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## INDUSTRY OVERVIEW

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*Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report commissioned by us and prepared by Frost & Sullivan. We believe that the sources of information are appropriate, and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Joint Sponsors, [REDACTED] or any of our or their respective directors, senior management, representatives or any other person involved in the [REDACTED] have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.*

### SOURCES OF INFORMATION

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

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

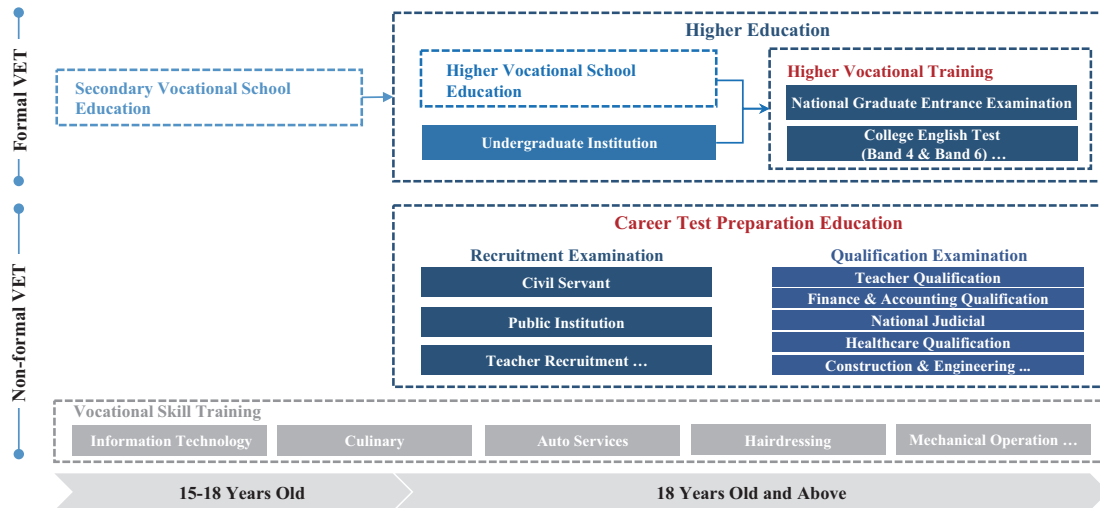
### DIRECTORS’ CONFIRMATION

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

### THE VOCATIONAL EDUCATION AND TRAINING INDUSTRY IN CHINA

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

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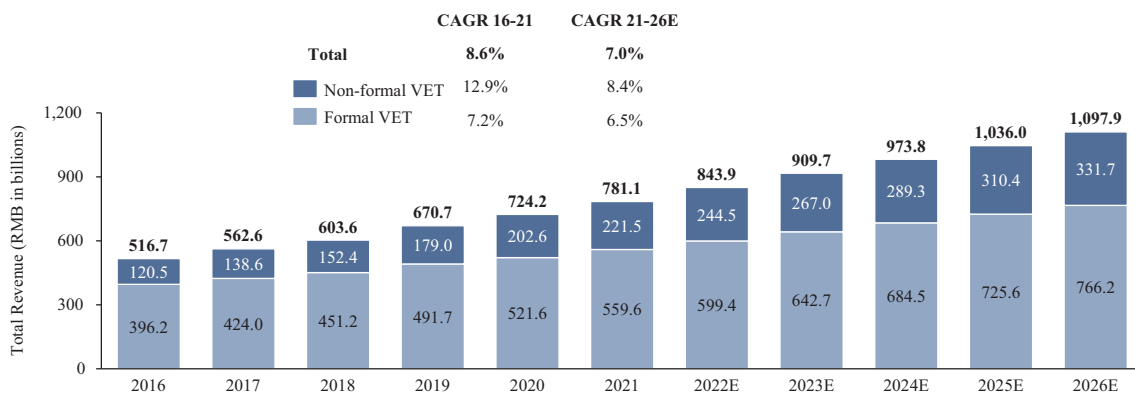


Source: F&S Report

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

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

### Market Size of China’s VET Industry, 2016-2026E<sup>(1)</sup>



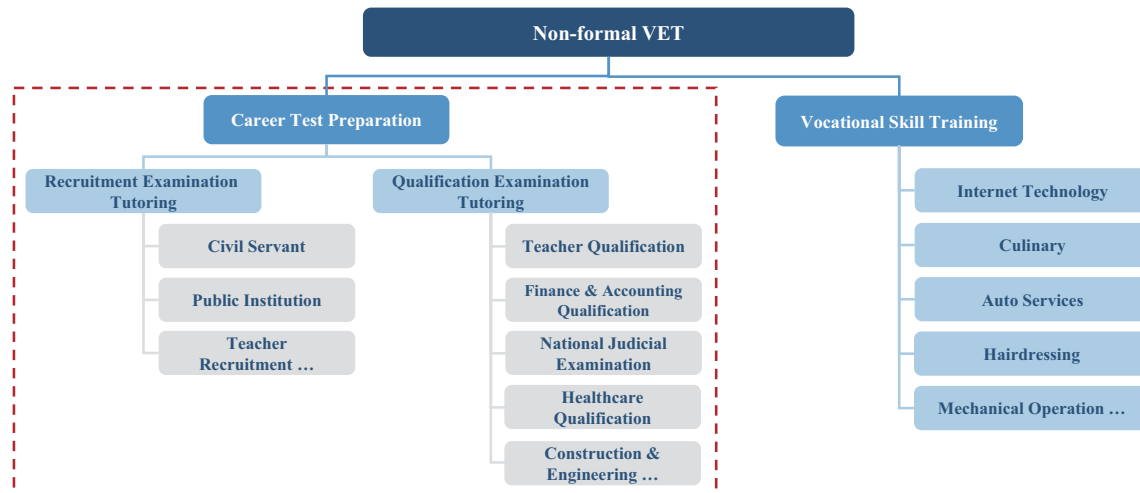
Source: Ministry of Education; Ministry of Human Resources and Social Security; F&S Report

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

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### THE NON-FORMAL VET INDUSTRY IN CHINA

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

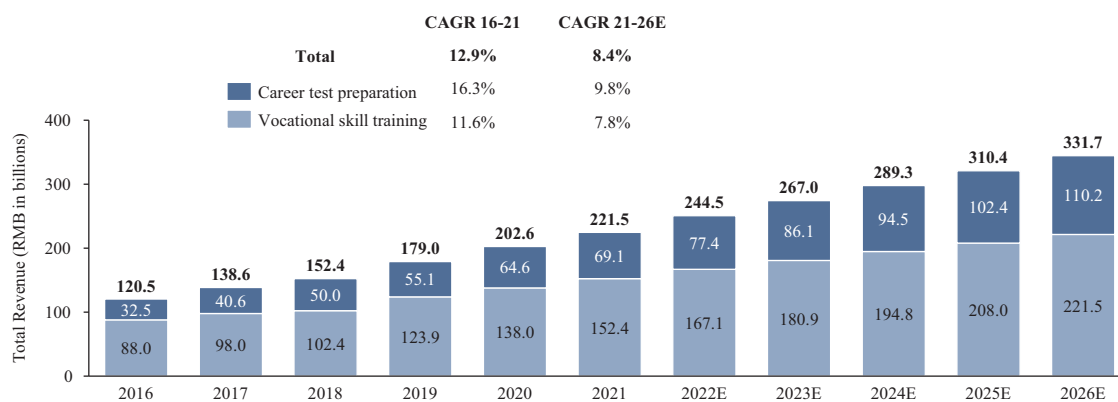


“---” denotes the scope of the tutoring courses offered by Fenbi.

Source: F&S Report

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

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

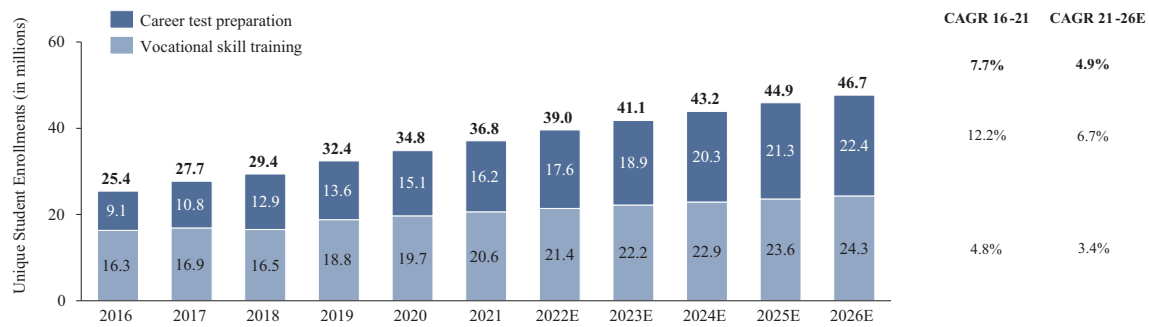


Source: Ministry of Education; Ministry of Human Resources and Social Security; F&S Report

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

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



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

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

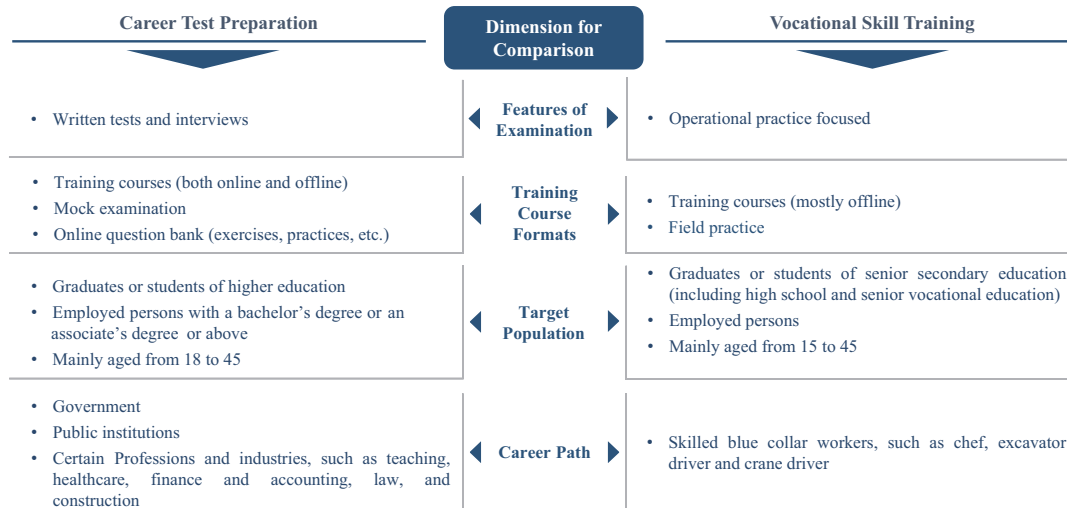
### THE CAREER TEST PREPARATION INDUSTRY IN CHINA

#### Overview of China’s Career Test Preparation Industry

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

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

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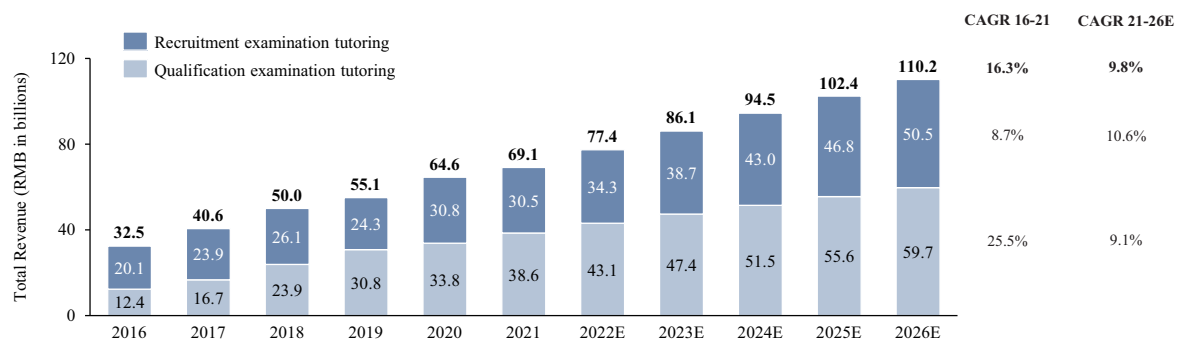


Source: F&S Report

### Market Size of China's Career Test Preparation Industry

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

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

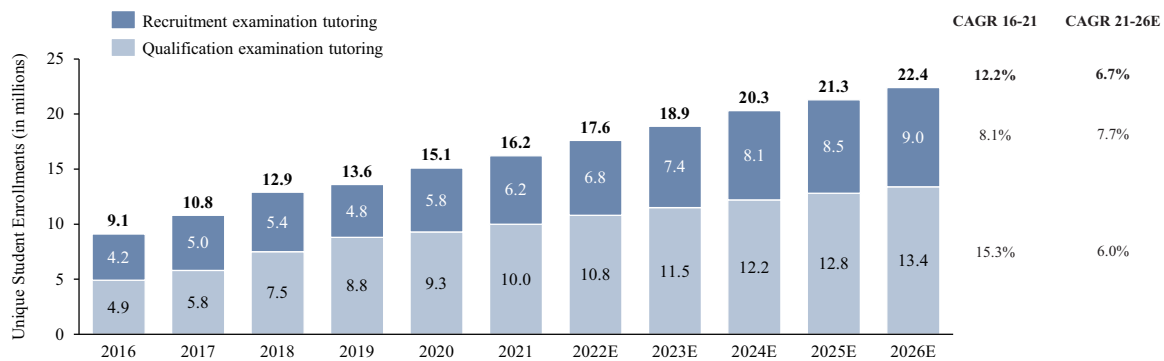


Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

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

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



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

### Key Drivers for China’s Career Test Preparation Industry

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

- Favorable government policies.** The PRC government has issued various favorable policies to promote vocational education and training and facilitate orderly market development, such as the Opinions on Promoting the High-quality Development of Modern Vocational Education and Training (關於推動現代職業教育高質量發展的意見) jointly released by the General Office of the CPC Central Committee and the General Office of the State Council in October 2021. The government support is expected to facilitate the sustained growth of China’s career test preparation industry.
- Technology-driven service upgrade.** RTC audio and video technologies have made immersive and interactive online courses possible, which enables career test preparation service providers to attract a broader student base, including adults with a full-time job and students from lower-tier cities who lack access to quality career test preparation services. In addition, while traditional offline tutoring courses are often unable to address a student’s individual learning needs with a one-size-fits-all approach, the advancement of AI technologies and behavioral data analytics enables service providers to offer tailor-made learning content and plans, which have led to the growing demand for technology-driven tutoring services.
- Intensified competition in the job market.** Given the intense competition in the job market, an increasing number of candidates, primarily including both young professionals and soon-to-be graduates, are expected to develop new skills and purchase career test preparation services to enhance their competence and increase their chances of securing preferred job positions or obtaining requisite certifications and qualifications. As a result, the penetration rate of career test preparation services in China is expected to increase from 25.6% in 2021 to 28.9% in 2026, according to the F&S Report.
- OMO integration.** The robust development of internet infrastructure and technologies enables the OMO integration of career test preparation services. Traditional offline training institutions are able to provide online courses and services through the internet to enlarge their student base and enhance brand recognition. Internet-born service providers can also expand into the offline sector to diversify their revenue streams. As a result, an increasing number of career test preparation service providers have delivered their services through both online and offline channels, with more learning options and product offerings, which is expected to further facilitate the penetration rate of China’s career test preparation services.

### Entry Barriers to China’s Career Test Preparation Industry

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

- Technological capability.** In order to better accommodate the increasing complexity of examinations and the growing number of applicants, the ability to leverage online platforms and various technologies to effectively serve the diversified learning needs of a large number of students has been increasingly important. As such, technological capability has become a key differentiating factor in China’s career test preparation industry, especially for players who focus primarily on the online sector. Established industry participants with solid technology infrastructure can support stable and smooth in-class experience through online channels and improve learning outcomes for students with technology-driven products and

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toolkits, which sets a high entry barrier for new entrants. Moreover, while existing players, supported by big data accumulation, are able to formulate well-crafted curricula and reference materials and provide targeted after-class services, new entrants generally are not able to provide such services due to their limited operating history. Additionally, leveraging their massive user base and big data accumulation, leading online players can manage and direct their offline expansion efforts more cost-effectively with data-driven insights.

- *Brand recognition.* Given the result-oriented nature of career test preparation services, students often prefer to choose a well-established brand with a proven track record. As such, service providers with strong brand awareness can leverage word-of-mouth referrals to grow the student base more cost-effectively. Brand recognition requires long-term efforts to cultivate, which poses considerable challenges to new market entrants.
- *High-caliber teaching staff.* High-caliber teaching staff are at the core of satisfactory learning outcomes and examination passage rates, which are highly valued by students when choosing service providers. Established career test preparation service providers generally have a deep bench of qualified teaching staff. In addition, long-standing players in the industry can continue to attract and retain high-caliber teaching staff with brand reputation, competitive compensation package and well-designed instructor training system. Given the intense competition for teaching talents in this field, the difficulty of recruiting qualified teaching staff may deter new players from entering the industry.
- *Comprehensive content offerings supported by robust content development capability.* The ability to develop and deliver comprehensive content offerings is one of the core competitive edges in China’s career test preparation industry. The quality of course and curriculum designs are the principal factors considered by students when choosing service providers. The flagship courses offered by leading career test preparation service providers have gone through years of practical evaluations and, based on firsthand course delivery experience, have been developed with well-structured syllabi and proven learning outcomes. In addition, established market players with comprehensive course offerings can capture diversified learning needs to expand cross-selling and up-selling opportunities. However, it can be difficult for new entrants to launch well-structured courses or build a comprehensive course matrix in a short time. The coverage and quality of course offerings are dependent upon the content development capability of career test preparation service providers. Robust content development capability usually requires years of experience and a sophisticated content development team, which are not readily available for new market entrants.

### Competitive Landscape of China’s Career Test Preparation Industry

China’s career test preparation industry is relatively fragmented, with the top five players accounting for an aggregate market share of 22.1% in terms of revenue in 2021. We ranked No. 2 with a 4.3% market share in 2021.

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

Source: F&S Report

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

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In addition, we ranked No. 1 in China’s career test preparation industry as measured by paid enrollments in 2021, according to the F&S Report.

Ranking	Career Test Preparation Service Provider	Paid Enrollments of Career Test Preparation Services (in millions)
<b>1</b>	<b>Fenbi</b> . . . . .	<b>9.8<sup>(1)</sup></b>
2	Company A . . . . .	3.9
3	Company C . . . . .	2.7
4	Company D . . . . .	0.5
5	Company B . . . . .	0.3
	<b>Top Five</b> . . . . .	<b>17.1</b>

Source: F&S Report

(1) Includes 1.5 million paid enrollments for membership package in 2021.

We were also China’s largest online career test preparation service provider in 2021 as measured by 9.0 million paid enrollments, representing four times the size of the second largest player and exceeding the size of the remaining top five market players combined, according to the F&S Report.

Ranking	Online Career Test Preparation Service Provider	Online Paid Enrollments of Career Test Preparation Services (in millions)
<b>1</b>	<b>Fenbi</b> . . . . .	<b>9.0<sup>(1)</sup></b>
2	Company C . . . . .	2.0
3	Company A . . . . .	1.1
4	Company B . . . . .	0.2
5	Company D . . . . .	0.1
	<b>Top Five</b> . . . . .	<b>12.3</b>

Source: F&S Report

(1) Includes 1.5 million paid enrollments for membership package in 2021.

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

### THE RECRUITMENT EXAMINATION TUTORING INDUSTRY IN CHINA

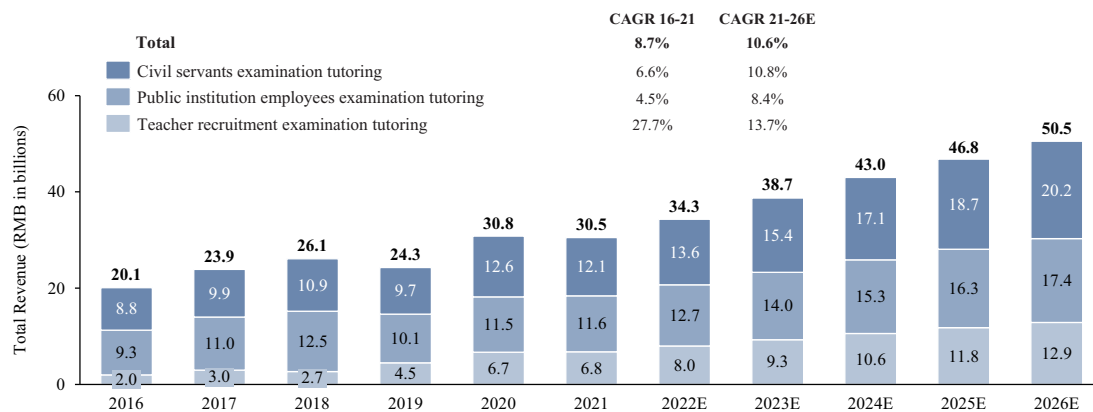
#### Overview of China’s Recruitment Examination Tutoring Industry

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



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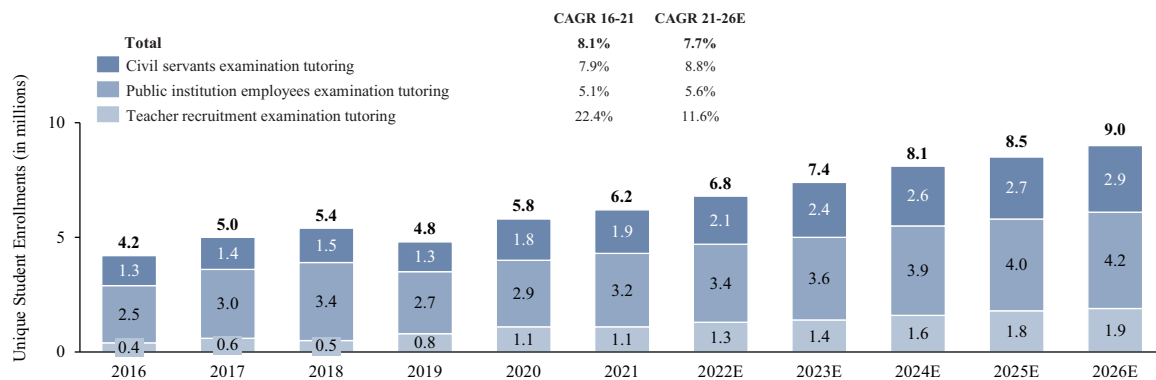
### Market Size of China’s Recruitment Examination Tutoring Industry, 2016-2026E



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

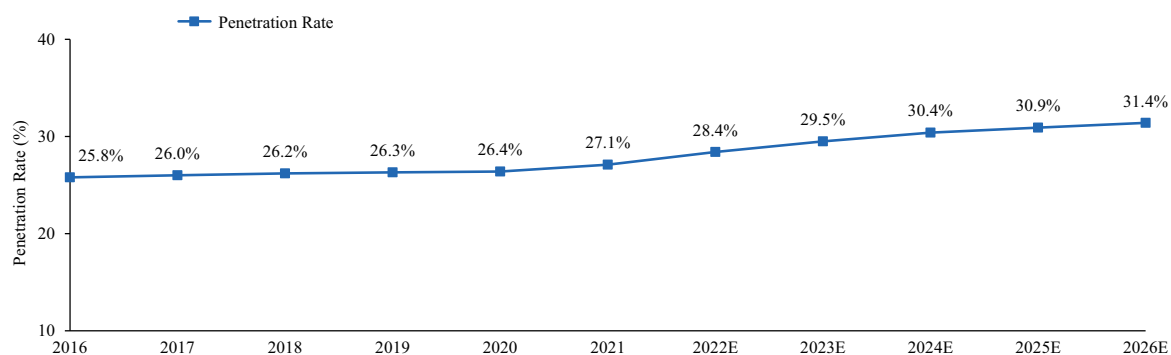
The unique student enrollments of China’s recruitment examination tutoring industry increased from 4.2 million in 2016 to 6.2 million in 2021 at a CAGR of 8.1% and are expected to reach 9.0 million in 2026 at a CAGR of 7.7% from 2021 to 2026.

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



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

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



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

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

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

### Market Drivers of China’s Recruitment Examination Tutoring Industry

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

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

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