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## RISK FACTORS

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

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

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

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

- control our costs and expenses and maintain or increase our margins and profitability;
- increase our total paid enrollments and course fee level;
- recruit, train, retain and motivate new employees, in particular our teaching staff and technological and content development professionals;
- implement enhancements and improvements to technological systems and infrastructure;

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- improve content offerings to make them appeal to existing and prospective students;
- increase the awareness of our brand and protect our reputation;
- keep up with evolving industry standards, technologies and market developments;
- compete effectively against existing competitors and new market entrants;
- improve our operational, financial and managerial controls and efficiencies; and
- protect and further develop our intellectual property rights.

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

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

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

We are a pioneer in China’s career test preparation industry with proprietary technology infrastructure. Leveraging the user base and course offerings accumulated through our Fenbi online platform, we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. We aim to integrate online and offline services to optimize the teaching efficacy and efficiency of our instructors and the learning experience of our students, which could serve to expand our revenue streams. As of June 30, 2022, we had established a nationwide offline network of local operational hubs to support our expansion. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. Our revenue decreased by 23.0% from RMB1,885.4 million in the six months ended June 30, 2021 to RMB1,451.0 million in the six months ended June 30, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from our classroom-based tutoring services accounted for 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively. Our limited operating history under the OMO integration model may not serve as an adequate basis for evaluating our results of operations and prospects. We have encountered, and may continue to encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly evolving industries, such as managing our cost structure and profitability level and addressing market competition and regulatory developments. If we do not successfully address these risks and uncertainties, our results of operations and financial condition could deviate materially from our estimates and forecasts, which could materially and adversely impact our business and the market price of our [REDACTED].

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

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

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

If we are unable to continue to attract students to purchase our course packages or increase their spending with us, our revenue may decline, which may have a material adverse effect on our business, results of operations and financial condition.

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

We have a dedicated team of teaching staff, including instructors and other supporting staff, which are critical to maintaining the quality of our tutoring services. We have implemented comprehensive measures, including selective hiring process, systematic continuing training, and competitive compensation packages based on rigorous on-going evaluation, to recruit, train and retain our teaching staff. See “Business — Our Teaching Staff.” There is a limited pool of qualified teaching staff in the industry, and we may need to offer higher compensation packages, better trainings, more attractive career trajectory and other benefits to attract and retain qualified teaching staff, which could be costly and burdensome. As we expand and develop new courses, we may need to recruit additional qualified teaching staff with appropriate skillsets and backgrounds to effectively deliver our course offerings. We cannot assure you that we will be able to effectively recruit and train such teaching staff in a timely manner or on commercially reasonable terms, or at all. Furthermore, given other potential opportunities for our teaching staff, some of them may choose to leave us over time. Departure of qualified teaching staff may reduce the attractiveness of our course offerings and negatively impact our paid enrollments. Furthermore, if such qualified teaching staff, in particular top-rated instructors, join our competitors, students may decide to follow them and purchase the courses offered by our competitors, which may

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further weaken our competitive position in the industry. In addition, we need to continue to offer systematic on-board and on-the-job training to our teaching staff in order to ensure our teaching quality and efficacy, which may be costly and may not be able to achieve the desired effect. Although we have not experienced major difficulties in recruiting, training or retaining qualified teaching staff in the past, we may not always be able to recruit, train and retain a sufficient number of qualified teaching staff to keep pace with our growth and maintain consistent teaching quality. We may also face significant competition in recruiting qualified teaching staff from our competitors or from other opportunities that are perceived as more desirable. A shortage of qualified teaching staff, a decrease in our teaching quality, whether actual or perceived, or a significant increase in the cost to recruit or retain qualified teaching staff would have a material adverse effect on our reputation, business, results of operations and financial condition.

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

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

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

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

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**If we fail to maintain and enhance our brand image and generate positive publicity, our business, results of operations and financial condition could be materially and adversely affected.**

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

We have mainly relied on word-of-mouth referrals to attract prospective students. We also use various branding and marketing methods to promote our brand and course offerings, such as through our Fenbi online platform, direct sales force, offline events and social media platforms. See “Business — Branding and Marketing.” We cannot assure you that these or our other marketing efforts will be successful in promoting our brand to remain competitive. If we are unable to further enhance our brand recognition and increase awareness of our services and products, or if we incur excessive marketing and promotion expenses, our business and results of operations may be materially and adversely affected.

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

- alleged misconduct or other improper activities committed by our students or our management team, teaching staff and other employees, including misrepresentation made by our employees to potential students during sales and marketing activities, and other fraudulent activities to artificially inflate the popularity of our course or product offerings;
- false or malicious allegations or rumors about us or our management, Shareholders, affiliates, and teaching staff and other employees;
- malicious harassment or unfair competition acts by third parties;
- complaints by our students about our services, such as complaints about our teaching quality, pricing policy, refund policy and the stability of our online platform, and sales and marketing activities;
- refund disputes between us and our students;
- employment-related allegations relating to dismissal, employment discrimination, and wage and hour violations;
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations; and
- governmental or regulatory penalties imposed on our Shareholders for any misconduct, whether or not it involves us or our business operations.

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

Moreover, there has been an increasing use of social media platforms and other forms of internet-based communications. The availability of information on such online channels is virtually immediate as is its impact, which leaves us little time to respond to or mitigate any adverse effect. Our success depends, in part, on our ability to generate positive student feedback and minimize negative feedback on social media channels where existing and prospective students seek and share information. For example, if our students are dissatisfied with any action we take or change we implement in our course offerings, their online commentary to this effect could negatively affect our brand and reputation. Information concerning our Company, management, Shareholders, affiliates, and teaching

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staff and other employees may also be posted on such social media channels at any time. The risks associated with any such negative publicity or incorrect information cannot be eliminated or mitigated and may materially harm our reputation, business, results of operations and financial condition.

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

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

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

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

Our profitability and liquidity position is dependent on, among other factors, our ability to grow paid enrollments and course fee level, enrich content offerings, improve teaching quality, implement effective pricing strategies, manage our refund liabilities, and increase operational efficiency. If we are

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unable to generate adequate revenue to offset the associated cost and expenses or effectively manage our cost and expenses structure, we may continue to incur significant loss and may not be able to achieve or subsequently maintain profitability and improve liquidity position.

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

A novel strain of coronavirus, known as COVID-19, has severely affected China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. Government efforts to contain the spread of COVID-19, including city lockdowns, “stay-at-home” orders, travel restrictions and other emergency quarantines, have caused significant and unprecedented disruptions to the global and Chinese economy and normal business operations across sectors. For example, during the Track Record Period and up to the Latest Practicable Date, over 60 major national or provincial recruitment and qualification examinations were postponed as a result of the COVID-19 outbreak, such as the 2020 Public Institution Employee Recruitment Examination of Guangdong Province and the 2021 National Civil Servants Examination, which required us to postpone relevant course delivery, leading to delayed revenue recognition. In particular, several recruitment and qualification examinations originally scheduled in the first half of 2022 had been postponed for months. For example, the 2022 Multi-provincial Unified Civil Servants Examination, which involves more than 20 provinces, was delayed from March 2022 to July 2022. In addition, a few other examinations have not been held as of the date of this document as a result of the regional resurgence of COVID-19 cases in early 2022 in China, such as certain municipal level teacher recruitment examinations. On the other hand, several other examinations were held earlier than scheduled, such as certain Regional Civil Servants Examinations in 2021, which resulted in shortened service periods and lowered course fees we charged and, therefore, decreased revenue. Moreover, as mandated shutdowns went into effect across China in early 2020 when the COVID-19 outbreak peaked in China, we experienced nationwide suspension of our classroom-based tutoring courses from January 2020 to May 2020. After that, we from time to time experienced regional suspension of our classroom-based tutoring courses in over 100 cities across 29 provinces, municipalities, and autonomous regions due to the restrictions on offline activities amid the local resurgence of the pandemic. Specifically, in 2021, we suspended our classroom-based tutoring courses in approximately five cities for 60 to 90 days, approximately 55 cities for 30 to 60 days, and approximately 30 cities for less than 30 days; since 2022 and up to the Latest Practicable Date, we suspended our classroom-based tutoring courses in approximately four cities for over 90 days, approximately 45 cities for 60 to 90 days, approximately 15 cities for 30 to 60 days, and approximately two cities for less than 30 days. As a result, the paid enrollments of our classroom-based tutoring courses grew slower than expected. However, we continued to incur relevant employee benefit expenses and fixed cost and expenses relating to the relevant leased properties on which we operate our classroom-based tutoring services, which adversely affected our results of operations and profitability. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information — COVID-19 Outbreak and Effects on Our Business.”

Although the Chinese government has gradually lifted restrictions and quarantine measures in China, we cannot assure you that our business volume and growth rate will fully recover in the near future due to the uncertainties associated with the development of COVID-19. There remain significant uncertainties surrounding the COVID-19 outbreak and its further impact on our business and operations, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in China. Should there be an escalation of the spread, China may again take strict emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations including offline tutoring services, mandatory quarantines, work-from-home and other alternative working arrangements, the postponement of various recruitment and qualification examinations, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. We

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are continuously evaluating its impact on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the government’s responsive measures. The potential negative impact brought by and the duration of the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. If the outbreak persists or escalates, we may be subject to further negative impact on our business operations, results of operations and financial condition.

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

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

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

For example, pursuant to the amended Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法) (the “Amended Private Education Law”), private schools are required to obtain a private school operating permit. On April 7, 2021, the State Council officially promulgated the revised Regulations on the Implementation of the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法實施條例) (the “2021 Revised Regulations”), which became effective on September 1, 2021. According to the 2021 Revised Regulations, private schools to carry out training and educational activities online using internet technology shall obtain the corresponding private school operating permits. The 2021 Revised Regulations further stipulates that, private schools that carry out training and educational activities online using internet technology shall establish and implement internet security management systems and technical measures for security protection as required by law, and shall, upon discovery of the release or transmission of any information prohibited by laws or administrative regulations from release or transmission, immediately have the transmission stopped and remove or otherwise dispose of the information to prevent its dissemination, retain related records, and report the case to relevant authorities. See “Regulation — Regulations Related to Private Education.” However, it remains unclear under the 2021 Revised Regulations as to whether and how a non-formal VET service provider like us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. Moreover, as the 2021 Revised Regulations were recently promulgated and became effective, there are still substantial uncertainties as to how it will be interpreted and enforced, and whether and how local governments would promulgate rules related to the filing or licensing requirement applicable to non-formal VET service providers like us. See “— We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition.”

The PRC governments may also increase the level of regulatory scrutiny on the private education industry, and new laws and regulations may be enacted to the disadvantages of our business. Regulators may also view matters or interpret current laws and regulations differently than they have in the past or in a manner adverse to our business. For example, in July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education



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(關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見), following which a number of municipalities have issued implementation measures. Although we are not subject to such opinions and implementation measures as a non-formal VET service provider targeting adult students, we cannot assure you that some of the provisions of the foregoing opinions will not be applied by analogy to all service providers in the private education industry, such as the provision that prepayments of tutoring fees shall be preserved in a specific bank escrow account and that the prepayments of tutoring fees shall not cover a period of over three months or over 60 classes. We also cannot assure you that we will not be subject to heightened regulations on any critical aspects of our daily operations, such as course coverage, course delivery mode and pricing. If any of the foregoing happens, we may fail to adapt to such changes timely and effectively, and we may incur significant compliance costs in this process. Our liquidity and working capital may also be adversely affected. Any heightened regulatory scrutiny or action may impose conflicting obligations on us, which could impede our ability to continue our operations and, in turn, materially and adversely affect our business, results of operations and financial condition.

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

We are subject to government regulations for all material aspects of our operations in China. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in this document, we had obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects in China. However, the interpretation or implementation of existing laws and regulations are subject to changes from time to time, and the implementation of new laws and regulations is subject to uncertainties. If government authorities determine that our operations fall within the scope of business operations that require additional licenses, permits or approvals, we may not be able to obtain such licenses, permits or approvals in a timely manner or on commercially reasonable terms or at all, and failure to obtain such licenses, permits or approvals may subject us to fines, legal sanctions or an order to suspend our related operations. Moreover, we may fail to renew or update any of our existing licenses and permits in a timely manner and on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition. Government authorities may also from time to time issue new laws, rules and regulations and enhance enforcement of existing laws, rules and regulations, which could require us to obtain new and additional licenses, permits or approvals. Considerable uncertainties could exist with respect to the interpretation and implementation of existing and future laws and regulations governing our business activities. If we are not able to comply with the applicable legal requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, or suspension of our non-compliant operations, any of which may materially and adversely affect our business, results of operations and financial condition.

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

For example, the Administrative Regulations on Internet Audio-Visual Program Service (互聯網視聽節目服務管理規定) (the “Audio-Visual Regulations”) requires any entity engaged in certain audio-visual program services via the internet to hold a License for Online Transmission of Audio-visual Programs (信息網絡傳播視聽節目許可證) (the “AVSP”). According to the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming (關於加強網絡秀場直播和電商直播管理的通知) (“Circular 78”) issued by the NRTA on November 12,

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2020, online platforms that provide online show live streaming or e-commerce live streaming services shall register with the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息管理系統). The Circular on the Guiding Opinions on Strengthening Standardized Management of Online Live Streaming (關於加強網絡直播規範管理工作的指導意見), which was issued on February 9, 2021, further provides that live streaming platforms that provide online audio-visual program services must obtain an AVSP (or complete the registration with the National Internet Audio-visual Platforms Information Management System) and complete the ICP filing procedure. However, as of the date of this document, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP according to the Audio-Visual Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise. The regulations and policies for private enterprises to conduct audio-visual business are being formulated and have not yet been promulgated, and in practice, many private enterprises engaging in the internet audio-visual business have not obtained the AVSP or complete the registration procedure.

Pursuant to the Audio-Visual Regulations, an entity that engages in the provision of internet audio-visual program services without obtaining an AVSP or completing the registration may be warned by the competent authorities at or above the county level, ordered to rectify the non-compliance, and may also be imposed a fine of up to RMB30,000. If the circumstance is serious, the administrative authorities of radio and television of the people’s government at or above the county level shall suspend the operations, confiscate the equipment used for relevant illegal activities, and impose a fine of one to two times the total investment in the business. We were imposed a fine of RMB3,000 by the Cultural Market Administrative Law Enforcement Department of Beijing Municipal in December 2019 for carrying out audio-visual business without obtaining an AVSP, which had been fully paid. However, regulations and regulatory practices have evolved since then. See “Business — Licenses, Permits and Approvals — AVSP” for details. Although according to the interviews with the relevant regulatory authorities, our PRC Legal Advisors are of the view that we are currently not required to terminate our operations relating to audio-visual program services, i.e., our online tutoring services, or subject to administrative penalties for such operations without obtaining an AVSP and completing the registration procedure under the current regulatory practices despite the fine imposed in 2019, the interpretation and implementation of laws and regulations is subject to significant uncertainties. In 2019, 2020, 2021 and the six months ended June 30, 2022, our online tutoring services contributed revenue of RMB657.4 million, RMB986.2 million, RMB1,396.1 million and RMB716.8 million, respectively, and gross profit of RMB396.3 million, RMB492.0 million, RMB715.6 million and RMB432.0 million, respectively. If we are deemed non-compliant with the applicable requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, or suspension of our non-compliant operations, any of which may materially and adversely affect our business, results of operations and financial condition.

Additionally, as our online tutoring business does not fall under the circumstances stipulated in the Regulations on the Administration of Online Publishing Services (the “Online Publishing Regulations”) that give rise to the need to apply for an Online Publishing Service License, we do not hold such license for our business operations. Although as advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, we are not required to obtain an Online Publishing Service License to conduct online tutoring services, including the provision of audio and video courses and course materials through our Fenbi online platform, we cannot assure you that future laws and regulations will not evolve in ways that may negatively affect us.

In addition, as discussed above, it remains unclear under the 2021 Revised Regulations as to whether and how a career test preparation service provider such as us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, we are not required to obtain the approval from the relevant education regulatory authorities for the establishment of non-formal education and training institutions targeting adult students or obtain a private school operating permit for our tutoring services. In practice, only a few education regulatory authorities in certain areas used to require us to obtain a private school operating permit for our offline tutoring services, and we have obtained such permit accordingly. As of the date of this document, we have obtained private school operating permits for our offline operations in Yuxi City, Yunnan Province and

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Diqing Tibetan Autonomous Prefecture, Yunnan Province, as previously required by local regulatory authorities. Such permit is no longer required under the current regulatory practice for the operation of non-formal education and training institutions targeting adult students. However, uncertainties could exist with respect to the interpretation and implementation of existing and future laws and regulations. Should we be found by the regulators to fail to fully comply with any relevant requirements as interpreted by such regulators or fail to obtain the private school operating permits when required, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations, or claims for compensation of any economic loss suffered by our students or other relevant parties, any of which could materially and adversely affect our brand, business, results of operations and financial condition.

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

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

New trends and rapid developments in the relevant professionals and industries may change the type of skills or qualifications required in the marketplace and thus the difficulties, requirements or formats of the relevant career test examinations. This requires us to continuously develop, update and enhance our course materials to adapt to the needs of the job markets in China. If there is any material change to the perceived difficulty, requirements or formats of examinations in these subject areas, and we are unable to track and respond to these changes in a cost-effective and timely manner or to tailor our courses to the job markets in China, the demand for, and relevance of, our courses and materials may be adversely affected, which may materially and adversely affect our ability to continue to attract students and cause us to lose market share. Additionally, any unexpected change in the recruitment plans for relevant positions, especially government-sponsored positions, including any delay to release or cancellation of the recruitment plans or any decrease in the number of positions offered, any change in the examination schedules, or reform of the recruitment mechanism and cancellation of current recruitment examinations of any government-sponsored institutions, could materially and adversely affect our business, results of operations and financial condition. For example, the number of recruitment in government-sponsored institutions in certain localities decreased in the first half of 2019 due to institutional restructuring, which led to a slow-down in the growth of our paid enrollments for our relevant tutoring courses in the short run. Any future institutional restructuring or reform of the recruitment mechanism of any government-sponsored institutions may continue to have a material adverse effect on the demand for our tutoring services, which could in turn materially and adversely affect our business, results of operations and financial condition.

**A portion of our leased properties are not in compliance with the relevant fire safety regulations.**

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

During the Track Record Period, we were not able to complete the necessary fire safety procedures with respect to certain leased properties. As of the Latest Practicable Date, we had 26 leased properties in use with an investment amount of decoration work of more than RMB300,000 and a gross floor area of more than 300 square meters, seven of which had not completed the Fire Safety Filing,

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which accounted for approximately 3.0% of our total leased properties as of the same date. The aggregate maximum potential penalties for failing to complete the Fire Safety Filing for the seven properties would be RMB35,000. The relevant local governmental authorities confirmed that applications for the Fire Safety Filing are not required or that we are allowed to continue using the relevant leased property without being subject to any administrative penalties in the absence of any claims. We cannot guarantee that we can avoid fire safety-related risks or become deemed as in full compliance with relevant laws and regulations. See “Business — Legal Proceedings and Compliance — Compliance — Fire safety” for details.

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

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

The course fees for our contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. Students who purchase our “challenge exercise” product will be granted a partial or full refund of the purchase price if they achieve the target score within a prescribed period. In addition, for all types of classes, if students decide to withdraw from the course, we may allow refunds in proportion to the remaining courses at the time of refund request initiation. The number of refund requests and the amount of refunds could be affected by a number of factors, many of which are beyond our control. These factors include, without limitation, a change of mind of our students about taking the relevant examinations, a change in the examination schedule or recruitment plan, compromised access to offline courses amid the COVID-19 outbreak, student dissatisfaction with our teaching quality and our content offerings. The overall refund rates, as calculated by dividing the amount of course fees refunded by the amount of course fees collected, increased from 15.9% in 2019 to 31.3% in 2020 and further to 47.7% in 2021, primarily due to an increase in the no-pass refund rates, which was in turn because (1) the contractual classes we offered in 2019 were primarily relating to interview tests, the no-pass refund rates of which were relatively lower than those of the written tests, while we launched written test contractual classes and fully refundable contractual classes in 2020 and 2021, and (2) a portion of the refunds for courses relating to the 2020 Regional Civil Servants Examinations were delayed and carried out in 2021 as the relevant examinations were postponed due to the COVID-19 outbreak. The overall refund rates in terms of course fees collected decreased to 33.2% in the six months ended June 30, 2022, primarily because the Regional Civil Servants Examinations originally scheduled in the first half of 2022 had been postponed to the second half, and accordingly the related actual no-pass refund requests had not been received by us in the six months ended June 30, 2022. Any refund payments that we may be required to make to our students, as well as the expenses we could incur for processing refunds and resolving refund disputes, could be substantial and adversely affect our liquidity and working capital. A high volume of refunds and refund disputes may also generate negative publicity, which could materially and adversely affect our reputation, business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

### **Our business is subject to seasonal fluctuations.**

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

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

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

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

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

On August 20, 2021, the SCNPC passed the PRC Personal Information Protection Law (中華人民共和國個人信息保護法) (the “PIPL”), which took effect on November 1, 2021. The PIPL accentuates the importance of processors’ obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. Pursuant to the PIPL, a personal information processor is allowed to process (including collection, storage, usage, transmission, provision, disclosure and deletion) personal information only under certain circumstances, such as processing with consent from such individual, or for necessity of performance of a contract to which such individual is a contracting party or statutory duties, management of human resource under the labor rules and regulations developed in accordance with the law or a collective contract signed in accordance with the law, protection of public interest, or reasonable usage of legally disclosed information. Processing of sensitive personal information, such as the personal information that is likely to result in damage to personal dignity, personal or property safety once illegally disclosed, as well as the personal information of minors under the age of 14, is subject to higher regulatory requirements including specific purpose, sufficient necessity, duty of explanation to such individuals and consent from a parent or a guardian of minors. See “Regulation — Regulations Related to Internet Privacy” for details. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects and our current practice of collecting and processing sensitive personal information may be ordered to be rectified or terminated by regulatory authorities. We may also become subject to fines and other penalties which may have material adverse effect on our business, results of operations and financial condition.

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

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

On December 28, 2021, the CAC and 12 other government authorities published an amendment of the Measures for Cybersecurity Review 2020 (the “Measures for Cybersecurity Review 2022”), which took effect on February 15, 2022. The Measures for Cybersecurity Review 2022 provides that the relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under the following circumstances: (1) internet platform operators holding over one million individuals’ personal information aiming for foreign [REDACTED], and (2) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security. However, there has been no further explanation or interpretation for “foreign [REDACTED]” or “affect or may affect national security” under the Measures for Cybersecurity Review 2022. As advised by CM Law Firm, our legal advisors as to PRC cybersecurity and data privacy protection laws, according to the applicable PRC laws and regulations currently in effect, the obligations of voluntary filing for cybersecurity review are not applicable to us based on the following reasons: (1) as of the date of this document, we have not received any notification from relevant regulatory authorities regarding our identification as operators of “critical information infrastructure,” and (2) there are differences between “foreign [REDACTED]” and “[REDACTED] in Hong Kong” such that “foreign [REDACTED]” should not include “[REDACTED] in Hong Kong.” Therefore, the above-mentioned obligations of voluntary filing for cybersecurity review should not be applicable to us as of the date of this document. Furthermore, as current PRC regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. As of the date of this document, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning or sanction in such respect.

On December 31, 2021, the CAC, MIIT, the Ministry of Public Security (the “MPS”), the Ministry of State Security (the “MSS”) promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (互聯網信息服務算法推薦管理規定) (the “Provisions on Algorithm Recommendation”), which came into effect on March 1, 2022. The Provisions on Algorithm Recommendation stipulates that algorithm recommendation service providers shall, among others, conspicuously inform users of their provision of algorithm recommendation, and publicize the basic principles, intended purposes and main operating mechanisms of algorithm recommendation services in an appropriate manner. The Provisions on Algorithm Recommendation further provides that, within 10 working days of the service provision commencement date, algorithm recommendation service providers with public sentiment attributes or social mobilizing capability shall perform filing procedures through the internet information services algorithm filing system. However, as the scope of algorithm recommendation service providers with public sentiment attributes or social mobilizing capability is currently unclear under the Provisions on Algorithm Recommendation, there remains substantial uncertainties as to its interpretation and enforcement. The internet information services algorithm filing system was launched on March 1, 2022, and we have submitted our filing report through such system. We cannot assure you that we will be able to complete the filing in a timely manner, or at all, if we are required to do so.

On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法) (the “Security Assessment Measures”), effective from September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border data transfer during our daily operations. We do not



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expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures is newly promulgated, there are uncertainties as to the interpretation and application of it. We cannot assure you that relevant regulatory authority will take the same view as ours. In the event if the regulatory authority deems certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

We have implemented strict protocols on data collection, transmission, storage and usage, and have technologies and systems in place to safeguard against unauthorized data access and disclosure to effectively address concerns related to privacy and data sharing. See “Business — Data Privacy and Security” for details. However, our security control may not prevent the improper leakage of such personal data and confidential information. In particular, we could be subject to attacks on our systems by external parties or fraudulent or inappropriate behaviors by our employees, third-party providers or other business partners. Third parties may also gain access to our data using computer malware, viruses, spamming, phishing attacks or other means. A security breach that leads to leakage of data and information of our users, even though anonymized, could still subject us to legal liabilities, regulatory sanctions, reputational damage and loss of user confidence. In addition, data breaches or any misconduct during the process of collection, analysis, and storage of data, could result in a violation of applicable data privacy and protection laws and regulations in China, and subject us to regulatory actions, investigations or litigations. Even if these actions, investigations or litigations do not result in any liability to us, we could incur significant costs in investigating and defending against them, and could be subject to negative publicity about our privacy and data protection practices, which may affect our reputation in the marketplace. Our potential risks related to our collection and use of data could require us to implement measures to reduce our exposure to liability, which may require us to expend substantial resources and limit the attractiveness of our services to students. As a result, our business, results of operations and financial condition could be materially and adversely affected.

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

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

We have been, and may continue to be, involved in claims, disputes and legal or administrative proceedings arising from our ordinary course of business. These may concern issues relating to, among others, labor disputes, licenses and permits relating to our daily business operations, contract disputes, and infringement of intellectual property rights. For example, we were subject to administrative penalties of an aggregate RMB141,000 for distribution of hard copies of course materials during offline tutoring, which has been fully paid. According to the telephonic consultation with the relevant local governmental authorities on various dates from January 2022 to June 2022, including Comprehensive Administrative Law Enforcement Detachment of Changde City Cultural Market (常德市文化市場綜合行政執法支隊), Law Enforcement Detachment of Cultural and Tourism Development Committee of Wanzhou District, Chongqing (重慶市萬州區文化和旅遊發展委員會執法支隊), Comprehensive Law Enforcement Section of Kangding City Cultural Market (康定市文化市場綜合執法大隊), Comprehensive Law Enforcement Section of Liaoyuan Municipal Bureau of Culture, Radio, Television and Tourism (遼源市文化廣播電視和旅遊局綜合執法大隊), Comprehensive Law Enforcement Detachment of Nanchang Municipal Cultural Market, Nanchang Municipal Bureau of Culture, Radio, Television, Press, Publication and Tourism (南昌市文化廣電新聞出版旅遊局南昌市文化市場綜合執法支隊), Law Enforcement Section of Wuzhong Municipal Bureau of Culture, Tourism, Sports, Radio, Film and Television (吳忠市文化旅遊體育廣電局執法科), Comprehensive Law Enforcement Section of Xiji County Cultural Market, Xiji County Bureau of Cultural Tourism Radio, Film and Television (西吉縣文化旅遊廣電局西吉縣文化市場綜合執法大隊) and Policy and Regulations Division of Zhenjiang Municipal Bureau of Culture, Radio, Television and Tourism (鎮江市文化廣電和旅遊局政策法規處), our such activities do not constitute material violations of laws and regulations. As advised by our PRC

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Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations. As of the date of this document, there have been no similar violations of laws and regulations by us which will lead to administrative penalties. We have implemented more stringent internal controls to monitor the operations of our classroom-based tutoring business. In addition, as a provider of online career test preparation services, we may face liability for defamation, negligence and other claims based on the nature and content of the materials that are displayed on our platform or delivered or shared through our services. Third parties could assert claims against us for losses incurred in reliance on any erroneous information distributed by us. We may also be subject to claims by students misled by information in our advertisements. Any such claims against us, even if they do not result in liability to us, could cause us to incur significant costs in investigating and defending against such claims.

As of the Latest Practicable Date, we were not involved in any litigations and legal proceedings which, individually or in the aggregate, would have a material adverse effect on our business, results of operations and financial condition. However, on-going or threatened litigation, legal or contractual disputes, governmental investigations or administrative proceedings involving us or our employees, with or without merit, could be time-consuming and costly to defend or litigate, divert our management's attention and resources, or result in the loss of goodwill associated with our brand. Furthermore, any litigation, legal or contractual disputes, governmental investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

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

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

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

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

In addition, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Such litigation may be costly and divert management's attention away from our business. An adverse determination in any such litigation would impair our intellectual property rights and may harm our business, prospects and

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reputation. The legal regime relating to the recognition and enforcement of intellectual property rights in China is limited and subject to uncertainties. Legal proceedings to enforce our intellectual properties in China may progress slowly, during which time infringement may continue largely unimpeded. Enforcement of judgments in China is uncertain, and even if we are successful in litigation, it may not provide us with an effective remedy. Furthermore, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

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

Third parties may, from time to time, claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, including patents, copyrights and other intellectual property rights. For example, we may become subject to claims that the content on our platform or in the textbooks and learning materials or marketing materials that we or our instructors author or distribute is in fact protected by third-party copyright ownership rights or trademarks. Third parties may also claim that our employees have misappropriated or divulged their former employers’ proprietary rights or confidential information. We have in the past experienced claims for intellectual property infringement in the ordinary course of business, even though none of which has had a material effect on our business. We cannot assure you that we would not become subject to such intellectual property infringement claims in the future. If we are found to have infringed upon the intellectual property rights of any third party in legal or other proceedings, we could be subject to material monetary liabilities. Royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. A successful claim of infringement against us and our failure or inability to obtain a license to use the infringed or similar technology or content on commercially acceptable terms, or at all, could cause us to incur great expenses, prevent us from producing and offering our courses or products, or lead to delays in developing non-infringing courses or products. As a result, the scope of our content could be reduced, which could adversely affect the effectiveness of our offerings, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial condition.

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

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

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

We could be liable for actions taken by misconduct and improper activities by our students, teaching staff, other employees, business partners and other stakeholders. For example, our courses undergo multiple rounds of internal review before being broadly released. We regularly and actively monitor our live courses and other content and communications to identify content that may be deemed inappropriate or violation of laws, regulations and government policies. However, since we have limited control over the real-time and offline behavior of our students and teaching staff, especially our contract workers, to the extent any improper behavior is associated with our content, products and services, our ability to protect our reputation may be limited. In addition, if any of our students and teaching suffer or allege to have suffered harm following contact initiated through our products and

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services, we may face civil lawsuits or other liabilities. In response to allegations of illegal or inappropriate activities, PRC government authorities may intervene and hold us liable for non-compliance with PRC laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue our content, products or services. As a result, our business may suffer and our reputation, business, results of operations and financial condition may be materially and adversely affected.

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

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

All of our offline offices and classroom facilities are presently located on leased premises. At the end of each lease term, we must negotiate an extension of the lease. If we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly given that the real estate prices in China have continued to rise for years. This could disrupt our operations and adversely affect our profitability. We also compete with many other businesses for sites in certain highly desirable locations and some landlords may have entered into long-term leases with our competitors for prime locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business.

In addition, as of the Latest Practicable Date, 22 of our leased properties had title defects that may adversely affect our ability to continue to use them in the future, which accounted for approximately 9.3% of our total leased properties as of the same date. The existence of title defects is mainly due to the following reasons: (1) certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, and (2) the intended purposes contained in the property ownership certificates are inconsistent with the actual use of property. See “Business — Properties — Title Defects” for details. The relevant lease agreements may be deemed invalid or we may face challenges from the property owners or other third parties regarding our right to occupy the premises. Furthermore, if the landlords fail to perform its obligations under the lease agreements between the landlords and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the date of this document, we are not aware of any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected offices and classrooms and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be materially and adversely affected. Under the applicable PRC laws and regulations, the parties to a lease are required to register and file such lease with the relevant government authorities. As of the Latest Practicable Date, 236 lease agreements of our leased properties had not been registered or filed. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. The estimated aggregate maximum potential penalties for failing to complete the registration within a prescribed period in relation to the 236 lease agreements would be approximately RMB2.4 million.

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

We could be held liable for the accidents, injuries or other harm to students or other people at our offline facilities, including those caused by or otherwise arising in connection with our facilities, employees or third-party vendors, such as food catering service provider we have engaged for students attending boarding courses. We do not have any insurance for our students at our offline facilities. In the event of such accidents, injuries or other harm to students or other people on our premises, our facilities may be perceived to be unsafe, which may discourage prospective students from attending our offline courses. Our students may also hurt themselves or other persons due to psychological pressure. We could also face claims alleging that we were negligent or provided inadequate supervision to our employees and therefore should be held jointly liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. Any liability claim against us or any of our employees, even unsuccessful or without merit, could adversely affect our reputation, paid enrollments and revenue, causing us to incur substantial expenses and divert the time and attention of our management.

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

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

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

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

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

We accept payments primarily through major third-party online payment platforms in China, and to a lesser extent, through bank transfers. Any scheduled or unscheduled interruption in the ability of our students to use these and other third-party payment platforms could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these platforms,

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secured transmission of confidential information, including credit card numbers and critical personal information of our students over public networks, is essential to maintain their confidence in us and our online platform. We also rely on the stability of such payment transmissions to ensure the uninterrupted payment services available to our students. We do not have control over the security measures of third-party online payment platforms. If any of these third-party online payment platforms fails to process, or ensure the security of, user payments for any reason, our reputation would be damaged and we may lose our paying students who may be discouraged from making potential purchases, which in turn, would materially and adversely affect our business, results of operations, financial condition and prospects.

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

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

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

**Overall tightening of the labor market or any possible labor unrest may affect our business.**

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

In addition, we are required by PRC laws and regulations to make social insurance registration and open housing provident fund account with relevant governmental authorities and pay various statutory employee benefits, including pension, unemployment insurance, maternity insurance,

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work-related injury insurance, medical insurance and housing provident fund to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. See “— We face certain legal and regulatory risks relating to labor-related laws and regulations.”

Moreover, the PRC Labor Contract Law has reinforced the protection of employees who, under the PRC Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in employment contracts. Furthermore, the PRC Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. To the extent that we need to significantly reduce our workforce, the PRC Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. In addition, for employees whose employment contracts include non-competition terms, the PRC Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses.

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

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

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

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions. As advised by our PRC Legal Advisors, in the absence of any employee claims and significant changes in regulatory requirements regarding social insurance and housing reserve fund contributions, the likelihood that we would be required by relevant authorities to pay the shortfalls and late charge for social insurance and housing reserve fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on (1) the interview with the MOHRSS, (2) the confirmations obtained from the competent authorities from the regions covering substantially all of our subsidiaries, and (3) their understanding of the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued by the

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MOHRSS, which seeks to promote the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in a lump sum. We also made appropriate provisions for the historical inadequate contributions in our financial statements. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of provisions made for the shortfall of social insurance and housing reserve fund contributions was RMB0.6 million, RMB1.9 million, RMB9.1 million and RMB1.0 million, respectively. However, we cannot assure you that the relevant government authorities will not require us to pay the shortfalls and late charge or impose fines on us, in which case our business, results of operations and financial condition could be adversely affected. See “Business — Legal Proceedings and Compliance — Compliance — Social insurance plans and housing reserve fund.”

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

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

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

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

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

We intend to continuously improve and upgrade our information technology system in order to maintain the usefulness and attractiveness of our course and product offerings to our students. However, we cannot assure you that we will be successful in executing these system improvement and upgrade strategies. Our systems may experience interruptions or longer response times during upgrades and new technologies or infrastructures may also not be fully integrated or functional with the existing systems



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on a timely basis or at all, all of which could have an adverse impact on user experience. If our students are unable to access our offerings during downtime caused by our regular upgrades or other events, students may become frustrated and seek other course offerings from competitors, and may not return to our online platform as often in the future. This would negatively impact our ability to attract and retain students. Our growing operations will also place increasing pressure on our servers and network capacity as we further enlarge our student base, expand our content offerings and improve our internal operational systems. Moreover, depreciation and amortization expenses in relation to our technology infrastructure may increase if we purchase new software or hardware for its improvement or upgrades.

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

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

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

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

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

We leverage social media platforms in China as a tool for user acquisition and engagement. For example, we share with users information on recruitment plans and examination schedules through social media platforms, such as Weixin mini-programs. To the extent that we fail to leverage such

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platforms, our ability to attract or retain students may be severely harmed. If any of these platforms makes changes to its functions or support unfavorable to us, or even stops offering its functions or support to us, we may not be able to locate alternative platforms of similar scale to provide similar functions or support on commercially reasonable terms in a timely manner, or at all. Furthermore, we may fail to establish or maintain relationships with additional social network operators to support the growth of our business on economically viable terms, or at all. Any interruption to or discontinuation of our relationships with major social network operators in China may severely and negatively impact our ability to continue growing our user base, and any occurrence of the circumstances mentioned above may have a material adverse effect on our business, results of operations and financial condition.

### **We are exposed to risks associated with our investment in wealth management products.**

We had financial assets at fair value through profit or loss of RMB280.2 million, RMB351.6 million, RMB10.1 million and nil as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, which primarily consisted of our investment in wealth management products. We have implemented investment and treasury management policies during the Track Record Period. See “Financial Information — Discussion of Major Balance Sheet Items — Financial Assets at Fair Value through Profit or Loss — Investment and treasury management policies.”

We are subject to risks associated with non-performance by the counterparties. For example, the banks that issued wealth management products may fail to perform their contractual obligations in the event of bankruptcy or insolvency. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our results of operations, financial position and cash flow. Furthermore, our investments in wealth management products are subject to the overall market conditions, including the capital markets, which exposes us to the risk of valuation uncertainty. We recorded fair value gains on financial assets at fair value through profit or loss of RMB4.8 million, RMB9.8 million, RMB19.5 million, RMB15.7 million and RMB5.1 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. The fair value of our investments in wealth management products was based on one or more unobservable inputs. See Note 3.3 to the Accountant’s Report in Appendix I to this document. Any volatility in the market or fluctuations in interest rates may negatively impact the fair value of these wealth management products, which may in turn have a material adverse effect on our results of operations and financial condition.

### **We have incurred and may continue to incur substantial share-based payments.**

We have adopted the [REDACTED] Share Option Scheme that permits the grant of share options as equity-based awards to our Directors, members of the senior management, employees and consultants. We believe the granting of such share options is important to our ability to attract, retain and motivate our management team and qualified employees. We are required to recognize share-based payments based on the fair value of such granted share options, taking into consideration of the impact of market performance conditions and non-vesting conditions. As of the Latest Practicable Date, we granted options to subscribe for an aggregate of 183,633,770 Shares (after the Share Subdivision). The Shares underlying the granted options represent [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the [REDACTED] Share Option Scheme). We recorded share-based payments of RMB21.2 million, RMB121.6 million, RMB415.4 million, RMB172.3 million and RMB83.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. Any additional grant of share-based awards by us, including options under the [REDACTED] Share Option Scheme, will further increase our share-based payments and dilute existing shareholders’ shareholding.

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

Pursuant to the PRC Enterprise Income Tax Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit, while enterprises recognized as a “high and new technology enterprise” (高新技術企業) (“HNTE”) are entitled to a preferential tax rate of 15%. Fenbi Bluesky, our PRC operating entity, was recognized as

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

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

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in China. Almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision by MIIT. Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers at provincial level and rely on them to provide us with data communications capacity through local telecommunications lines. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China’s internet infrastructure or the telecommunications networks provided by telecommunications service providers. We regularly serve a large number of students. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our online platform. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. If internet access fees or other charges to online users increase, our user traffic may decline and our business may be harmed.

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

We currently use open-source software on our online platform and will continue to do so in the future. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our content on our online platform. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can

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re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. As a result, our business, results of operations and financial condition might be adversely and materially affected.

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

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

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

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

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

We may enter into strategic alliances or investments, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances and investments could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, if appropriate opportunities arise, we may acquire additional businesses, platforms, assets or technologies that we believe can expand and strengthen our course offerings and market coverage, as well as our technological and service capabilities. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. It may also pose the risk that we may be exposed to

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successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. Moreover, the costs of identifying and consummating investments may be significant. In addition to possible Shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the investments and to comply with any applicable PRC laws and regulations, which could result in delays and increased costs. Additionally, if the management team or key employees of an acquired company fail to perform as expected, this may adversely affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, results of operations and financial condition.

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

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

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

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

Our PRC Legal Advisors, based on their understanding of the relevant laws and regulations, are of the opinion that our Contractual Arrangements are not in violation of any applicable PRC law, rule or regulation currently in effect, and constitute valid and binding obligations against each party to such agreements in accordance with their terms. However, our PRC Legal Advisors also advised that as there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and

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regulations, including but not limited to, those governing our business, or the enforcement and performance of our Contractual Arrangements, there can be no assurance that the PRC government would ultimately take a view that is consistent with the opinion of our PRC Legal Advisors. If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or the Consolidated Affiliated Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our subsidiaries and the Consolidated Affiliated Entities may not be able to comply;
- requiring us or our subsidiaries and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of the Consolidated Affiliated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

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

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

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

Although we have been advised by our PRC Legal Advisors that our Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If the Consolidated Affiliated Entities or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. The Contractual Arrangements are

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governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce the Contractual Arrangements. If we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over their assets. As a result, we may be unable to combine the results of operations of the Consolidated Affiliated Entities into our consolidated financial statements, and our ability to conduct our business may be adversely affected.

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

If any of the Consolidated Affiliated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of the Consolidated Affiliated Entities. If the Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the Consolidated Affiliated Entities to Fenbi ShangAn under the applicable service agreement.

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

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

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

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

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

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

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

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission. See “Contractual Arrangements — Dispute Resolution.” The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, and injunctive relief and/or winding up of the Consolidated Affiliated Entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, our PRC Legal Advisors are of the view that the tribunal normally would not grant such injunctive relief or order the winding-up of the Consolidated Affiliated Entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws. These uncertainties could limit our ability to enforce the Contractual Arrangements.

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

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



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foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with. In addition, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In the worst-case scenario, we may be required to unwind our existing Contractual Arrangements and/or dispose of the relevant business operations, which could have a material adverse effect on our current corporate structure, corporate governance, business, results of operations, financial condition and prospects.

**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements do not represent an arms-length price and adjust the income of the Consolidated Affiliated Entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

### RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

We conduct all of our business operations in China. Accordingly, our business, results of operations, financial condition and prospects are, to a significant degree, subject to the economic, political and social conditions in China. The Chinese economy differs from the economies of developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China’s economic, political and social condition and the effect that new government policies will have on our business and future prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China’s economy, in particular the career test preparation industry, could have a negative impact on our business, operating results and financial condition in a number of ways.

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

Our business operations are based in China and governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As we expand our China operations, we expect to incur more expenditures denominated in Renminbi, while the [REDACTED] from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar may affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

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

Limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this document, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency.

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

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

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

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

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

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

### **PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.**

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China shall obtain approvals from or report investment information to MOFCOM or its local counterpart and register with the SAMR or its local counterpart to make capital contributions to the foreign-invested enterprises. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the statutory limits and is required to be registered with SAFE or its local branches or file with SAFE through its online service platform. We may not obtain these government approvals or complete such registrations on a timely basis, or at

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all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the [REDACTED] of the [REDACTED] to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

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

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

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

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

SAT issued the Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “SAT Public Notice 7”), which became effective on February 3, 2015. Under the SAT Public Notice 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to the SAT Public Notice 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of

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

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

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

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

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

After our Company becomes an overseas [REDACTED] company upon the completion of the [REDACTED], we, along with our Directors, executive officers and other employees who may be granted options, may be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012. According to the foregoing Notice, employees, directors, supervisors and other management members who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year participating in any stock incentive plan of an overseas publicly [REDACTED] company, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas [REDACTED] company, and complete certain other procedures. Failure to complete SAFE registrations may subject them to fines and other legal sanctions and may also limit their ability to make payment under the equity incentive plans or receive dividends or sales [REDACTED] related thereto, or our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our Directors and employees under PRC laws and regulations.



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

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

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

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

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

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and

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enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

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

### **Inflation in China could negatively affect our profitability and growth.**

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

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior [REDACTED] for our [REDACTED], and the liquidity and [REDACTED] of our [REDACTED] following the [REDACTED] may be volatile.**

Prior to the [REDACTED], there has been no [REDACTED] for our [REDACTED]. The [REDACTED] for our [REDACTED] was the result of negotiations among us, the [REDACTED] and the [REDACTED] on behalf of the [REDACTED], and the [REDACTED] may differ significantly from the market price for the [REDACTED] following the [REDACTED]. We have [REDACTED]. We cannot assure you that the [REDACTED] will result in the development of an active, liquid [REDACTED] for the [REDACTED]. In addition, the [REDACTED] and [REDACTED] of the [REDACTED] may be volatile. The following factors may affect the [REDACTED] and [REDACTED] of our [REDACTED]:

- actual or anticipated fluctuations in our operating performance and financial results;
- announcement of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimate or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Share or sales or perceived sales of additional Shares by us or other Shareholders.

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

**Since there will be a gap of several days between [REDACTED] and [REDACTED] of our [REDACTED], holders of our [REDACTED] are subject to the risk that the [REDACTED] of our [REDACTED] could fall during the period before [REDACTED] of our [REDACTED] begins.**

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

[REDACTED]

**We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.**

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

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

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

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

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

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## RISK FACTORS

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[REDACTED]

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

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

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

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

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and reports of other market data providers and other independent third-party sources for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts and statistics.

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## RISK FACTORS

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

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

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

We caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there had been press and media coverage regarding us and the [REDACTED]. 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 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.