SUMMARY

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

OVERVIEW

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

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

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

We believe we have prompted the intelligent development of China's career test preparation industry through the launch of a comprehensive online training mobile app in December 2013; the provision of systematic civil servants examination tutoring services through online channels in September 2014; the in-house development of an RTC video system in December 2014; the launch of a comprehensive online question bank in June 2015; and the adoption of multiple advanced technology applications, such as the grade prediction, the automated essay grading, the large-scale online mock examination system, the intelligent content recommendation and the photo-based question search engine with a full subject coverage.

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

MARKET OPPORTUNITY

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

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

COMPETITIVE STRENGTHS

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

GROWTH STRATEGIES

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

KEY OPERATING AND FINANCIAL METRICS

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

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

(1) Refer to paying users who had also purchased our tutoring courses and/or learning products in previous periods.

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

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

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

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

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

REFUND POLICIES

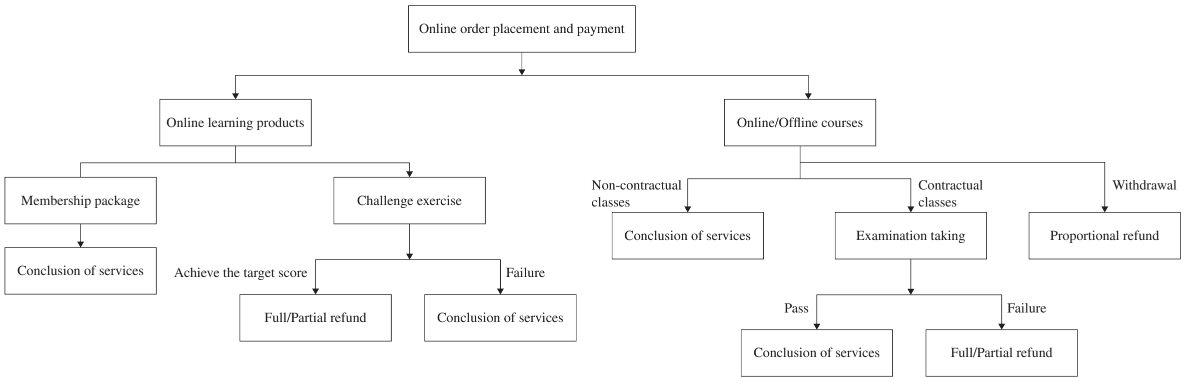
We may allow refund of course fees in instances of withdrawal from all types of classes prior to the class start date or during the span of the courses. The refund is proportional to the undelivered classes and services. We also refund the fees related to the accompanying textbooks and learning materials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

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

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

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

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



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

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

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

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

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

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

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

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

CUSTOMERS AND SUPPLIERS

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

RISKS AND CHALLENGES

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

- We may have difficulty in managing our growth effectively.

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

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

SUMMARY OF FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss

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

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

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

Non-IFRS measure

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

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

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

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

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

Revenue

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

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

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

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

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

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

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
							(Unaudited)			
Eastern China region	103,551	29.2	229,266	25.9	380,500	23.5	198,171	19.7	71,665	13.7
Northern China region	74,926	21.1	168,585	19.0	269,072	16.6	177,511	17.7	79,094	15.1

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
							(Unaudited)			
Southern China region	70,962	20.0	116,257	13.1	259,816	16.1	166,985	16.6	93,713	17.9
Northwestern China region	40,682	11.5	114,109	12.9	245,956	15.2	172,993	17.2	98,372	18.8
Northeastern China region	32,450	9.2	114,038	12.9	198,714	12.3	129,872	12.9	56,800	10.8
Southwestern China region	31,876	9.0	144,245	16.2	263,272	16.3	159,932	15.9	123,890	23.7
Total revenue generated from classroom-based tutoring services	**354,447**	**100.0**	**886,500**	**100.0**	**1,617,330**	**100.0**	**1,005,464**	**100.0**	**523,534**	**100.0**

Gross profit and gross margin

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

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

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

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

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

The gross profit margin of our online tutoring services increased from 41.8% in the six months ended June 30, 2021 to 60.3% in the six months ended June 30, 2022, primarily because we optimized our employee structure for online tutoring and enhanced our cost control measures in an effort to improve our operational efficiency and profitability. The gross margin of our classroom-based tutoring services increased from (1.9)% in the six months ended June 30, 2021 to 36.3% in the six months ended June 30, 2022, primarily because we optimized our employee structure for classroom-based tutoring and adjusted the scale of our offline coverage in an effort to improve our operational efficiency and profitability. The utilization of our instructors improved during this process as a result of the optimization of our employee structure. Specifically, we had 6,552 full-time instructors as of December 31, 2020, and 8,020, 7,276, 5,348, 4,520, 4,316 and 3,796 full-time instructors at each quarter end from January 1, 2021 through June 30, 2022, respectively. The ratio of paid enrollments per instructor, calculated based on the paid enrollments of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period (which is calculated based on the above-mentioned numbers of full-time instructors at quarter beginnings and/or end), was 595, 597 and 638 for the first half of 2021, the second half of 2021 and the first half of 2022, respectively. The ratio of paid enrollments per instructor for formal courses, as calculated in the similar manner, was 193, 208 and 295 for the same periods, respectively. The gross margin of our sales of books increased from 28.5% in the six months ended June 30, 2021 to 31.9% in the six months ended June 30, 2022, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, despite our revenue growth.

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

Profit/Loss for the period

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

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

Summary of Consolidated Statements of Balance Sheet

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

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

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

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

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

Summary of Consolidated Statement of Cash Flows

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

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

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

Key Financial Ratios

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

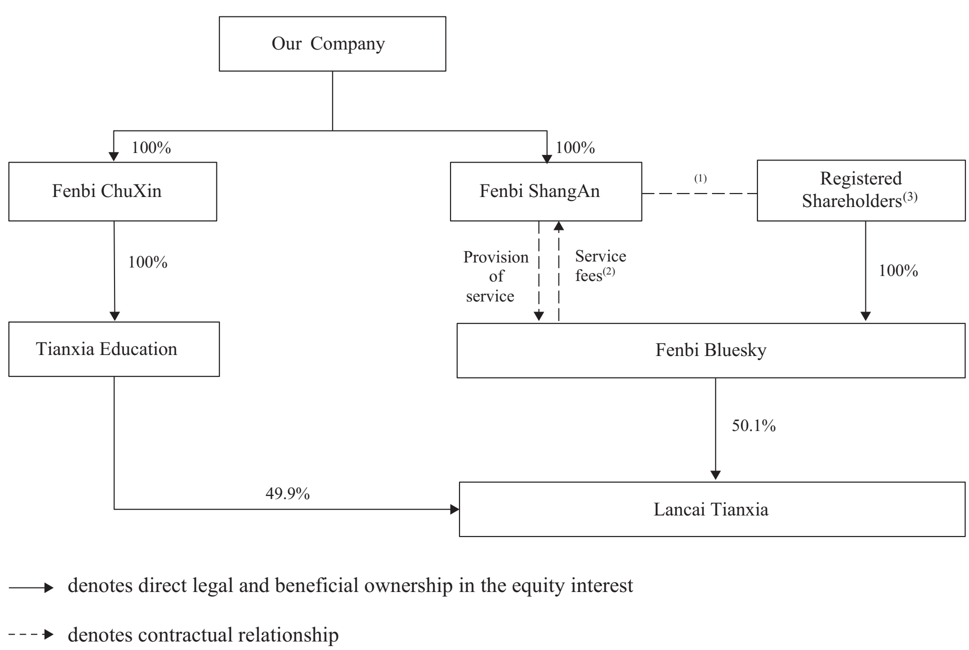
	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2019	2020	2021	2022
Profitability ratios				
Gross profit margin	46.2%	23.0%	24.5%	47.5%
Net profit/(loss) margin	13.3%	(22.7%)	(59.7%)	(27.0%)
Adjusted net profit/(loss) margin (non-IFRS measure)	15.1%	(17.0%)	(24.0%)	6.6%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

See "Financial Information — Key Financial Ratios" for details.

CONTRACTUAL ARRANGEMENTS

Our online non-formal VET services and book printing business in China are subject to foreign investment restrictions under PRC laws and are directly conducted through our Consolidated Affiliated Entities. In order to comply with PRC laws and regulations and maintain effective control over our Consolidated Affiliated Entities, we entered into the Contractual Arrangements through which, together with the equity holding, we are able to exercise control over and enjoy all the economic benefits derived from the operations of the Consolidated Affiliated Entities. See "Contractual Arrangements" for details.

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



(1) Control of Fenbi ShangAn over Fenbi Bluesky through the following agreements with the Registered Shareholders: (i) Shareholder Voting Right Proxy Agreement, (ii) Exclusive Option Agreement, and (iii) Equity Pledge Agreement.

(2) Control of Fenbi ShangAn over Fenbi Bluesky through the Business Cooperation and Service Agreement.

(3) Fenbi Bluesky is owned as to 92.45%, 5.00%, 2.25%, 0.10%, 0.10% and 0.10% by Mr. Zhang, Beijing Fenbi Box, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen, respectively. Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner.

REORGANIZATION AND SPIN-OFF

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

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

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

[REDACTED] Investments

We have completed **[REDACTED]** equity financings to fund our rapid business expansion. See "History, Reorganization and Corporate Structure — **[REDACTED]** Investments" for details of the identity and background of our **[REDACTED]** Investors.

Share Incentive Scheme

We value the contribution from our Directors, senior management and employees to the development and success of our Group. See "Appendix IV — Statutory and General Information — D. **[REDACTED]** Share Option Scheme" for details.

DIVIDEND

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

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

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

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

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

Despite the short-term impact, we expect that our business will not be severely disrupted in the long run for the following reasons. The COVID-19 pandemic has been generally contained in China where we conduct our business, and we were generally able to develop our offline operations. Specifically, the total paid enrollments of our classroom-based tutoring courses continued to increase from 710,000 in 2020 to 836,000 in 2021, and the paid enrollments of our classroom-based formal courses continued to increase from 293,000 in 2020 to 398,000 in 2021, despite the impact of the COVID-19 pandemic. Although our classroom-based tutoring services were negatively affected by the regional resurgence of the COVID-19 pandemic in the first half of 2022, which led to the postponement of certain examinations, there has been a recovery of recruitment needs, according to the F&S Report.

For example, the 2022 Multi-provincial Unified Civil Servants Examination was held in July 2022 without downsizing the hiring plans. Moreover, we can serve users with comprehensive online products and services remotely, which we believe has, to a certain extent, minimized the impact of the restrictions on offline activities caused by the outbreak. Furthermore, the COVID-19 outbreak has not materially and adversely affected the recruitment plans of various government-sponsored positions, as evidenced by an increasing number of government-sponsored positions offered since 2020, according to the F&S Report. China's non-formal VET industry, in terms of revenue, is expected to increase from RMB221.5 billion in 2021 to RMB331.7 billion in 2026 at a CAGR of 8.4%, according to the same source. As such, we believe that there is sustained demand for our tutoring services despite the COVID-19 outbreak.

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

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

	2021	2022(1)
Number of cities where we suspended classroom-based tutoring		
Within 30 days	30	3
30 to 60 days	55	17
60 to 90 days	5	44
Over 90 days	—	5
Total	90	69

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

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

	2021		2022(1)	
	Number of cities affected	Average days of suspension	Number of cities affected	Average days of suspension
Eastern China region	8	33	21	70
Northern China region	19	32	7	82
Southern China region	5	30	5	45
Northwestern China region	24	22	14	54
Northeastern China region	27	40	17	79
Southwestern China region	7	32	5	38

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

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

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

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

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

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

NO-MATERIAL ADVERSE CHANGE

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

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

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

STATISTICS OF THE [REDACTED]

All statistics in the following table are based on the assumptions that (1) the **[REDACTED]** has been completed and **[REDACTED]** Shares are issued pursuant to the **[REDACTED]**; (2) options granted under the **[REDACTED]** and the **[REDACTED]** Share Option Scheme are not exercised; and (3) **[REDACTED]** Shares are issued and outstanding following the completion of the **[REDACTED]**.

	Based on an [REDACTED] of HK$[REDACTED] per Share	Based on an [REDACTED] of HK$[REDACTED] per Share
Market capitalization of our Share	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited **[REDACTED]** adjusted consolidated net tangible asset value per Share(1)	HK$**[REDACTED]**	HK$**[REDACTED]**

(1) The unaudited **[REDACTED]** adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this document.

[REDACTED] EXPENSES

We expect to incur a total of approximately RMB**[REDACTED]** million of **[REDACTED]** expenses in connection with the **[REDACTED]**, representing approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised), which consist of (1) **[REDACTED]**-related expenses (including but not limited to **[REDACTED]** and fees) of approximately RMB**[REDACTED]** million, and (2) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, including (i) fees and expenses of legal advisors and accountants of approximately RMB**[REDACTED]** million and (ii) other fees and expenses of approximately RMB**[REDACTED]** million. During the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million, out of which approximately RMB**[REDACTED]** million was charged to our consolidated statements of profit or loss as administrative expenses, while the remaining amount of approximately RMB**[REDACTED]** million directly attributable to the issuance of Shares will be deducted from equity upon the completion of the **[REDACTED]**. We expect to further incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million upon the completion of the **[REDACTED]**, out of which approximately RMB**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss and approximately RMB**[REDACTED]** million is expected to be deducted from equity. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and are for reference only. The actual amount may differ from this estimate.

USE OF [REDACTED]

We estimate that the **[REDACTED]** from the **[REDACTED]** will be approximately HK$**[REDACTED]** million (after deducting the estimated **[REDACTED]** and other fees and expenses in connection with the **[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative range of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per Share, and the non-exercise of the **[REDACTED]**.

We currently intend to apply the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set out follows:

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, to enrich our course offerings and expand our student base;
- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, to enhance our content and technological development capabilities;
- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, to conduct marketing campaigns primarily for our newly developed courses; and
- approximately **[REDACTED]**% of the **[REDACTED]**, or approximately HK$**[REDACTED]** million, for working capital and other general corporate purposes.

See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**" for details.

RECENT DEVELOPMENT

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

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