding interests of Driving Force for the sole purpose of setting up the Post-IPO RSU Scheme for the Company; and (ii) she in the capacity as the RSU Trustee will vest the relevant underlying Shares (reserved and held by Driving Force) of the Post-IPO Awards granted under the Post-IPO RSU Scheme in accordance with the instruction of the Company for the benefit of the employees of the Company. As at the Latest Practicable Date, the RSU Trustee held a total of 47,549 Shares. Immediately following the completion of the Capitalization Issue and the Global Offering, the total number of Shares held by the RSU Trustee will be 13,365,371 Shares (representing approximately 3.80% of the Shares in issue, assuming that the Over-allotment Option is not exercised).

(g) *Grant of Post-IPO Awards*

Subject to the limitations and conditions of the Post-IPO RSU Scheme, the Board or the RSU Trustee (upon receipt of the notification from the Board) shall grant an offer of grant of Post-IPO Awards to any selected person by way of a letter (the “**Grant Letter**”) on such terms and conditions as the Board may determine.

To the extent that the offer of grant of a Post-IPO Award is not accepted by the Selected Person within the time period or in a manner prescribed in the Grant Letter, it shall be deemed that such offer has been irrevocably declined and thus the grant has immediately lapsed.

(h) *Restrictions on Post-IPO Awards*

The Board shall not grant any Post-IPO Award to any Selected Person in any of the following circumstances:

- (a) the requisite approvals for such grant from any applicable regulatory authorities or governmental or public bodies have not been obtained;
- (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Post-IPO Award(s) or in respect of the Post-IPO RSU Scheme, unless the Board determines otherwise;
- (c) the grant would result in a breach by the Group or any of its directors or senior management of any applicable laws, regulations or rules;

- (d) where our Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO (as may be amended from time to time), until such price sensitive/ inside information has been published on the websites of the Stock Exchange and the Company;
- (e) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to (and including) the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to (and including) the publication date of the results; or
- (f) the grant would result in breach of the limit of the Post-IPO RSU Scheme or other rules of the Post-IPO RSU Scheme.

(i) Acceptance of Post-IPO Awards

A Selected Person may accept an offer of the grant of Post-IPO Awards in such manner as set out in the Grant Letter or as otherwise determined by the Board. Once accepted, the Post-IPO Awards are granted to the Selected Person, who becomes a grantee in the Post-IPO RSU Scheme (the “**RSU Grantee**”) immediately.

(j) Lapse of Post-IPO Awards

Without prejudice to other rules under the Post-IPO RSU Scheme, an unvested Post-IPO Award will automatically lapse immediately on the date on which:

- (i) the RSU Grantee (being an Employee or Director of any member of the Group) ceases to be an employee, an officer or a director by reason of the termination of his employment, appointment or directorship on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily; provided that whether any of the events specified aforesaid has occurred in relation to a RSU Grantee shall be solely and conclusively determined by the Board;
- (ii) the RSU Grantee (being an Employee) serves as an employee, director or officer of any other companies that are not a member of the Group, and/or, whether alone or jointly with others, carried on or be concerned or interested, directly or indirectly, whether as shareholder, employee, director, investor, consultant, adviser, partner or agent in any types of business which are in competition with or in opposition to any business of any member of the Group provided that whether any of the matters specified aforesaid has occurred in relation to a RSU Grantee shall be solely and conclusively determined by the Board;

- (iii) unless the Board otherwise determines, and other than in the circumstances of determination of employment or service of a RSU Grantee on account of incapacitation or death, the date the RSU Grantee ceases to be an Eligible Person as determined by the Board for any reason;
- (iv) the RSU Grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSU(s) underlying the granted Post-IPO Awards or any interests or benefits in relation to the Post-IPO Awards provided that whether any of the matters specified aforesaid has occurred in relation to a RSU Grantee shall be solely and conclusively determined by the Board; and
- (v) subject to the terms and conditions set out under the Post-IPO RSU Scheme, the Company commences winding-up.

(k) *Rights attached to Post-IPO Awards and Shares and cash payment*

A RSU Grantee does not have any contingent interest in any Shares or cash payment in respect of any Shares pursuant to the Post-IPO RSU Scheme) underlying the Post-IPO Awards unless and until these Shares are actually transferred to the RSU Grantee from the RSU Trustee or the cash payment is made by the RSU Trustee to the RSU Grantee. Furthermore, a RSU Grantee may not exercise any voting right in respect of the Shares underlying Post-IPO Awards and, unless otherwise specified by the Board in its sole discretion in the Grant Letter to the RSU Grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Post-IPO Awards or any interest in respect of cash payment for the Shares which may be paid to the RSU Grantee pursuant to the Post-IPO RSU Scheme.

Any Shares transferred to a RSU Grantee in respect of any Post-IPO Awards shall be subject to the provisions of the Articles and will rank pari passu with other fully paid Shares in issue on the date of the register of members of the Company is updated in respect of the transfer (or allotment and issue) of the vested Shares, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of the register of members of the Company is updated.

(l) *Awards to be personal to RSU Grantees*

Post-IPO Awards granted pursuant to the Post-IPO RSU Scheme shall be personal to each RSU Grantee and shall not be assignable or transferrable, except for (i) the transmission of a Post-IPO Award on the death of the RSU Grantee to his personal representatives(s) according to the terms of the Post-IPO RSU Scheme, or (ii) the transfer of any Post-IPO Award to any trustee, acting in its capacity as such trustee, of any trust of which the RSU Grantee is a beneficiary. Subject to the above, the RSU Grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee on trust for the RSU Grantees, Post-IPO Awards or any interest or benefits therein.

(m) Vesting

The Board has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of the Post-IPO Award(s) to any RSU Grantee, which may also be adjusted and re-determined by the Board from time to time. The RSU Trustee shall administer the vesting of the Post-IPO Awards granted to each RSU Grantee pursuant to the vesting schedule and vesting criteria (if any) determined by the Board.

Upon fulfillment or waive of the vesting schedule and vesting criteria (if any) applicable to each of the RSU Grantees, a vesting notice (the “**Vesting Notice**”) will be sent to the RSU Grantee by the Board, or by the RSU Trustee under the authorization and instruction by the Board confirming (a) the extent to which the vesting schedule and vesting criteria (if any) have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the RSU Grantee will receive. The RSU Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that the Board considers necessary (which may include, without limitation, a certification to the Company that he or she has complied with all the terms and conditions set out in the Post-IPO RSU Scheme and the Grant Letter).

Subject to the execution of documents by the RSU Grantee set out above, the Board may decide at its sole discretion to (i) direct and procure the RSU Trustee to transfer the Shares underlying the Post-IPO Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the RSU Grantee or its wholly-owned entity; or (ii) pay, or direct and procure the RSU Trustee to pay, to the RSU Grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) set out in (i) above. Unless otherwise determined by the Board, in the event that the RSU Grantee fails to execute the required documents within seven (7) days after receiving the Vesting Notice, the vested Post-IPO Award(s) will immediately lapse.

(n) Acceleration of vesting

The Board has the sole discretion to determine, at any time, to accelerate the vesting of any Post-IPO Award granted to any grantee for various considerations as set out below.

(i) Rights on a takeover

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement set out as below) is made to all the shareholders of our Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Post-IPO Award(s) of the grantee will vest immediately to the extent specified in a notice given by the Company.

(ii) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the shareholders of the Company and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting, the Post-IPO Awards of the grantee will vest immediately to the extent specified in a notice given by the Company.

(iii) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting, the Post-IPO Awards of the grantee will vest immediately to the extent specified in a notice given by the Company.

(iv) Rights on a voluntary winding-up

In the event that an effective resolution is passed during Scheme Period for voluntarily winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting, the Post-IPO Awards of the grantee will vest immediately to the extent specified in a notice given by the Company provided that all unexercised Post-IPO Awards must be exercised and effected by no later than one Business Day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company (or to pass written resolutions of the shareholders to the same effect).

(o) *Cancellation of Post-IPO Awards*

Our Board may at its sole discretion cancel any Post-IPO Award that has not vested or lapsed, provided that:

- (i) the Company or its appointees pay to the RSU Grantee an amount equal to the fair value of the Post-IPO Award at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;
- (ii) the Company or its appointees provides to the RSU Grantee a replacement Post-IPO Award of equivalent value to the Post-IPO Award to be cancelled; or
- (iii) the Board makes any arrangement as the RSU Grantee may agree in order to compensate him for the cancellation of the Post-IPO Award.

(p) Reorganisation of Capital Structure

In the event of an alteration in the capital structure of our Company whilst any Post-IPO Award has not vested by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of any stock exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company or any of its subsidiary is a party or in connection with any share option, restricted share or other equity incentive schemes of our Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of our Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Post-IPO Award so far as unvested as the auditors or an independent financial adviser appointed by our Company shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a grantee the same proportion (or rights in respect of the same proportion) of the share capital of our Company as that to which that grantee was previously entitled.

(q) Alteration or Amendment of the Post-IPO RSU Scheme

The terms of the Post-IPO RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder. Any alteration, amendment or waiver to the Post-IPO RSU Scheme of a material nature shall be approved by the shareholders of the Company. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

(r) Termination of the Post-IPO RSU Scheme

The Post-IPO RSU Scheme may be terminated at any time prior to the expiry of the Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any RSU Grantee thereunder. For the avoidance of doubt, no further Post-IPO Awards shall be granted after the Post-IPO RSU Scheme is terminated but in all other respects the provisions of the Post-IPO RSU Scheme shall remain in full force and effect. No further Post-IPO Award shall be granted after such termination; however, all Post-IPO Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the RSU Trustee and all RSU Grantees of such termination and how the Shares held by the RSU Trustee on trust and other interests or benefits in relation to the outstanding Post-IPO Awards shall be dealt with.

2. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders and Directors passed on June 21, 2022:

1. *Purpose of the Post-IPO Share Option Scheme*

The purpose of the Post-IPO Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Group.

2. *Participants of the Post-IPO Share Option Scheme and the basis of determining the eligibility of the participants*

Our Board may, subject to and in accordance with the provisions of the Post-IPO Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of our Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors who, in the sole opinion of our Board has contributed or will contribute to our Group (collectively, the “**Eligible Participants**”) and whom our Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. *Status of the Post-IPO Share Option Scheme*

(a) *Conditions of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme shall take effect conditional upon and is subject to:

- (i) the passing of the necessary resolutions by our Board and our Shareholders to approve and adopt the rules of the Post-IPO Share Option Scheme;
- (ii) the Listing Committee granting the listing of, and permission to deal in, our Shares to be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme;
- (iii) the obligations of the Underwriters (under the Underwriting Agreements) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Representatives, acting for and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and
- (iv) the commencement of dealings in our Shares on the Stock Exchange, (the “**Conditions**”).

(b) *Life of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme shall be valid and effective for a period commencing on the date on which the Post-IPO Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the “**Scheme Period**”), after which time no further option will be granted, but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

4. *Grant of options*

(a) *Making of offer*

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine (the “**Offer Document**”), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme.

(b) *Acceptance of offer*

An option shall be deemed to have been granted to (subject to certain restrictions in the Post-IPO Share Option Scheme), and accepted by, the Eligible Participant (the “**Grantee**”) and to have taken effect upon the issue of an option certificate after the duplicate Offer Document constituting acceptance of the option duly signed by the Grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the “**Offer Date**”).

(c) *Restrictions on time of grant*

- (i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:
 - (1) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (2) the deadline for our Company to publish an announcement of its 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), and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.
- (ii) For so long as the shares are listed on the Stock Exchange, no options may be granted to a Director on any day on which financial results of our Company are published and:
 - (1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined above) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates shall be subject to, in addition to the approval of our independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by our Company to its Shareholders and the approval of our Shareholders in general meeting if our Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, canceled or outstanding) under the Post-IPO Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date:

- (i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of our Shares in issue on the Offer Date; and

- (ii) would have an aggregate value, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) *Proceedings in general meeting to approve the grant of option*

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) *Performance target*

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Post-IPO Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Post-IPO Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Post-IPO Share Option Scheme.

5. *Exercise price*

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Exercise Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be determined by our Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of our Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share; provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where our Shares have been listed on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of our Shares in connection with such listing shall be deemed to be the closing price of our Shares for each Business Day falling within the period before the listing of our Shares on the Stock Exchange.

6. *Maximum number of Shares available for subscription*

(a) *Scheme limit*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other Post-IPO Share Option Schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued pursuant to the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme) (the “**Scheme Limit**”) which is expected to be 35,200,000 Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted.

(b) *Renewal of scheme limit*

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes of our Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders’ approval. Options previously granted under the Post-IPO Share Option Scheme, whether outstanding, canceled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) *Grant of options beyond scheme limit*

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by our Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) *Maximum number of Shares issued pursuant to the Post-IPO Share Option Scheme*

Notwithstanding anything to the contrary in the Post-IPO Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of our Company must not in aggregate exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted under any schemes of our Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) *Grantee's maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, canceled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before our Shareholders' approval. The date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) *Adjustment*

The number of Shares subject to the Post-IPO Share Option Scheme shall be adjusted in such manner as our Company's approved independent financial advisor shall certify to our Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

7. *Capital restructuring*

(a) *Adjustment of options*

In the event of any capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding option;
- (ii) the Exercise Price; and/or
- (iii) the number of Shares subject to the Post-IPO Share Option Scheme,

as the approved independent financial advisor shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to Post-IPO Share Option Scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) *Independent financial advisor confirmation*

In respect of any adjustments required by sub-paragraph 7(a), other than any made on a capitalisation issue, the approved independent financial advisor shall certify in writing to our Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Post-IPO Share Option Schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. *Cancellation of options*

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph 9. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the Post-IPO Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

9. *Assignment of options*

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name our Shares issued pursuant to the Post-IPO Share Option Scheme may be registered).

10. *Rights attached to the Shares*

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the “**Registration Date**”) other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of our Company. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. *Exercise of options*

Unless otherwise provided in the respective Grantee’s Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by our Board during which the Grantee may exercise his option(s) (the “**Option Period**”) provided that:

- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may

exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as our Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

- (b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under subparagraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);
- (c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavors to procure that such offer is extended to all the Grantees (on the same terms *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;
- (d) if a compromise or arrangement between our Company and our Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first

meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

- (e) in the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(e);

- (iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;
- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offense involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of our Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date that is thirty (30) days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);
- (vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are canceled in accordance with paragraph 8 above; or
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the Post-IPO Share Option Scheme

The terms and conditions of the Post-IPO Share Option Scheme and the regulations for the administration and operation of the Post-IPO Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of "**Eligible Participant**," "**Expiry Date**," "**Grantee**" and "**Option Period**" contained in the Post-IPO Share Option Scheme; or
- (b) any material alteration to the terms and conditions of the Post-IPO Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Post-IPO Share Option Scheme), or any change to the authority of our Board in respect of alteration of the Post-IPO Share Option Scheme,

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit our Shares may be issued under the Post-IPO Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution passed at a meeting of the Grantees.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

We may by ordinary resolution in general meeting or our Board at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further option shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to such termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other things,

- (i) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned,

accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Global Offering becomes unconditional (the “**Effective Date**”), save for any taxation:

- (a) to the extent that full provision has been made for such taxation in the audited accounts of the Group for the Track Record Period as set out in Appendix I to this prospectus (the “**Accounts**”) and to the extent that such taxation is incurred or accrued since 1 January 2022 which arises in the ordinary course of business of our Group as described in the section headed “Business” in the prospectus;
- (b) to the extent that falling on any member of our Group on or after 1 January 2022, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 January 2022;
- (c) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;
- (d) to the extent that any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of its business after the Listing Date.

- (ii) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws, rules and regulations in Hong Kong or the PRC or any jurisdictions in the course of its business occurred on or before the Listing Date; and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any member of our Group and/or any act, non-performance, omission or otherwise of any member of our Group accrued or arising on or before the Listing Date.

2. Litigation

Save as disclosed in the section headed “Business – Legal and Administrative Proceedings” of this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf of our Company to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Post-IPO Share Option Scheme. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fees payable to the Joint Sponsors in respect of their services as sponsors for the Listing are US\$880,000 and are payable by us.

4. Preliminary Expenses

Save as disclosed in the section headed “Financial Information – Listing Expenses Incurred and to Be Incurred”, we have not incurred any material preliminary expenses.

5. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

6. Binding Effect

This prospectus shall have effect, if an application is made pursuant to it, of rendering all persons concerned bound by all of 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.

7. Qualification of Experts

The following are the qualifications of experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Macquarie Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
Jingtian & Gongcheng	PRC Legal Advisor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer

8. Consent of Experts

Each of the experts as referred to in the section headed “– E. Other Information – 7. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders’ interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

9. Promoters

Our Company has no promoter.

10. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) 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;
 - (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that:
- (i) since December 31, 2021 (being the date on which the latest audited consolidated financial statements of the Group were made up), there has been no material adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;
 - (iii) our Company has no outstanding convertible debt securities or debentures; and
 - (iv) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND ON DISPLAY**

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

- (a) a copy of the Green Application Form;
- (b) copies of each of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus; and
- (c) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 8. Consent of Experts” in Appendix V to this prospectus.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.readboy.com up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, in respect of the historical financial information of our Group for FY2019, FY2020 and FY2021, the text of which is set out in Appendix I to this prospectus;
- (c) the assurance report on the compilation of pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2021;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisors, summarizing certain aspects of the Cayman Islands company law and the constitutional document of the Company referred to in Appendix IV to this prospectus;
- (f) the Companies Act;
- (g) the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information About our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND ON DISPLAY**

- (h) the service contracts and letters of appointment referred to in the paragraph headed “Statutory and General Information – C. Further Information About our Directors and Substantial Shareholders” in Appendix V to this prospectus;
- (i) the Frost & Sullivan Report;
- (j) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 8. Consent of Experts” in Appendix V to this prospectus;
- (k) the PRC legal opinion prepared by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests in the PRC;
- (l) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited;
- (m) the Post-IPO RSU Scheme; and
- (n) the Post-IPO Share Option Scheme.

读书郎

讀書郎教育控股有限公司

READBOY EDUCATION HOLDING COMPANY LIMITED