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OVERVIEW

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

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

We launched the first comprehensive online tutoring mobile app for recruitment examination tutoring in December 2013, according to the F&S Report. We introduced the first comprehensive online question bank in 2015, which has gained widespread popularity among candidates for various examinations, allowing us to attract significant user traffic. We have also developed high-quality online tutoring courses in live or pre-recorded format, supplemented by online self-learning materials and toolkits, which allowed us to quickly establish our online presence and build a trusted brand image among our users. Furthermore, we launched our offline classroom-based tutoring on a large-scale basis in May 2020 to expand our addressable market and serve a broader student base by accommodating their diversified learning habits. Leveraging our large user base and strong reputation accumulated from our online business, we are able to identify and convert users with offline education needs to offline enrollments, which allows us to expand our offline operations rapidly and cost-effectively. Approximately 67.5% of all students who paid for our offline courses in 2021 were converted from students who had previously paid for our online offerings, and since their purchase of our offline courses and up to June 30, 2022, approximately 71.0% of such converted students had continued to pay for our online offerings. We have also established a centralized operational system to ensure online-merge-offline (“OMO”) synergy and operational efficiency. As of June 30, 2022, our online platform had accumulated approximately 43.2 million registered users and 49.3 million online paid enrollments, and we had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China, with over 1.9 million offline paid enrollments.

We offer effective learning experience and outcomes, which rests on our high-caliber teaching staff and systematic content development mechanism. We had a devoted team of 3,796 instructors as of June 30, 2022, substantially all of whom had a bachelor’s degree or above. Our instructors are capable of hosting high-quality live lectures for over 100,000 students in one class. Firsthand teaching experience is also critical for our high-quality content development as it allows us to react to the evolving market demands and the differentiated learning patterns. We have developed substantially all the content on our platform in-house, and most of our content development specialists routinely

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participate in frontline teaching activities. As a result, we are able to formulate well-designed curricula and learning materials to facilitate an effective learning experience for students. Furthermore, the abundant teaching experience of our content development team, combined with our robust big data analytics, forms a solid foundation for us to continuously refine our course materials and teaching techniques.

Technological innovation underpins our success and strong brand name. We believe we have prompted the intelligent development of China’s career test preparation industry. According to the F&S Report, we adopted many innovations at a relatively earlier time in the recruitment examination tutoring industry, including the launch of a comprehensive online training mobile app in December 2013; the provision of systematic civil servants examinations tutoring services through online channels in September 2014; the in-house development of an RTC video system in December 2014; the launch of a comprehensive online question bank in June 2015; and the adoption of multiple advanced technology applications, such as the grade prediction, the automated essay grading, the large-scale online mock examination system, the intelligent content recommendation and the photo-based question search engine with a full subject coverage.

The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. The paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022. During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million and RMB2,046.0 million in 2020 and 2021, respectively, primarily due to the rapid expansion of our classroom-based tutoring business that had not yielded the expected results. We incurred substantial cost of sales and operating expenses to expand our course product offerings and coverage of examination subjects, as well as to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. We recorded net loss of RMB391.8 million in the six months ended June 30, 2022, primarily because we optimized the structure of our employee team to effectively manage our growth and improve our profitability. We recorded adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019, adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively, and adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022. See “Financial Information — Non-IFRS Measure” for a reconciliation of our profit/loss for the year/period to adjusted net profit/loss (non-IFRS measure).

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors.

Leading career test preparation service provider in China with trusted brand

We are a non-formal VET service provider in China, dedicated to making high-quality VET services accessible through technology and innovation. We ranked No. 2 in China’s career test preparation industry with a 4.3% market share in terms of revenue in 2021, according to the F&S Report. We primarily offer a comprehensive suite of recruitment and qualification examination preparation courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries, such as teaching, healthcare, accounting, construction and law, aiming to help them excel amid the intensified competition in China’s job market.

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Since our inception, we have been leading the intelligent development of China’s career test preparation industry and staying abreast of the evolving market demands. We launched China’s first comprehensive online tutoring mobile app for recruitment examination tutoring in December 2013, according to the F&S Report, and have continued to upgrade our online tutoring services through innovative technology infrastructure and applications. We have also had a proven track record of prompting innovative products and services in the industry. Furthermore, leveraging our large user base and strong reputation from our online operations, we became the first internet-born recruitment examination service provider in China that successfully achieved rapid offline expansion driven by OMO synergy, according to the same source.

We believe that we have successfully established “Fenbi” as a trusted brand in China’s career test preparation industry. According to the F&S Survey, we had a leading overall satisfaction rating among all major recruitment examination service providers. We have also received a number of credible accolades in recognition of our brand image. For example, in 2019, we were named as the “Influential Online Education Institution Brand Annual Award” (年度品牌影響力在線教育機構) by Xinhuanet (新華網), one of the largest and most influential media outlets in China. In 2020, we were recognized as one of the “Top 10 Education Brands of the Year” (教育十大年度品牌) by Beijing Evening Post (北京晚報), the official newspaper of Beijing municipality. We believe our strong brand awareness has allowed us to incur lower customer acquisition costs compared to our major competitors, especially through word-of-mouth referrals by existing students who share their learning experiences and examination results with others. As evidenced by the F&S Survey, among the survey participants who purchased our services and products, 47.5% of them were recommended by their classmates and friends, and 93.6% of them would recommend our products and services to other people. As a result, we recorded selling and marketing expenses per paid enrollment of approximately RMB72.0 in 2021, as compared to that of over hundreds of Renminbi of these competitors.

As a result of our market leadership and brand value, we achieved significant growth during the Track Record Period. The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. The paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022. During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million, RMB2,046.0 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2022, respectively.

Leading online platform for career test preparation with a massive user base

Leveraging the first comprehensive online question bank in China’s recruitment examination tutoring industry, we have rapidly gained popularity among users and attracted significant user traffic. We have developed quality courses and rich learning toolkits to further strengthen our rapport with users. We provide a comprehensive suite of online career test preparation courses to better cater to the needs of adult students, thereby gaining market shares. Our course offerings cover all major career test subjects, including civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and a variety of popular certification and qualification examinations. For each subject, we offer multiple course types to accommodate diversified learning needs and focuses, flexible learning times and differentiated price sensitivity. For example, we launched our flagship online systematic civil servants examinations tutoring course in September 2014, being the first of the kind in China, according to the F&S Report, and subsequently developed additional online

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systematic courses for other examinations. We also launched online premium courses in June 2020 for students who require more individual attention and targeted supports but are unable to attend full-time offline courses, through which we captured the market opportunity from the underserved student needs.

We deliver online courses in live or pre-recorded format, or a combination of both, through our Fenbi online platform. Leveraging our industry-leading RTC video system, our students nationwide can access interactive live streaming courses delivered by otherwise scarce top-notch teaching talents with flexibility in terms of timing and location. In addition, we supplement our course offerings with online self-learning materials and toolkits, such as online mock examinations, online question bank, and the photo-based question search engine for answers to examination questions. In addition, we provide value-added services for students in need of more individual attention and targeted support. For example, we have formulated a well-designed learning roadmap with various targeted services for students subscribing to our premium courses, where we guide students through their after-class exercises, monitor the progress of their learning plans, and provide them with one-on-one detailed analyses and suggestions for future improvement. We believe that such comprehensive product and service offerings enable adult students to execute their learning plans at their own pace and effectively achieve desired learning outcomes.

We believe we have become the “go-to” platform in China’s online career test preparation industry leveraging our robust product development capability and the effective learning experience we foster. As of June 30, 2022, our online platform had accumulated approximately 43.2 million registered users. We had paying users for our online tutoring services of approximately 2.1 million, 3.1 million, 3.8 million, 2.4 million and 2.0 million in 2019, 2020, 2021 and the six months end June 30, 2021 and 2022, respectively, and paying users for our classroom-based tutoring services of approximately 54,000, 0.4 million, 0.5 million, 0.4 million and 0.1 million in the same periods, respectively. The average revenue per paying user for our online tutoring services was approximately RMB311, RMB315, RMB372, RMB284 and RMB351 in 2019, 2020, 2021 and the six months end June 30, 2021 and 2022, respectively, and the average revenue per paying user for our classroom-based tutoring services was approximately RMB6,523, RMB2,261, RMB3,353, RMB2,723 and RMB3,662 in the same periods, respectively. Our average MAUs increased from approximately 2.9 million in 2019 to approximately 4.7 million in 2020, to approximately 6.5 million in 2021, and further to approximately 7.5 million in six months ended June 30, 2022, far exceeding the size of all other market players, according to the F&S Report. In addition, according to the F&S Survey, 58.7% of the survey participants who were acquainted with all major recruitment examination service providers named Fenbi as their first choice.

Scalable and synergistic business model featuring highly innovative OMO integration

We operate a scalable business benefiting from our solid online presence and the significant synergies achieved through an innovative OMO model. According to the F&S Report, we are the first internet-born recruitment examination tutoring service provider that integrated offline resources and achieved economies of scale in omni-channels to create unique competitive advantages.

Leveraging our robust online platform, we have built a trusted brand image and formed deep rapport with our users. Rather than conduct large-scale advertising campaigns, we can identify and convert users with offline education needs to offline enrollments in a cost-effective manner. In 2021, approximately 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. Since we launched our offline course offerings on a large-scale basis in May 2020 and up to June 30, 2022, our offline operations had contributed approximately 1.7 million paid enrollments. As of June 30, 2022, we had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China. We believe that such a rapid growth path can be difficult for other market players who originated from an offline business to replicate. Moreover, leveraging our robust data analytics, we are able to make more informed execution decisions to guide our offline expansion.

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Capitalizing on the offline expansion, we have expanded our tutoring services by fulfilling the diversified learning needs from prospective students with more learning options. While students converted from online offerings can have their specific learning needs fulfilled through classroom-based tutoring courses, our offline staff could also recommend suitable online courses, products and toolkits to these offline students, such as our question bank and online mock examination system. Moreover, as an internet-born company, we have established a centralized system to manage and oversee various aspects of our operations, both online and offline, including student administration, teaching staff evaluation and financial management, which enables us to maintain operational efficiency and service quality during rapid business expansion. All of these have driven, and will continue to drive, our OMO synergy to form a virtuous cycle.

Effective learning experience rooted in strong content development capability and high-caliber teaching staff

We provide well-designed curricula and learning materials to facilitate an effective learning experience for students. We have developed strong content development capability, with a systematic and centralized content development approach. Supported by a content development team of 249 specialists as of June 30, 2022, we have developed substantially all content on our platform in-house, including course curricula and teaching materials. We believe that staying abreast of the evolving market demands and the differentiated learning patterns through firsthand teaching experience is critical for high-quality content development. As such, most of our content development specialists routinely participate in frontline teaching activities to ensure that they can promptly adapt curricula and teaching materials to the prevailing market trends and student needs. Our seasoned content development specialists also closely monitor and deliberate on the latest development for recruitment and qualification examinations and job market demands to ensure that all contents on our platform are relevant and up to date. Our offline instructors then customize the content to better reflect local test and admission standards and address local market demands.

We are committed to delivering the best learning experience to students with an emphasis on the recruitment, training and retention of high-caliber teaching staff. We had a devoted team of 3,796 instructors as of June 30, 2022, substantially all of whom had a bachelor’s degree or above. We implement a highly selective instructor hiring process to ensure that the new hires possess the academic and communication skills commensurate with our required expertise and techniques. Through our recruitment and evaluation processes, including a probation period, we seek to retain instructors who have strong academic credentials, a passion for the VET industry, strong communication skills, and demonstrated proficiency in employing innovative and effective teaching methods. We generally require newly hired teaching staff to undergo systematic onboarding training sessions, covering multiple modules ranging from professional knowledge, teaching methods and skills, to trial classes. We also frequently organize seminars hosted by our top-rated instructors to provide on-the-job training covering various test subjects, new curricula and teaching materials. Moreover, we provide our instructors with competitive compensation packages, taking into account their performance assessment based on our comprehensive evaluation and promotion mechanisms.

We believe that the effective learning experience we offer to our students could translate into sought-after learning outcomes and customer satisfaction. According to the F&S Survey, we received leading ratings in teaching quality, course quality and curriculum setting among all major recruitment examination service providers.

Operational excellence empowered by technologies and data analytics

Technological innovation underpins our capability to continuously make breakthroughs in the career test preparation industry, which has created entry barriers and sustained our long-term success. We launched the first comprehensive online tutoring mobile app in China’s recruitment examination

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tutoring industry and has since led the intelligent development of the industry by prompting various technological innovations, such as China’s first comprehensive online question bank and first large-scale online mock examination system for recruitment examinations, according to the F&S Report.

We have applied advanced technologies and data analytics to major aspects of our operations, such as service delivery, customer acquisition and resource allocation. For example, we have developed an RTC video system as the cornerstone of our online platform, which have rendered us the first mover to provide online recruitment examination preparation courses and revamp the teaching mode which were traditionally classroom-based. The system delivers a high-resolution, low-latency content transmission experience, which ensures stable and smooth delivery of tutoring products and services even in remote areas with weak network connections. Built upon our industry-leading technology and cloud architecture, the system can support live large-class courses with a latency below 500 milliseconds for over 100,000 students in one class. Our RTC video system also supports innovative use cases, such as mock interviews and interactive dual-teacher courses, each staffed with one instructor and multiple tutors.

In addition, we have gathered a wealth of data points concerning course subjects, teaching performance, learning behavior and preferences, and learning patterns and outcomes. For example, with a total of approximately 2.3 million questions, our question bank had supported approximately 1.9 billion online exercises on an aggregate of over 30.9 billion questions practiced as of June 30, 2022. We analyze these data, in strict compliance with our data privacy policies, to continuously optimize our algorithms. These data-driven insights also form a critical foundation for us to provide individualized feedback and content recommendation, refine our course materials and teaching techniques, optimize our toolkits, improve on-going teacher training, and enhance user engagement on our platform. For example, we launched the “challenge exercise” product with our established online question bank and robust AI and data analytics capabilities, which allows us to further accumulate users in a cost-effective manner. Leveraging robust text recognition, natural language processing and deep learning technologies, we have developed an automated essay grading system which grades essay questions with precision and assesses a student’s knowledge base and eloquence to provide suggestions for future improvement. We can also track a student’s learning behavior and outcomes and recommend supplemental exercises based on an in-depth analysis of areas for improvement and the identification of the commonalities among wrong answers to questions in terms of difficulty levels. In addition, our online mock examination system can automatically generate scores and percentile ranking for each participant within one minute following the completion of the mock examination, allowing the participant to discern his or her progress and improvement and formulate targeted learning strategies. Furthermore, our photo-based question search engine, which is empowered by our strong OCR technology, allows students to use photographs of printed texts, or even cursive handwriting, complicated mathematical formula and geometric patterns to locate answers in our comprehensive question bank.

Seasoned management team

We have benefited from the leadership of a seasoned management team with industry insights and passion. Their foresight and sagacity, in-depth industry expertise, extensive managerial and operational experience, and long-term focus and commitment underpin our current accomplishment and future direction.

Mr. ZHANG Xiaolong, our co-founder, chairman and chief executive officer, has over a decade of experience in teaching and school operations, which contributed to his strategic visions on content development, course delivery and business operations. Mr. WEI Liang, our co-founder, director and chief technology officer, served multiple positions in leading internet and technology companies, such as Sony Mobile China, Kaixin.com and Tencent, where he accumulated approximately 15 years of experience in technological innovations and development. Having envisioned the market potential of the online career test preparation industry, our co-founders are devoted to transforming career test

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preparation services with technological innovation and making high-quality tutoring resources more widely available. They have participated in all major milestones of our corporate development and led us to evolve into an industry leader.

Other members of our senior management team have an average of more than 10 years of complementary experience from serving in leading enterprises across VET, internet technology and finance sectors. Their enthusiasm towards the education industry, collective experience and strong execution capability enable us to formulate and implement business strategies, overcome challenges and achieve long-term value creation.

Under the leadership of our management team, we have developed a people-oriented corporate culture. We value fairness and supportiveness and respect individual thoughts and contributions. We foster persistence, responsibility and accountability, a spirit of service, and collaboration and innovation. We believe that our corporate culture can buttress our ability to better create value for our students and empower them to reach their full potential.

GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business and maintain our market leadership.

Continue to strengthen our reputation by enhancing teaching and service quality

We are committed to excellence in all aspects of our tutoring services. We will continue to hold ourselves to a high-quality standard in helping students achieve their career goals, which in turn will strengthen our reputation, solidify our brand value and drive continuous word-of-mouth referrals.

We plan to systematically refine our curricula and teaching methods, increase our content development capability and, ultimately, improve the quality of our tutoring services. To that end, we will continue to update and upgrade existing courses based on the feedback of our students and teaching staff, as well as our in-house research on the evolving requirements of various examinations. We also plan to optimize our knowledge management system and modularized content development approach. Furthermore, we will continue to place a strong emphasis on recruiting, training and retaining teaching talents. Following the alleviation of the COVID-19 pandemic, we will recruit and cultivate additional high-quality instructors specialized in conducting classroom-based tutoring and adopting advanced tutoring technologies to accommodate our continued business growth. We also plan to further strengthen our internal capability to systematically discover and nurture high-caliber teaching staff to ensure consistent and high-quality teaching standards.

In addition to course offerings, we will continue to raise our service quality and improve student experience. For example, we intend to further improve our teaching staff’s efficiency in providing targeted support with data-driven insights and advanced technologies, including continuously refining our internal knowledge base by incorporating more information on course materials, industry updates and knowhow. We also plan to optimize and develop attractive new features and intelligent toolkits for our online platform to further encourage student engagement and facilitate effective learning.

Enrich course offerings and explore innovative course delivery modes

We plan to further expand the coverage of our course offerings and explore innovative course delivery modes in response to evolving industry trends and diverse learning needs. By doing so, we will reach more prospective students, capture their aspirations for career advancement, and build a solid foundation for our sustainable development.

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We plan to develop high-quality courses that are complementary to our existing product portfolio. We intend to cover recruitment and qualification examinations for more local government-sponsored positions, such as those at the county-level, leveraging our existing course research results on the national and provincial level and local insights. In addition to career test preparation courses, we also intend to develop vocational skill training courses in high demand and with significant growth potential. For example, we currently plan to launch online information technology courses and online and classroom-based culinary art courses. We believe that information technology tutoring shares the same student base as the recruitment examination tutoring as they both target the adult students with higher education background and aspiration to achieve a white-collar level compensation and social status. As such, we can leverage the cross-selling potential from our massive user base. In addition, as people are increasingly pursuing healthy diet with improving living standards, we plan to provide advanced culinary art courses featuring know-how of nutritional science and weight control via a dietary approach, which requires stronger academic ability and more diversified knowledge than training of traditional culinary art. We believe that our vocational skill training courses will allow us to appeal to a broader student base and add more value to the skills of our students, differentiating them in the job market for greater earning power. We may also explore the opportunities in providing on-the-job vocational training for enterprise customers and continuing training for holders of certain professional certifications. We have expanded, and will continue to develop, our course offerings beyond the non-formal VET market, including the graduate school entrance examination preparation courses and the CET 4/6 preparation courses, to capture cross-selling and up-selling opportunities among our broad student base. By doing so, we aim to establish a comprehensive learning platform along the entire career development path of our students.

Additionally, we plan to offer modular courses and flexible course packages to better equip students with varying levels of knowledge. For example, students may stack a certain number of modular courses on specific topics based on their proficiency, personal learning plans and spending power. We may also offer our students the flexibility to access any one or combination of our product and service offerings, inclusive of online and offline offerings, through an “a la carte” package, which we believe will attract adult students with a full-time job and limited free time. We believe that such innovation in course delivery modes will enable us to prevail on the quality and differentiation of the learning experience we foster to serve their multifaceted needs and stimulate their spending on our platform.

Strengthen our technologies and data analytics capability

We plan to continue to invest in R&D initiatives and utilize the power of advanced technologies and data analytics to better serve our students and stay ahead of the competition.

We will continue to advance our in-house developed RTC video system to further improve the quality of our course delivery and the learning experience to our students. Specifically, we plan to refine the audio and video streaming technologies underlying our RTC system to deliver more stable and immersive online learning experience. We also plan to invest in the system infrastructure to augment its capacity and enable more interactive features. For example, we will expand the capacity of our online mock examination system to serve more participants simultaneously.

Additionally, we plan to provide students with more targeted services and optimize our operational efficiency. To that end, we intend to optimize and expand the application of our integrated data platform by continuously refining our data analytics and AI technologies based on the vast data points we accumulated. We will continue to refine the existing features and tools of our platform. For example, we intend to further enhance the precision and accuracy of our automated essay grading system by strengthening our text recognition and natural language processing technologies. We also expect to introduce new and interactive online learning tools to enhance our operational efficiency. For example, we intend to develop voice recognition technology to automate the interview test grading process with emotional intelligence, which could discharge our instructors from monotonous tasks and redirect their attention to substantive tutoring services. Moreover, we intend to further leverage

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data-driven insights into market trends and student preferences to guide our marketing initiatives, in particular in connection with our offline operations, thereby generating paid enrollments in a cost-effective and asset-light manner. For example, we strive to predict offline tutoring needs based on data-driven analysis of student activity on our online platform, such as time spent and online inquiries made regarding course schedules, and set up a “concierge counter” in strategic localities to promote our offline courses and direct prospective students to our nearby existing operational hubs. We also plan to develop technology-enhanced smart classrooms to streamline our offline operations, such as student administration, profile management and after-class supervision.

Furthermore, we plan to explore the application of virtual reality and augmented reality technologies to create immersive learning experiences that are fun and engaging for our students. We also intend to further integrate our existing smart devices to the course delivery process to improve student learning experience and drive student engagement.

To achieve the foregoing goals, we intend to recruit top-notch industry talents, including industry-leading researchers and engineers, as well as graduates from top institutions. We will also continue to invest in our technology infrastructure to accommodate the rapid expansion of our business.

Pursue strategic alliances, investments and acquisitions

We intend to selectively pursue strategic alliance, investment and acquisition opportunities to further strengthen our competitiveness and explore the upside potential of China’s non-formal VET market. We will evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us penetrate adjacent sectors of China’s non-formal VET market, and add new capabilities to our platform. For example, we may consider investment in or acquisition of non-formal VET service providers whose course offerings would enable us to gain access to new sectors and content to further drive our secular growth strategy. As of the Latest Practicable Date, we had not identified any specific target for acquisition or investment.

OUR BUSINESS MODEL

We have followed an integrated approach to develop a comprehensive portfolio of career test preparation products and services that generate significant synergies. Our Fenbi online platform has gained widespread popularity among users interested in preparing for various examinations and attracted significant user traffic with our online learning toolkits, such as the online mock examination system and the online question bank. We subsequently launched various value-for-money online learning products, such as the membership package and the “challenge exercise” product, to cement our rapport with users and increase their engagement on our platform. These feature-rich online learning toolkits and learning products, coupled with the promotional courses delivered by our high-caliber instructors, have allowed us to cost-effectively build a broad student base. By delivering effective learning experience and outcomes, we are able to direct users with more comprehensive learning needs to our formal career test preparation courses.

We launched our offline course offerings on a large-scale basis in May 2020 to expand our tutoring services. With a broad user base accumulated through our Fenbi online platform, we can channel prospective students with offline learning needs to our comprehensive offline courses to diversify revenue streams and facilitate overall business growth. We have been able to rapidly scale our offline operations and had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China as of June 30, 2022. In 2019, 2020 and 2021, approximately 85.6%, 74.9% and 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings, respectively, and from the time they purchased our offline courses until June 30 of the respective following year, approximately 79.2%, 77.5% and 71.0% of such converted students had continued to pay for our online offerings, respectively. In the six months ended June 30, 2022, approximately 68.8%

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of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. The online-to-offline conversion rate decreased during the Track Record Period, primarily because we had only limited-scale classroom-based tutoring services in 2019 and early 2020 with limited customer acquisition capabilities from offline channels. As we have been gradually establishing nationwide operational hubs since May 2020 with direct sales force, we have been able to attract new students directly through offline channels. While we fulfill the offline learning needs of on-site students nationwide, we also recommend them suitable online products and courses, thereby achieving our OMO synergy.

Our business model has allowed us to cost-effectively accumulate a massive student base and generate paid enrollments. The following table sets forth the paid enrollments of our tutoring courses and products for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Online learning products					
Membership package (million)	0.8	1.5	1.5	0.8	1.1
Challenge exercise (million)	0.2	0.5	0.5	0.3	0.3
Online tutoring courses					
Formal courses (million) ⁽¹⁾	1.3	1.5	2.2	1.1	1.1
Systematic courses	708,000	841,000	1,386,000	691,000	615,000
Premium courses	—	21,000	111,000	53,000	104,000
Special courses	605,000	612,000	702,000	377,000	412,000
Promotional courses (million) ⁽²⁾	3.7	5.4	4.7	2.6	1.3
Classroom-based tutoring courses					
Formal courses ⁽¹⁾	48,000	293,000	398,000	287,000	110,000
Promotional courses ⁽²⁾	23,000	416,000	438,000	310,000	96,000
Total (million)	6.0	9.6	9.8	5.5	4.1

(1) Our online formal courses primarily included systematic courses, premium courses and special courses and were priced at RMB99 or above. See “— Our Tutoring Services — Online Tutoring — Online tutoring courses” for details. Our offline formal courses were priced at RMB500 or above.

(2) Promotional courses are primarily designed to establish our reputation among prospective students and attract new users to our platform. Our online and offline promotional courses were priced less than RMB99 and RMB500, respectively, during the Track Record Period.

The paid enrollments of our online formal courses increased steadily from 1.3 million in 2019 to 1.5 million in 2020 and further to 2.2 million in 2021, and remained relatively stable at 1.1 million in the six months ended June 30, 2021 and 2022. Specifically, the paid enrollments of our online systematic courses increased steadily during the Track Record Period as we built up our brand and continued to diversify our course offerings, except for the impact of the COVID-19 resurgence in the first half of 2022, which led to the postponement of certain examinations and, accordingly, adjustments in students’ examination preparation cycles. The paid enrollments of our online premium courses increased from nil in 2019 to 21,000 in 2020 and further to 111,000 in 2021, primarily due to the launch and increased offering of our online premium courses since June 2020. The paid enrollments of our online premium courses increased from 53,000 in the six months ended June 30, 2021 to 104,000 in the six months ended June 30, 2022, primarily because we continued to develop and diversify our course offerings to cater to different examinations, despite the impact of the COVID-19 resurgence in the first half of 2022. The paid enrollments of our online promotional courses decreased from 5.4 million in 2020 to 4.7 million in 2021, and the paid enrollments of our online learning products remained stable in 2020 and 2021, primarily because we began to strategically focus on converting prospective students to paid enrollments for our online formal courses in 2021 to realize upselling opportunities in our established student base. Similarly, the paid enrollments of our online promotional courses decreased from 2.6 million in the six months ended June 30, 2021 to 1.3 million in the six months ended June 30, 2022.

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The total paid enrollments of our classroom-based tutoring courses increased from 71,000 in 2019 to 710,000 in 2020 and further to 836,000 in 2021, as we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. Specifically, the paid enrollments of our classroom-based formal courses increased from 48,000 in 2019 to 293,000 in 2020 and further to 398,000 in 2021, while the paid enrollments of our classroom-based promotional courses remained relatively stable at 416,000 and 438,000 in 2020 and 2021, respectively, primarily because we began to strategically focus on converting prospective students to paid enrollments for our classroom-based formal courses in 2021. The total paid enrollments of our classroom-based tutoring courses decreased from 597,000 in the six months ended June 30, 2021 to 206,000 in the six months ended June 30, 2022, primarily due to (1) the strategic adjustment of the scale of our offline coverage to effectively manage our growth and improve our profitability, which reduced the number of our operational hubs from 363 as of December 31, 2021 to 276 as of June 30, 2022, and (2) the impact of the regional resurgence of the COVID-19 pandemic.

Our Directors are of the view that there has been no material cannibalization between our online and classroom-based tutoring businesses, primarily due to the following reasons:

- (1) Online and offline offerings of recruitment examination tutoring services are not homogeneous products. Instead, they are designed to complement with each other and address the diversified student needs. According to the F&S Report, some students, especially adult students with a full-time job, are inclined to have more flexibility to take courses at the time and location of their choosing, while some other students prefer to prepare for the relevant examination in a more scheduled, intensive and fully-devoted manner. Therefore, there is a sustained demand for online and classroom-based career test preparation services, respectively. As such, we believe that our expansion into classroom-based tutoring services enable us to increase our market share, rather than diverting students from our online tutoring services.
- (2) According to the F&S Reports, there are substantial underserved needs for both online and classroom-based recruitment examination tutoring services in China, as evidenced by the relatively low overall penetration rate of 27.1% in 2021, which is expected to increase to 31.4% in 2026, indicative of significant growth potential. With our OMO integration model, we believe that we are well positioned to accommodate both needs with our comprehensive online and classroom-based tutoring services.
- (3) Product cannibalization may quickly lead to sales stagnation and revenue loss, but our results of operations have not indicated a similar trend. For example, the paid enrollments of our formal courses as a percentage of total tutoring courses increased from 23.4% in 2020 to 33.5% in 2021 and further to 46.2% in the six months ended June 30, 2022. In addition, since the launch of our classroom-based tutoring on a large-scale basis in May 2020, the revenue generated from both online and classroom-based tutoring generally increased during the Track Record Period, except for the impact of the COVID-19 resurgence on our classroom-based tutoring in the first half of 2022. The relatively stable trend of our online paid enrollments from 2020 to 2021 primarily resulted from our strategy to reduce the offering of online promotional courses as discussed above and to grow the paid enrollments of our online formal courses, as evidenced by a 49.1% increase in the paid enrollments of our online formal courses.

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The following table sets forth a summary of our average gross billings per paid enrollment for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB except for the paid enrollments)				
Average gross billings per paid enrollment:					
Online learning products					
Membership package	62	55	49	48	44
Challenge exercise	296	338	305	306	302
Online tutoring courses					
Formal courses	726	713	839	859	861
Systematic courses	821	759	609	664	595
Premium courses	—	7,447	7,135	7,568	4,746
Special courses	614	416	302	283	275
Promotional courses	7	8	13	14	9
Classroom-based tutoring courses					
Formal courses	12,001	9,477	10,984	11,155	8,646
Promotional courses	20	25	73	71	53

The average gross billings per paid enrollment for online formal courses decreased from 2019 to 2020, primarily due to the increased offering of public institution employees examination tutoring courses and teacher qualification and recruitment tutoring courses that had relatively lower course fees as compared to civil servants examination tutoring courses. In addition, the average gross billings per paid enrollment for online special courses was relatively higher in 2019 as compared to those in 2020 and 2021, primarily because we offered certain special courses with relatively high course fees in 2019, which were discontinued thereafter.

The average gross billings per paid enrollment for online systematic courses and premium courses decreased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily because we continued to increase the offering of public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses and other test preparation courses that had relatively lower course fees as compared to civil servants examination tutoring courses. For example, during the Track Record Period, our online systematic courses for civil servants examination were generally priced between RMB880 to RMB980, whereas our online systematic courses for other examination subjects were generally priced between RMB99 to RMB600. Similarly, our online premium courses for civil servants examination were generally priced between RMB3,200 to RMB49,800, whereas our online premium courses for other examination subjects were generally priced between RMB980 to RMB30,000. The decrease in the average gross billings per paid enrollment for online premium courses was also caused by the reduced offering of relatively higher-priced contractual classes that are subject to full refund for no-pass since the second half of 2021. The average gross billings per paid enrollment for online special courses decreased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily because an increasing number of relatively higher-priced special courses had been upgraded as premium courses since 2020 as they gained wide market acceptance as a result of our continued optimization of such courses with learning content upgrade. The average gross billings per paid enrollment for online systematic courses, premium courses and special courses may continue to fluctuate in the near future. We will closely monitor the changes in market demand and industry trends in order to swiftly adjust our pricing level and service offering mix.

As we focused more on increasing paid enrollments for our relatively higher-priced online premium courses in 2021 and the six months ended June 30, 2022, the overall average gross billings per paid enrollment for online formal courses increased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, despite the respective decreases in the average gross billings per paid enrollment for online systematic courses, premium courses and special courses as discussed above.

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The average gross billings per paid enrollment for classroom-based formal courses decreased from 2019 to 2020, primarily because following the launch of classroom-based tutoring on a large-scale basis in May 2020, we began to offer a more comprehensive portfolio of courses, which included courses with relatively low course fees that we did not offer in 2019. The average gross billings per paid enrollment for classroom-based formal courses increased from 2020 to 2021, primarily because we focused more on increasing paid enrollments for our classroom-based contractual classes that were priced relatively higher in 2021. The average gross billings per paid enrollment for classroom-based formal courses decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily due to the reduced offering of relatively higher-priced written test contractual classes that are subject to full refund for no-pass since the second half of 2021.

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. See “— Sales of Books” for details. The following table sets forth the breakdown of our revenue by business line and course type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for the percentages)										
(Unaudited)										
TUTORING SERVICES										
Online tutoring										
Online learning products . . .	59,152	5.1	160,205	7.4	146,913	4.3	89,108	4.7	87,794	6.1
Membership package . . .	38,271	3.3	78,269	3.6	69,734	2.0	39,346	2.1	45,398	3.1
Challenge exercise . . .	20,881	1.8	81,936	3.8	77,179	2.3	49,762	2.6	42,396	3.0
Online tutoring courses . . .	598,280	51.6	826,027	38.8	1,249,212	36.4	589,701	31.3	629,037	43.3
Formal courses . . .	574,758	49.6	801,512	37.7	1,193,269	34.8	556,501	29.5	618,852	42.6
Systematic courses . . .	433,600	37.4	534,715	25.1	655,361	19.1	338,113	17.9	307,378	21.2
Premium courses . . .	—	—	50,235	2.4	332,433	9.7	124,996	6.6	210,640	14.5
Special courses . . .	141,158	12.2	216,562	10.2	205,475	6.0	93,392	5.0	100,834	6.9
Promotional courses . . .	23,522	2.0	24,515	1.1	55,943	1.6	33,200	1.8	10,185	0.7
Subtotal of online tutoring . . .	657,432	56.7	986,232	46.2	1,396,125	40.7	678,809	36.0	716,831	49.4
Classroom-based tutoring										
Formal courses . . .	354,141	30.5	881,335	41.4	1,596,180	46.6	993,704	52.7	519,017	35.8
Promotional courses . . .	306	0.0	5,165	0.2	21,150	0.6	11,760	0.6	4,517	0.3
Subtotal of classroom-based tutoring . . .	354,447	30.5	886,500	41.6	1,617,330	47.2	1,005,464	53.3	523,534	36.1
SUBTOTAL OF TUTORING SERVICES . . .	1,011,879	87.2	1,872,732	87.8	3,013,455	87.9	1,684,273	89.3	1,240,365	85.5
SALES OF BOOKS . . .	148,436	12.8	259,342	12.2	415,104	12.1	201,144	10.7	210,667	14.5
TOTAL . . .	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0

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The following table sets forth a summary of our average revenue per paid enrollment for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB)				
Average revenue per paid enrollment:					
Online learning products					
Membership package	50	52	46	47	41
Challenge exercise	124	154	146	153	131
Online tutoring courses					
Formal courses	438	543	543	497	547
Systematic courses	613	636	473	489	500
Premium courses	—	2,364	3,005	2,381	2,019
Special courses	233	354	293	247	245
Promotional courses	6	5	12	13	8
Classroom-based tutoring courses					
Formal courses	7,377	3,005	4,010	3,457	4,729
Promotional courses	13	12	48	38	47

The average revenue per paid enrollment for online formal courses increased from 2019 to 2020, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we offered contractual classes with a relatively long service period in 2019, for which all gross billings were recorded in 2019, while only a portion of the gross billings corresponding to the services delivered in 2019 was recognized as revenue in the same year. The average revenue per paid enrollment for online special courses followed the same trend for similar reasons. We have strategically ceased to sell such contractual classes since early 2020. The average revenue per paid enrollment for online systematic courses increased from 2019 to 2020 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we recognize revenue generated from online systematic courses over the relevant service periods, which may cause delay in revenue recognition compared with receipt of gross billings, as they could be affected by, among others, the difference in the timing of the relevant examinations and, accordingly, students’ purchases. The average revenue per paid enrollment for online premium courses increased from 2020 to 2021, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we had reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass since the second half of 2021. Similarly, the average revenue per paid enrollment for classroom-based formal courses increased from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass since the second half of 2021. The average revenue per paid enrollment for classroom-based promotional courses increased from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because in the six months ended June 30, 2021, in order to promote our classroom-based tutoring services, we provided certain promotional courses that allowed for refund if the students completed the courses or purchased formal courses, which resulted in a relatively higher average gross billings per paid enrollment yet a relatively lower average revenue per paid enrollment.

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OUR TUTORING SERVICES

We deliver our tutoring services through omni-channels. Our instructors deliver courses in live or pre-recorded format and interact with students on Fenbi online platform. To capture the evolving student needs for offline services, we also offer classroom-based tutoring, in which our instructors deliver courses to students who physically attend the lectures in classrooms set up by our local operational hubs. In addition, students taking either online or offline tutoring courses may supplement their learning with our online learning products and toolkits. Students are allowed to choose from our comprehensive online and classroom-based tutoring service offerings based on their learning needs. According to the F&S Report, some students, especially adult students with a full-time job, are inclined to have more flexibility to take courses at the time and location of their choosing, while some other students prefer to prepare for the relevant examination in a more scheduled, intensive and fully-devoted manner, leading to differentiated choices between online and classroom-based services.

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.

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Online Tutoring

We deliver online tutoring courses in live or pre-recorded format, or their combination, through our Fenbi online platform, supplemented by well-designed online learning products, including membership package and challenge exercise. The flexible nature of our business model and online platform enables us to scale our business cost-effectively. We believe that our online tutoring services can improve the efficiency of instructions and enrich the learning experience for students in a number of ways.

- *Access to high-quality instructors.* Through our online tutoring courses, we are able to disseminate scarce high-quality teaching resources to students from scattered locations nationwide.
- *Time efficiency and learning flexibility.* Students taking offline tutoring courses must adhere to a fixed curriculum schedule and commute to a learning center, which may be impractical and less desirable for adult students with a full-time job and limited free time. By comparison, students can attend our online tutoring courses using their desktop computers or mobile devices at the time and location of their choosing. In addition, students may view and replay the online courses throughout their enrollment period at their convenience, which is attractive to our students.
- *Technology-driven add-ons.* We leverage technologies to enrich our online offerings and continuously optimize the learning experience for our students. We deliver immersive and interactive in-class learning supported by our in-house developed RTC video system, and streamline the after-class exercises by our students with feature-rich online learning products and toolkits empowered by our data analytics and AI technologies. In this way, we can more adequately prepare them for the relevant recruitment or qualification examinations.
- *Highly engaged and encouraging community culture.* We are dedicated to cultivating a highly engaged learning community. We are the only recruitment examination tutoring service provider that provides for commenting and other social media features, according to the F&S Report. On our Fenbi online platform, students and instructors can discuss knowledge points and share their learning and/or teaching experience. We believe the sense of community we fostered can enhance student engagement and improve learning outcomes. In addition, the highly engaged community on our platform has served to promote our brand recognition and word-of-mouth referrals.

We generated revenue of RMB657.4 million, RMB986.2 million, RMB1,396.1 million, RMB678.8 million and RMB716.8 million from online tutoring services in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 56.7%, 46.2%, 40.7%, 36.0% and 49.4% of our total revenue in the same periods, respectively.

Online tutoring courses

Our online tutoring courses cover a wide spectrum of examination categories, including primarily civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and various other certification and qualification examinations. See “— Our Course Offerings.”

Our online tutoring courses cover the full examination preparation cycle and prepare our students for both written tests and interview tests. Our written test courses may comprise any one or a combination of three components: (1) theoretical study, where our instructors deliver courses to cover the theoretical knowledge based on the examination syllabi; (2) exercises and mock examinations, where our students do exercises, take mock examinations and receive feedback and detailed analysis of their performance from our instructors and through our online learning products and toolkits; and (3)

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preparation at the sprint stage, where our instructors help our students systematically review the course content, revisit key knowledge points and hone examination skills. Our interview test courses generally comprise two main components: (1) theoretical study, where our instructors deliver courses to cover the different type of interview questions; and (2) interview practice, where our students conduct mock interviews to practice answers to interview questions, where our instructors will review and provide feedback.

We primarily deliver our online formal tutoring courses in the following types to our students, with flexible learning options to suit their personalized academic and skill competence level.

Systematic course (系統班)

We launched our flagship online systematic civil servants examinations tutoring course in September 2014, being the first of the kind in China, according to the F&S Report. We subsequently developed additional online systematic test preparation courses for other examinations, such as public institution employees examinations and the teacher qualification and recruitment examinations. During the Track Record Period, our systematic courses generally lasted from 15 to 115 days and were typically priced between RMB99 to RMB980 per course.

We equip our systematic courses with high-caliber instructors and well-designed curricula to help students acquire requisite knowledge and skills to pass the relevant recruitment or qualification examinations. We provide both systematic written test courses and interview test courses to empower students throughout the examination preparation process. Our systematic written test courses generally cover three major learning stages, including comprehensive lectures on theoretical knowledge, extensive exercises and analyses designed to locate and address areas of improvement, and examination sprint where our instructors help students systematically review the course content and revisit the key knowledge points. We also offer systematic interview test courses to cover theoretical lectures and live mock interview sessions where our instructors review the practice performance of our students and provide them guidance for improvement, and students may observe the performance of their classmates. We typically provide students with the membership package and in-house developed textbooks and learning materials as part of the course package to boost their learning effectiveness. We believe that such tailored course materials can enable students to get the best out of the learning process with us.

We typically deliver our systematic courses in a combination of live and pre-recorded classes. We believe the live large class is an effective way to maximize the use of top-notch teaching and curriculum resources and democratize the access to high-quality career test preparation services at an attractive price. The large-class format also makes our online systematic courses highly scalable, which allows us to rapidly grow the student base. We also provide pre-recorded classes on theoretical study and exercises to accommodate the individual learning schedules.

Premium course (精品班)

Starting from June 2020, we offer premium courses for students who require more individual attention and targeted support. We currently deliver premium courses for civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and various other certification and qualification examinations. During the Track Record Period, our premium courses generally lasted from 20 to 165 days and were typically priced between RMB980 to RMB49,800 per course.

Our premium course features a well-designed learning roadmap with various targeted services for our students. We deliver both large-class live lecture courses that built a solid knowledge base and small-group live courses targeting specific examination key points to better serve the individual learning needs from our students. We also organize various live Q&As and challenge exercise sessions in small groups to help students strengthen skills, tackle issues and improve performance. Moreover, we provide one-on-one services as part of our premium courses, where we assign professional tutors, each

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responsible for one specific key subject in the examination syllabi, to attentively engage with each student to address their queries and track their learning progress after class. Leveraging our intelligent content recommendation system, our tutors can continuously assign problem sets to students tailored for their respective weaknesses along the learning process. Upon the completion of an online mock examination, we provide students with a report detailing personalized analyses and suggestions for future improvement. In addition, we offer various benefits, such as scholarship and discounted courses for interview tests, to award and incentivize students. For premium interview test courses, we generally offer small-class tutoring sessions and mock interview and review sessions in addition to the services we provide for students of systematic interview test courses.

Special course (專項課)

We offer intensive and condensed special courses which are designed for (1) tackling specific knowledge points and analyzing trending news and the latest social or political issues, (2) preparing recruitment examinations for positions in regional government-sponsored institutions without a regular, large-scale recruitment plan, or (3) preparing students in the last few days before the examinations. We primarily offer our special online courses in live format. During the Track Record Period, our special courses generally lasted from 10 to 90 days and were typically priced between RMB99 to RMB600 per course.

Online learning products






We provide students with innovative products to supplement our online course offerings, including membership package and challenge exercise. We launched the first membership package product in China’s recruitment examination tutoring industry, according to the F&S Report, which usually includes news updates, examination explanatory videos, pre-recorded lectures and course materials on Fenbi online platform. We offer a portfolio of membership packages targeting substantially all of the examinations we cover, which were typically priced between RMB8 to RMB499 during the Track Record Period based on the benefits included and the duration of such membership, which may last for days or months depending on the corresponding subject and/or examination. The comprehensive membership package product with a relatively low price serves as an effective tool in acquiring users, which presents considerable up selling potential for our high-end course offerings.

In December 2018, we launched the “challenge exercise” product, which is one of a kind in China’s career test preparation industry, according to the F&S Report. It was typically priced between RMB199 to RMB598 during the Track Record Period. Students who purchase this product can access different sets of exercises tailored automatically based on their areas of improvement and suitable difficulty level, which they can “pass through” one by one as they progress in the learning process. Students who achieve the target score within a prescribed period will be granted a partial or full refund of the purchase price. We believe that the innovative product feature, together with our established online question bank and robust AI and data analytics capabilities, allows us to further accumulate users in a cost-effective manner.

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Fenbi online platform

Our Fenbi online platform comprises various mobile apps and accompanying portals, including websites and Weixin mini-programs. The following table sets forth our major mobile apps, which are offered by course subject.

Mobile App		Target Users
	Fenbi Career Test Preparation (粉筆職教)	Users seeking to secure a job position in government-sponsored institutions or certain professions and industries of similar nature, or acquire a qualification certificate through examinations generally
	Fenbi Teachers (粉筆教師)	Users seeking to prepare for the teacher qualification and recruitment examinations
	Fenbi Graduate School Entrance Examination (粉筆考研)	Users seeking to prepare for graduate school entrance examinations
	Fenbi Healthcare (粉筆醫療)	Users seeking to prepare for the healthcare system recruitment
	Fenbi National Judicial Examinations (粉筆法考)	Users seeking to prepare for the National Judicial Examinations

The following screenshots illustrate the main homepage feed and key features of Fenbi Career Test Preparation, which is representative of all other mobile apps.



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Users may attend live courses, stream pre-recorded courses, review course materials, browse the question bank and communicate with other users and our instructors through Fenbi online platform. Our online tutoring setting features multiple functions designed to deliver highly engaging, interactive classes. For example, empowered by our in-house developed RTC video system, our online tutoring courses allow a variety of real-time video and audio communications and activities among students and instructors. During live courses, students can volunteer to answer questions, and instructors can share their courseware in different formats, call on students to answer questions, and post online quizzes and review immediate responses. In addition, we enable functions, including document sharing and interactive whiteboard tools, which can be readily employed by instructors to encourage in-class discussions, provide vivid illustrations and highlight knowledge points. The following screenshots illustrate the student interfaces for our online tutoring courses on desktop computers and mobile devices, respectively.



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Our online tutoring courses have been well received by candidates for various recruitment and qualification examinations, with industry-leading number of simultaneous viewers as high as 92,000.

Moreover, we have developed a variety of technology-empowered online learning toolkits and innovative platform functions to facilitate the learning process for students and help them maximize learning outcomes.

Online question bank

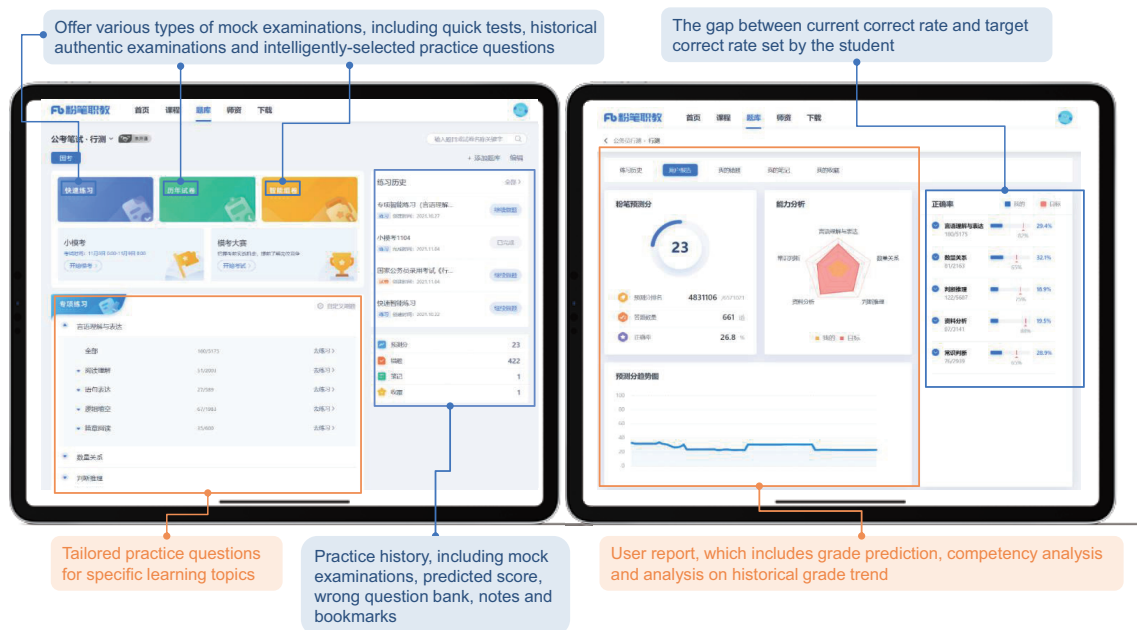
In June 2015, we launched the first comprehensive online question bank in China’s recruitment examination tutoring industry, and has since stayed at the forefront among all question bank products in the industry in terms of question explanation and mock question design, according to the F&S Report. As of June 30, 2022, our question bank had accumulated approximately 2.3 million questions and supported approximately 1.9 billion number of online exercises on an aggregate of over 30.9 billion questions practiced.

Our online question bank is more than a collection of questions and answers. They are embedded with thoughtfully developed learning tools to be used throughout a student’s learning journey from the first stage in determining their strengths and weaknesses through the final stage of ensuring a student’s readiness for the test day. Leveraging such powerful tool, students may review past examinations, revisit missed questions, take mock examinations, and access questions tailored for their respective areas for improvement.

- *Detailed explanations.* Our question bank provides detailed explanations of each question and the underlying knowledge points.
- *Performance metrics.* After each round of practice, students are able to view their performance metrics to track their progress and preparedness. Our question bank helps students understand where to focus their learning efforts for the best possible test outcome.
- *24/7 flexibility and availability.* Our question bank is available online 24/7. Students can access it from their desktop computers and mobile devices. Moreover, our question bank offers different options ranging from short quizzes that fit a student’s learning schedule to full-set examination simulations.

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The following screenshots illustrate the student interface of our question bank.



Online mock examination system

In March 2015, we launched a large-scale online mock examination system, which is open to all interested participants. Our online mock examination system is able to support live mock examination on subjective essay questions for over 300,000 participants simultaneously, which demonstrates leading system capability in China’s recruitment examination tutoring industry, according to the F&S Report. As of June 30, 2022, we had hosted various online mock examinations for an aggregate of approximately 45.9 million participants.

Embedded with well-crafted questions, our online mock examination system simulates the format, difficulty level and length of the actual examination setting, which helps participants overcome test-taking anxiety and provides them with targeted remediation. The online mock examination system can also generate score and percentile ranking for each participant automatically within one minute following the completion of the mock examination, allowing the participant to discern his or her progress and improvement, set the target job positions and formulate targeted learning strategies. This feature is particularly useful for preparing civil servants examinations that involve millions of participants yet the competition intensity varies with different job openings. Meanwhile, participants can track their progress by taking mock examinations at different learning stages to timely adjust their learning strategies. They will know where to focus their efforts and can easily access content review resources on our Fenbi online platform for the topics that need the most improvement. The following screenshots illustrate the student interface of our online mock examination system.

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Classroom-based Tutoring

We began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020, with comprehensive program and service offerings and related sales and marketing activities to extend the outreach of our tutoring services. We offer classroom-based tutoring courses through classroom facilities set up by a network of local operational hubs in select cities with considerable student demands.

Leveraging our broad user base accumulated through our Fenbi online platform, we can channel prospective students with offline education needs to our offline course offerings with premium pricing to facilitate our overall business growth and scale our offline operations in a cost-effective manner. In 2021, approximately 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. Since the launch of our offline course offerings on a large-scale basis in May 2020 and up to June 30, 2022, we had accumulated over 1.7 million paid enrollments for our offline courses. We strategically launched our offline course offerings on a large-scale basis in May 2020, considering that by that time (1) we had established our prominent online presence with a massive user base, and had identified, after careful evaluation of market demand and competitive landscape, significant growth opportunities from the potential synergy of a OMO business model, and (2) the Chinese government had gradually lifted lockdown and quarantine measures with the spread of COVID-19 being effectively contained then, which led to a revival of offline tutoring activities.

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We are well-positioned to enrich the learning options for students with our OMO model. We may deliver our course offerings through either online or offline channels or a combination of both, based on the needs and preferences of our students. Our offline tutoring services also supplement our comprehensive online offerings to address the demands for more targeted tutoring and localized insights. We believe that such learning flexibility has allowed us to attract a broader student base and expand our addressable market effectively. Furthermore, students registered for offline courses may supplement their learning experience with our feature-rich online learning toolkits, such as the online mock examination system and the online question bank. See “— Online Tutoring — Fenbi online platform” for details. Those online add-ons have further facilitated our offline expansion.

We believe that we can optimize our content development efforts capitalizing on the OMO integration. While our large number of online users and industry-leading technologies enable data-driven insights into learning behaviors and preferences, our offline operations can provide valuable understanding on local test materials and admission standards, both of which will contribute to our integrated course development.

We generated revenue of RMB354.4 million, RMB886.5 million, RMB1,617.3 million, RMB1,005.5 million and RMB523.5 million from classroom-based tutoring services in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively.

Classroom-based tutoring courses

As of the date of this document, we provide classroom-based tutoring courses for civil servants examinations, public institution employees examinations, and teacher qualification and recruitment examinations. See “— Our Course Offerings.” Our classroom-based tutoring courses are primarily designed to meet the differentiated learning needs of certain students, in particular those seeking local government-sponsored positions. The recruitment examinations of such positions may vary from the national or provincial level, and therefore require more specific and targeted tutoring services. Moreover, we can better serve students who become more focused and productive in a classroom-based learning environment.

Our classroom-based courses prepare students for both written tests and interview tests along the full preparation cycle. Our written test and interview test courses may last from 10 to 90 days and five to 20 days, respectively. The components of our classroom-based written test and interview test courses are similar to that of our online tutoring courses, including theoretical study, exercises and mock examinations, and preparation at the sprint stage. For each component of the same course, students may be offered several different time slots and classroom facility location options in the same city or adjacent cities, enabling students to take courses at the time and location of their choosing for each stage of their study based on their own learning plans.

Students attending our classroom-based courses may choose boarding services at an additional cost. In addition, we offer full-time immersion courses (基地班) in our tutoring bases for more dedicated students, which may last from one to four months. Students attending immersion courses will have a more intensive learning schedule and go through a large number of exercises to thoroughly improve their mastery of knowledge and skills. Students may also subscribe for our self-study courses with boarding services in our tutoring bases to promote their learning efficiency.

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Offline tutoring network

We had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China as of June 30, 2022. We typically establish subsidiaries and branch offices in select cities of a region, which operate as local operational hubs for such region. The operational hubs, as legal entities, are responsible for sales and marketing activities and general administrative operations in support of course delivery and other tutoring services in the corresponding region, including recruiting employees and entering into lease agreements for hotel conference rooms and other properties as classroom facilities and other business agreements. The following table sets forth the geographical coverage of our offline tutoring network as of June 30, 2022.

Number of local operational hubs	Provinces, autonomous regions and municipalities
More than 20	Shandong (22), Jiangsu (21)
16 to 20	Guangdong (19), Yunnan (19)
11 to 15	Gansu (14), Sichuan (14), Henan (13), Anhui (13), Shanxi (12), Hubei (12), Jilin (12), Zhejiang (12)
Five to 10	Inner Mongolia (10), Heilongjiang (10), Liaoning (10), Guizhou (10), Ningxia (8), Hunan (7), Chongqing (7), Shaanxi (5), Jiangxi (5), Fujian (5)
Less than five	Xinjiang (3), Beijing (2), Tianjin (2), Qinghai (2), Guangxi (2), Hebei (2), Tibet (1), Hainan (1), Shanghai (1)
Total	276

The following table sets forth the movement of our operational hubs during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
As of the beginning of the period	13	31	214	363
Additions	18	183	337	1
Terminations	—	—	(188)	(88)
Net increase/(decrease)	18	183	149	(87)
As of the end of the period	31	214	363	276

The number of our operational hubs increased from 31 as of December 31, 2019 to 214 as of December 31, 2020 and further to 363 as of December 31, 2021, as we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. To effectively manage our growth and improve our profitability and taking into account the impact of the COVID-19 pandemic on our classroom-based tutoring in the near term, we strategically adjusted the number of our operational hubs to 276 as of June 30, 2022. Specifically, we closed 188 operational hubs in 2021 and 88 operational hubs in the six months ended June 30, 2022 based on comprehensive assessment of their operational performance and the addressable market of the areas they covered, including the local recruitment plans. Going forward, as we have substantially established our offline operations, we do not expect to make significant investment in establishing additional operational hubs.

Our local operational hubs are responsible for setting up classroom facilities for course delivery purpose. As recruitment and qualification examinations typically have short examination preparation cycles that last for several months, we strategically use hotel conference rooms and other short-term leased properties to set up our classroom facilities and accommodate our students, which allows us to swiftly execute and adjust our geographical expansion plan. As such, we are able to assess the number and capacity of the leased properties we need based on the paid enrollments, and enter into lease agreements with a term corresponding to the relevant examination preparation cycle. Therefore, we are able to adjust the scale and location of our classroom facilities on demand from time to time to

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effectively manage our costs. In 2019, 2020, 2021 and the six months ended June 30, 2022, the lease expenses we incurred as cost of sales, which was related to hotel conference rooms and other short-term lease agreements with a term of less than one year, accounted for 100.0%, 98.4%, 90.8% and 84.7% of the total cost of sales relating to leased properties for course delivery (including lease expenses and depreciation of right-of-use assets). In addition, we may set up tutoring bases designed to host our immersion courses, which are equipped with classrooms and boarding facilities. In addition, our operational hubs may reserve several classrooms, usually adjacent to the offline offices, for students’ convenience.

We centrally manage our online and classroom-based tutoring services. We closely monitor the day-to-day operations of our local operational hubs and direct their routine activities such as content development, student administration and teaching staff evaluation. We also recruit, manage and evaluate the financial staff in all of our local operational hubs at the headquarters level, and holistically review budgets and allocate finance resources to ensure integrity.

As a general principle, we perform detailed market research on the local demands for our tutoring services before entering into a greenfield region, taking into account various factors, such as the recruitment plans of local government-sponsored institutions and the market competition. We also leverage data-driven insights to make informed execution decisions to guide our offline expansion. We generally set up our operational hubs in the downtown area or near colleges and universities to cover a wide student population with diverse academic and career development demands. Our tutoring bases are generally located in the suburb of a regional metropolises to accommodate a broader student base in the surrounding areas.

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

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

Our Course Offerings

We offer a wide range of test preparation courses addressing various educational needs of adult students in China. As of the date of this document, our course offerings primarily include (1) civil servants examinations tutoring courses, (2) public institution employees examination tutoring courses, (3) teacher qualification and recruitment tutoring courses, and (4) other test preparation courses.

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

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

Civil servants examination tutoring

Candidates seeking a career in the central governmental agencies in China are required to pass the National Civil Servants Examination, which is held by the National Civil Service Administration (中華人民共和國國家公務員局). The written tests are normally held in November or December of a year and the results are usually announced in January of the following year. Subsequently, the interview tests are normally held in February or March, and the results are usually announced in March or April of the same year.

Candidates seeking a career in the local governmental agencies in China are required to pass the Regional Civil Servants Examination, which is generally held by the regional bureaus of the National Civil Service Administration and relevant departments of provincial governments. The written tests and the interview tests (following the announcement of the written test results) are normally held in the first half of a year, and the final results are gradually released in the second half. Certain provinces, such as Zhejiang Province, normally hold the written tests of the Regional Civil Servants Examination in the fourth quarter of a year following the written tests of the National Civil Servants Examination, and hold the interview tests in the next year.

According to the F&S Report, the National Civil Servants Examination and the Regional Civil Servants Examination are among the most sought-after professional examinations in China, attracting an aggregate of approximately 7.0 million applicants in 2021. Moreover, the National Civil Servants Examination is among the most difficult examinations in China in terms of the passage rate. The passage rate of the written test and the interview test of the National Civil Servants Examination in 2021 was 8.2% and 20.0%, respectively, and the recruitment rate in 2021 was only 1.6%. In addition, the recruitment ratio of the Regional Civil Servants Examination ranged from 4.5% to 2.9% from 2016 to 2021, and the passage rate of the written test and the interview test of the Regional Civil Servants Examination in 2021 was 8.7% and 33.3%, respectively.

We have designed our preparation courses around the preparation of the Civil Servants Examinations to help students acquire and improve their knowledge and skills. We currently offer both online tutoring courses and classroom-based tutoring courses to meet students’ diversified learning needs. In addition, our civil servants examination tutoring courses have diverse course syllabi, covering either written tests or interview tests or a combination of both and varying upon intensity and comprehensiveness, to maximize learning flexibility.

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Public institution employees examination tutoring

Candidates seeking employment in a public institution in China must pass a recruitment examination held by the relevant institution. We currently offer both online tutoring courses and classroom-based tutoring courses for public institution employees examinations, covering both written tests and interview tests. Similar to civil servants examination tutoring courses, our public institution employees examination tutoring courses have different course syllabi with varying levels of intensity and coverage, catering to different needs of students.

Teacher qualification and recruitment tutoring

Candidates seeking a career as a teacher must pass the teacher qualification examinations held by the National Education Examinations Authority. We provide preparatory courses ranging from kindergarten teacher qualification examinations to secondary school teacher qualification examinations to help our students acquire and improve their knowledge and skills related to such examinations. We currently provide our teacher qualification tutoring courses through both online and offline channels with diversified course syllabi covering written tests or interview tests or a combination of both.

After obtaining the requisite teacher qualification certificate, a candidate seeking a government-sponsored teaching position in public schools or certain private schools must pass the teacher recruitment examinations held by regional education bureaus or personnel bureaus. Similarly, we offer both online tutoring courses and classroom-based tutoring courses with diversified course syllabi covering written tests or interview tests or a combination of both, including offline one-on-one interview test courses.

Other test preparation courses

We provide various recruitment examination tutoring courses for several professionals and industries in the broad public service sector, such as recruitment examinations for state-owned banks, public security bureaus and community-level posts in education, agriculture, healthcare and poverty relief. We primarily provide online courses for these recruitment examinations. We also provide a variety of test preparation courses for certain qualifications and certifications, such as the CPA certificate test preparation course, the construction engineer certification test preparation course and the national judicial examination. In addition, we have expanded our course offerings beyond the non-formal VET market to further enlarge our user base and exploit cross-selling opportunities. For example, as a great number of soon-to-be university graduates would prepare for civil servants or public institution employees examinations and graduate school applications simultaneously or consecutively, we launched our graduate school entrance examination preparation courses in 2020, which covers the vast majority of specialized subjects. In June 2018, we launched the preparation courses for CET 4, which is a prerequisite for a bachelor’s degree at a majority of colleges and universities in China, and the preparation courses for CET 6, which is widely preferred by employers nowadays, to attract undergraduates as they are potential targets of our career test preparation courses.

Course Fees and Refund Policies

We generally require our students to pay the full amount of course fees after signing up for either online courses or classroom-based courses. We generally determine the course fees based on a number of factors, including, among others, subject matter, examination cycle, level of sophistication of the course, course coverage, add-on services and competition. Our course fees may also include accommodation and meal costs for certain courses with boarding services. In general, the course fees for classroom-based tutoring courses are relatively higher than those for our online tutoring courses. The course fees for premium courses are also higher than those for our systematic courses. The following table sets forth the typical course fee ranges of our formal courses by service type during the Track Record Period.

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	Typical course fee ranges (RMB)
Civil servants examination tutoring courses	
Online systematic courses	880–980
Online premium courses	3,200–49,800
Online special courses	99–600
Classroom-based tutoring courses	500–30,000
Public institution employees examination tutoring courses	
Online systematic courses	200–600
Online premium courses	980–30,000
Online special courses	99–600
Classroom-based tutoring courses	500–20,000
Teacher qualification and recruitment tutoring courses	
Online systematic courses	99–400
Online premium courses	980–12,800
Online special courses	99–600
Classroom-based tutoring courses	500–15,000
Other test preparation courses	
Online systematic courses	99–600
Online premium courses	600–7,000
Online special courses	99–1,000
Classroom-based tutoring courses	—

Our courses can be classified as non-contractual classes and contractual classes based on different refund policies. All promotional courses are classified as non-contractual classes from the revenue recognition perspective. Students subscribing for certain formal courses, including primarily civil servants examination tutoring courses, public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses and CET 4/6 preparation courses, have the option to choose between non-contractual classes or contractual classes, and the course fees for contractual classes are generally higher than that for the non-contractual classes of the same course. In determining whether to offer contractual classes for certain courses, we generally consider factors such as the number of relevant applicants and positions offered, level of competition, as well as the historical demand for the relevant courses.

We may allow refund of course fees in instances of withdrawal from all types of classes prior to the class start date or during the span of the courses. The refund is proportional to the undelivered classes and services. We also refund the fees related to the accompanying textbooks and learning materials if they remain unused at the time of the withdrawal after deducting delivery fees. The following table sets forth the respective withdrawal rates for our online and classroom-based offerings, as calculated by dividing the withdrawal refunds during a given period (including withdrawals prior to the class start date) by the gross billings in the same period, during the Track Record Period.

	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
Online tutoring courses and learning products	5.6%	8.9%	7.7%	7.7%
Classroom-based tutoring courses	8.8%	12.6%	13.7%	20.3%

The withdrawal rate for our classroom-based offerings increased in the six months ended June 30, 2022, primarily due to the impact of the regional resurgence of the COVID-19.

In addition, the course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. The overall examination passage rate varies among different examinations. For example, the passage rate of the written test and the interview test of the National Civil Servants Examination in 2021 was 8.2% and 20.0%, respectively. See “Industry Overview” and “— Our Course Offerings.” As such, we initially

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record a certain percentage of the contractual class course fees and non-contractual class course fees as refund liabilities based on the estimated refund rate respectively, taking into consideration the historical refund level. We initially record the remaining course fees as contract liabilities, which are subsequently recognized as revenue over the relevant service periods. See “Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” for details.

At the time of purchase, our students may choose from different refund options for the same contractual class, i.e., a partial or full refund for no-pass, which have substantially the same course syllabi and other general course settings. For written test contractual classes, the course fees for fully refundable contractual classes are generally higher than that for the partially refundable contractual classes of the same course. Since the second half of 2021, we substantially reduced the offering of written test contractual classes that are subject to full refund for no-pass. Similarly, for interview test contractual classes, the course fees for fully refundable contractual classes are generally higher than that for the partially refundable contractual classes of the same course. In addition, for certain civil servants examination tutoring courses, only students who have passed the written tests with outstanding scores are entitled to purchase our fully refundable interview test contractual classes. During the Track Record Period, for partially refundable contractual classes, the proportion of the course fees that are subject to refund generally ranged from 65% to 70% of the total course fees.

If a student of our contractual classes fails to pass the examinations, a refund request can be submitted to us from the date of the announcement of the examination results. After we receive the refund request and supporting materials and confirm the facts, we will promptly make the refund to such student. We are entitled to reject a refund request if such student fails to pass the examination due to his or her own fault, such as failure to complete our courses, failure to adhere to our learning plans or no-show at the examinations. While we do not specifically provide for a cut-off date for students’ refund requests, in practice, substantially all of the students who fail to pass the examinations will submit their refund requests within six months following the relevant examination dates. During the Track Record Period and up to the Latest Practicable Date, we only had two legal disputes relating to course fee refund with an aggregate amount in dispute of approximately RMB14,000. One student had subsequently withdrawn his claim for lack of reasonable ground, and the other student had settled the dispute with us for a settlement amount of RMB600.

Starting from 2020, we began to offer postpaid contractual classes to attract an enlarging student base of different spending powers. Students purchasing our postpaid contractual classes are allowed to withhold a portion of the course fees, and are obligated to make the payment only upon passing the relevant examinations. We record a certain percentage of the course fees to be collected for postpaid contractual classes as contract assets based on the estimated passage rates and the service progress. See “Financial Information — Discussion of Major Balance Sheet Items — Contract Assets.” As of June 30, 2022, we had contract assets of RMB60.2 million, 100.0% of which had been collected as of October 31, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we generated revenue of nil, RMB228.1 million, RMB372.7 million, RMB302.5 million and RMB166.6 million from the postpaid contractual classes, respectively. We have implemented comprehensive internal protocols to ensure fee collection for our postpaid contractual classes. For students who have not made the payment after the examination results are released, we verify their performance promptly and send payment notifications to those who have passed the relevant examinations. Our customer service staff review payment records from time to time and closely follow up with students on payment status. For students who fail to make the payment after the due date, our legal department will take appropriate follow-up actions. During the Track Record Period, we experienced no significant impairment loss relating to postpaid contractual classes.

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The following table sets forth the paid enrollments of our tutoring courses by course type for the periods indicated.

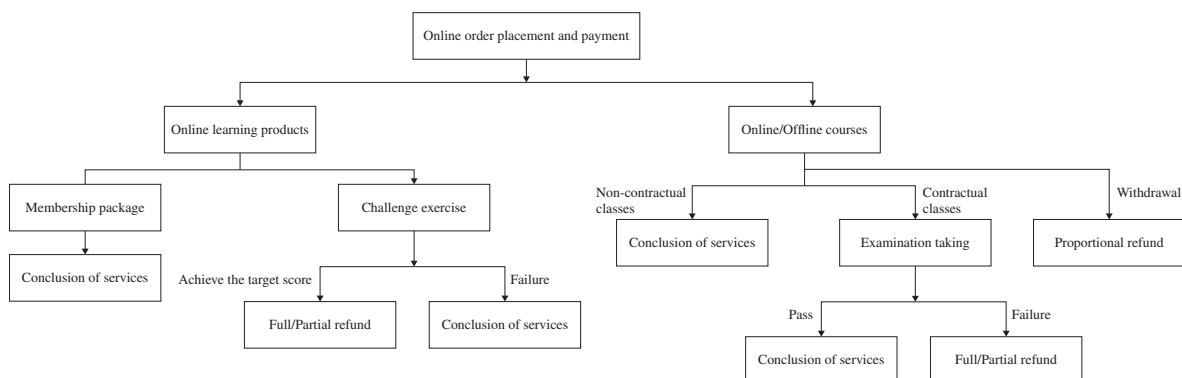
	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Contractual classes					
Online	21,000	19,100	58,400	23,900	32,500
Classroom-based	14,200	135,300	217,600	168,000	53,100
Subtotal	35,200	154,400	276,000	191,800	85,600
Non-contractual classes					
Online	4,952,800	6,831,400	6,846,200	3,709,200	2,445,800
Classroom-based	56,500	574,500	618,100	429,200	153,000
Subtotal	5,009,300	7,405,900	7,464,300	4,138,400	2,598,800
Total	5,044,500	7,560,300	7,740,300	4,330,200	2,684,400

The following table sets forth the revenue of our tutoring courses by course type for the periods indicated.

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

In addition, students who purchased our “challenge exercise” product and achieved the target score within a prescribed period are eligible for a partial or full refund of the purchase price. See “— Online Tutoring — Online learning products.”

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



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As advised by our PRC Legal Advisors, as of the date of this document, there are no specific requirements or restrictions on the course fee collection methods and/or standards applicable to our tutoring services under the current regulatory regime in China, and we have not breached or violated PRC laws and regulations by virtue of provision of refundable contractual classes.

Fenbi Smart Devices

We offer smart devices, including *Fenbi Smart Pen* and *Fenbi Smart Book*, to students subscribed for certain online premium civil servants examination tutoring courses as part of the course package. Our smart devices are developed and manufactured in collaboration with third parties based on our needs and requirements. *Fenbi Smart Pen* and *Fenbi Smart Book* are designed to work in pair with each other. As a student writes on the *Fenbi Smart Book* printed using dot matrix technology, *Fenbi Smart Pen*, equipped with pressure sensor and camera, can leverage OCR technology to automatically capture and convert the handwritings into data. The data are synchronized with our mobile apps via Bluetooth instantaneously, allowing the student to view his or her handwritings simultaneously. The handwritings are also uploaded to and stored on cloud servers concurrently, which enables the student to search and review his or her notes on demand. Moreover, the responsible tutor may review the inputs of the student on his or her device to track the learning progress, evaluate the learning effectiveness and leave targeted suggestions for improvement. In addition, our *Fenbi Smart Pen* is easily portable with only 20.5 grams in weight, which enables flexible learning anytime and anywhere. *Fenbi Smart Pen* is also equipped with a lithium polymer battery to support 16-hour continuous writing and 180-day standby. We believe that these smart devices facilitate the note-taking and reviewing process, which enhances a student’s learning efficiency and productivity.

SALES OF BOOKS

With a content development team of 249 specialists as of June 30, 2022, we design and develop substantially all of the content on our platform in-house, including course curricula and textbooks and learning materials. See “— Research and Development — Content Development.” Our textbooks and learning materials have gained widespread popularity through, among others, word-of-mouth referrals by our existing students. As of the Latest Practicable Date, we had released over 900 textbooks and learning materials in collaboration with third-party publishing companies. During the Track Record Period and as of the Latest Practicable Date, we have engaged in publication distribution business, including wholesale, retail and online sales, and have obtained the License for Operating Publication Business for such publication distribution business. We have also obtained a License for Printing Operations for in-house printing activities. See “— Licenses, Permits and Approvals.”

We have implemented stringent internal control measures to monitor the editing, publication and distribution of our textbooks and learning materials. Our internal book publishing team is responsible for compiling and reviewing the book drafts and manuscripts furnished by our content development personnel to identify and resolve any issues with respect to content, structure, formatting, completeness and general compliance based on our internal protocols. The relevant drafts will then be submitted to collaborated third-party publishing companies for three rounds of review and editing, during which we will further polish the content, structure and formatting based on comments and suggestions from the publishing companies and submit the advanced drafts for internal quality control check. The publishing companies are also responsible for applying for the cataloguing in publication (CIP) and international standard book number (ISBN) to ensure our textbooks and learning materials to be published have the required authorization. Furthermore, we require that all physical textbooks and learning materials provided by us to our students shall be official publications with authorized book numbers, and that we shall not provide or otherwise make available to our students unauthorized or counterfeit physical publications. We have also assigned designated personnel to monitor our ongoing compliance with applicable PRC laws and regulations, and to review the qualifications of our business partners. Our PRC Legal Advisors are of the view that the relevant entities of our Group have obtained the required authorization to operate publication distribution business and that the third-party publishing companies we cooperate with have obtained the required authorization to operate publishing business.

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Revenue generated from sales of books during the Track Record Period was related to (1) standalone sales activities in relation to our textbooks and learning materials and (2) sales that accompany our tutoring services as part of the course package our students purchased. As to standalone sales, we primarily sell the textbooks and learning materials directly through major e-commerce platforms, and to a much lesser extent, through distributors comprising several third-party book sellers and one e-commerce company.

We entered into distribution arrangements with nine, nine, 13 and eight third-party book sellers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Revenue generated under the distribution arrangements accounted for 0.9%, 1.1%, 1.3% and 2.0% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our relationship with these third-party book sellers is that of seller and buyer. Under the distribution arrangement, we sell textbooks and learning materials to third-party book sellers, which then sell to end-consumers on their own behalf. As such, we recognize revenue when the third-party book sellers accept the textbooks and learning materials upon delivery. The distribution agreement generally stipulates a fixed discount on the retail price as our sales price to distributors. The third-party book sellers are typically allowed to return unsalable textbooks and learning materials within a limited time period and with a cap of no more than 20% of the number purchased in the last order in a given period for each type of books, or for reasons of quality defects. The refund amount attributable to returned textbooks and learning materials by third-party book sellers in 2019, 2020, 2021 and the six months ended June 30, 2022 was RMB0.7 million, RMB0.5 million, RMB3.1 million and RMB1.1 million, respectively, representing a return rate of 5.8%, 2.0%, 5.8% and 3.0% for the same periods, respectively, which we believe was relatively low. Such amount was directly offset against the revenue for the relevant period. We generally require book sellers to return textbooks and learning materials within 30 days upon our approval of their return requests. We may then directly sell such returned textbooks and learning materials through major e-commerce platforms to minimize the disposal of obsolete inventory. We believe that such return policy allows us to better assess the market demand for our books and to dynamically adjust our production volumes. We also believe that such policy can help us build and nurture stable business relationships with third-party book sellers. Moreover, it is an industry norm for third-party book sellers to return books and learning materials within a specified time period and generally with a capped amount, according to the F&S Report.

We also entered into a consignment arrangement with an e-commerce company during the Track Record Period. Revenue generated under the consignment arrangement accounted for 0.3%, 0.3%, 0.2% and 0.1% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our relationship with the e-commerce company is that of principal and agent. Under the consignment arrangement, we sell textbooks and learning materials to the e-commerce company at a fixed discount on the retail price, which it then on-sell to its end-consumers. We recognize revenue generated from such e-commerce company when end-consumers confirm acceptance of their purchases. We are required to deliver in advance certain quantities of textbooks and learning materials to the e-commerce company at its designated locations at our cost. The e-commerce company is typically allowed to return unsalable textbooks and learning materials upon the expiration of the credit period. We are also obligated to accept returns from the end-consumers of the e-commerce company for reasons of quality defects. In addition, starting from January 1, 2020, we pay 6% of the annual sales amount to the e-commerce company pursuant to the renewed consignment arrangement, which are recognized as sales and marketing expenses. In 2020 and 2021, we incurred such expenses of RMB0.4 million and RMB0.5 million, respectively. We did not incur such expenses in the six months ended June 30, 2022, which will only be calculated and recognized upon the conclusion of the current calendar year pursuant to the consignment arrangement.

During the Track Record Period, to the best knowledge of our Directors, none of our distributors had any past or present relationship (business, employment or otherwise) with our Company, our subsidiaries, shareholders, directors, senior management or any of their respective associates, save for acting as our distributors. During the Track Record Period, we did not provide any advance or financial

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assistance to our distributors. To the best knowledge of our Directors, there is no other relationship or arrangement (family, financing guarantee or otherwise in the past or present) between each of our distributors.

OUR TEACHING STAFF

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

Our Instructors

We believe our high-caliber teaching staff form the backbone of our superior teaching quality. As of June 30, 2022, we had 3,796 full-time instructors with profound knowledge and experience in course subjects and effective teaching skills. The following table sets forth the number of our full-time instructors, the ratio of paid enrollments per instructor and the average revenue per instructor as of the dates and for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2019	2020	2021	2021	2022
Number of instructors:					
Online tutoring courses . . .	114	2,665	2,502	2,908	2,649
Classroom-based tutoring courses	602	3,887	2,018	4,368	1,147
Total	716	6,552	4,520	7,276	3,796
Ratio of paid enrollments per instructor⁽¹⁾:					
Online tutoring courses . . .	61,404	4,930	2,673	1,340	962
Classroom-based tutoring courses	159	316	283	145	130
Average revenue per instructor⁽²⁾:					
Online tutoring courses (RMB)	7,386,173	594,478	483,535	211,628	244,239
Classroom-based tutoring courses (RMB).	794,724	394,965	547,783	243,601	330,827

(1) Calculated based on the paid enrollments of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period. The average number of instructors for a certain period is calculated by adding the number of instructors at the beginning of the period and the number of instructors at the end of the period, divided by two. We had 338 instructors as of January 1, 2019, comprising 48 instructors for online tutoring courses and 290 instructors for classroom-based tutoring courses.

(2) Calculated based on the revenue of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period.

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

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The ratio of paid enrollments per instructor for our online tutoring courses decreased from 61,404 in 2019 to 4,930 in 2020, primarily because we expanded our teaching team to support the launch of our premium courses in June 2020, which features a relatively lower student-instructor ratio in order to deliver more individualized learning experience, as compared to systematic courses. For example, during the Track Record Period, our online systematic courses for written tests typically had an average of 1,000 to 4,000 students, while our online premium courses for written tests typically had an average of 20 to 400 students. The ratio of paid enrollments per instructor for our online tutoring courses continued to decrease to 2,673 in 2021, primarily due to the increased offering of our online premium courses. The ratio decreased from 1,340 in the six months ended June 30, 2021 to 962 in the six months ended June 30, 2022, primarily due to a decrease in the paid enrollments of our online promotional courses, which were 1.3 million in the six months ended June 30, 2022 as compared to 2.6 million in the six months ended June 30, 2021, in addition to the increased offering of our online premium courses. We believe our offering of online premium courses can effectively capture the demands of students who require more individual attention and targeted support, allowing us to increase our market share. The course fees of the online premium courses are generally higher than that of the online systematic courses on the same subject, and the revenue contribution of our online premium courses continuously increased during the Track Record Period. Meanwhile, although the average revenue per instructor for online tutoring courses decreased from 2019 to 2021 as we expanded our teaching team to support the launch and increased offering of our premium courses, such average revenue per instructor began to increase thereafter, despite the decrease in the ratio of paid enrollments per instructor for online courses, indicating the improved earning power of our business as a result of, in particular, our online premium courses.

The ratio of paid enrollments per instructor for our classroom-based tutoring courses increased from 2019 to 2020, primarily due to the significant growth of our offline paid enrollments, particularly following the launch of our offline classroom-based tutoring on a large-scale basis in May 2020. This ratio decreased slightly from 2020 to 2021, primarily because we had been expanding our offline teaching team in response to the increased demand for offline tutoring, which resulted in a significantly higher number of instructors at the beginning of 2021 as compared to the beginning of 2020. To effectively manage our growth and improve our profitability, we subsequently optimized our employee structure in 2021 and sought to increase the utilization and efficiency of our teaching staff going forward. The ratio of paid enrollments per instructor for our classroom-based tutoring courses decreased from 145 in the six months ended June 30, 2021 to 130 in the six months ended June 30, 2022, primarily due to the decreased paid enrollments of our classroom-based tutoring courses as a result of (1) the strategic adjustment of the scale of our offline coverage, and (2) the impact of the regional resurgence of the COVID-19 pandemic. The average revenue per instructor for classroom-based tutoring courses decreased from 2019 to 2020, primarily because we expanded our teaching team to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. Such average revenue per instructor increased steadily thereafter, despite the decrease in the ratio of paid enrollments per instructor for offline courses, indicating the stable and sustained development of our offline operations.

The following table sets forth the movement in the number of our full-time instructors during the Track Record Period.

	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
As of the beginning of the period	338	716	6,552	4,520
Recruitments	597	7,374	3,996	116
Departures	(219)	(1,538)	(6,028)	(840)
Net increase/(decrease)	378	5,836	(2,032)	(724)
As of the end of the period	716	6,552	4,520	3,796

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The turnover rate of our full-time instructors, as calculated by dividing the number of departed instructors in the relevant period by the average number of instructors at the beginning and end of the same period, was 41.6%, 42.3% and 108.9% for 2019, 2020 and 2021, respectively. As we substantially completed the optimization of our teaching team in 2021, the turnover rate of our full-time instructors decreased significantly to 20.2% for the six months ended June 30, 2022. We believe that such optimization had no adverse impact on the quality of our course offerings and our business operations in general. As the objective of our structure optimization was to improve our operational efficiency, we generally retrenched surplus instructors for our classroom-based tutoring services during this process based on comprehensive assessment of market demand and their respective performance indicators. Specifically, we selectively retained high-caliber instructors during the optimization process to improve our teacher utilization and maintain the quality of our courses. In addition, we have adopted a systematic and centralized content development approach to ensure consistent quality across our various offerings, and have placed continuing importance on the training and evaluation of instructors. We have also implemented incentive measures for other teaching staff of our offline tutoring services to ensure their service quality.

The following table sets forth a breakdown of our full-time instructors by education degree as of the dates indicated.

	As of December 31, 2021		As of June 30, 2022	
	Number of Instructors	% of Total	Number of Instructors	% of Total
Bachelor’s degree or below ⁽¹⁾	3,515	77.8	2,984	78.6
Master’s degree or above ⁽²⁾	1,005	22.2	812	21.4
Total	4,520	100.0	3,796	100.0

(1) Included 3,509 instructors with a bachelor’s degree and six instructors with an associate’s degree as of December 31, 2021, and 2,978 instructors with a bachelor’s degree and six instructors with an associate’s degree as of June 30, 2022.

(2) Included 1,003 instructors with a master’s degree and two instructors with a doctorate degree as of December 31, 2021, and 810 instructors with a master’s degree and two instructors with a doctorate degree as of June 30, 2022.

In addition to full-time instructors, we engage part-time instructors mainly during peak seasons in response to the increasing demand of our tutoring services. We primarily engage part-time instructors through outsourcing companies. See “— Employees.”

Recruitment

We implement a highly selective hiring process to recruit instructors with robust skillsets and diverse backgrounds. The recruitment process for our instructors normally consists of résumé screening, written test, in-person interview, onboarding training and trial class, in order to assess the candidates thoroughly based on our recruitment criteria. We recruit both college graduates and experienced instructors from other educational institutions with proven teaching records. We recruit new instructors from time to time to ensure that we have sufficient teaching resources to support our business growth. Under applicable PRC laws and regulations, our instructors and other teaching staff are not required to hold any specific certification or qualification.

Training and quality assurance

We generally require newly hired instructors to undergo a systematic onboarding training session on education content, teaching skills and professional ethics. To ensure the quality of our course delivery, newly hired instructors are generally assigned to less challenging courses that are distributed at a limited scale or less challenging positions to serve as tutors, which allows them to hone their teaching skills before delivering courses to large-class students in a live format. We also require our instructors to participate in various more in-depth continuing training programs focusing on education

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content and teaching skills to continuously refine teaching quality. Our on-going training also ensures that our instructors stay up to date with changes in student needs, admission standards, testing materials, examination requirements and other key industry trends. For example, our content development team will make teaching suggestions to our instructors on a routine basis leveraging their close attention to evolving industry trends and admission standards. We also organize annual training sessions on content development according to the examination cycle to execute content updates and facilitate our content development efforts based on firsthand teaching experience.

To ensure teaching quality and consistency across classrooms, our instructors must adhere to the curriculum requirements and use in-house designed course materials. We require our instructors to fully prepare for each class session, which generally includes formulating detailed teaching framework, reviewing courseware and other course materials, and staying familiar with local examination requirements. We also require them to pay close attention to students’ reactions and queries during class, and review their feedback after class to make necessary or desirable teaching adjustments. We assign senior or supervisory instructors to help review the in-class performance by junior instructors.

Evaluation, compensation and retention

We have established a centralized system to manage and oversee instructor management evaluation activities, with tiered discretion at each level. For online tutoring, we generally group our instructors by course subject. For classroom-based tutoring, we generally group our instructors by geographical area.

We regularly evaluate our instructors for their in-class performance and teaching results. We typically consider a number of performance indicators and qualitative factors, including class hours, working attitudes, teaching and content development capabilities, and the number of student complaints and teaching incidents. We also solicit student feedback on the courses taken and the presiding instructors, which will affect the retention, compensation and promotion of our instructors. We rank our instructors into different levels primarily based on their teaching hours and performance, with tiered compensation packages. The number of our top-rated full-time instructors was less than 5% of the total number of full-time instructors at the end of each period during the Track Record Period. As such, the class hour contribution and, accordingly, the revenue contribution by our top-rated instructors only accounted for a relatively small proportion of our overall performances. As a result, we believe we have not placed, and will not place in the future, significant reliance on our top-rated instructors. We instead ensure our overall teaching quality through comprehensive teaching staff management measures and centralized content development efforts.

We have implemented various measures to retain our teaching resources. We offer our instructors competitive compensation packages and prospects of career advancement within us. For example, we offer them opportunities to oversee teaching, content development and instructor training matters for a specific subject, or the daily management activities of our offline operational hubs, which we believe serves to enhance their loyalty to us. In addition, we may reward high-performing instructors with promotion and publicity opportunities to gain more esteem among students.

Other Teaching Staff

For our premium courses, we assign professional tutors, each responsible for one specific key subject in the examination syllabi, to attentively reach out to students at each stage of their learning process. They assist instructors in attending to students’ queries during and after class, guiding students through their after-class exercises, monitoring the progress of their learning plans and communicating with and motivating them. See “— Our Tutoring Services — Online Tutoring — Online tutoring courses.” We primarily seek tutor candidates who have demonstrated a strong sense of responsibility, as well as good communication skills and learning capability. We provide our newly hired tutors with an orientation program and on-the-job training sessions. Specifically, we train our tutors to attend to students’ inquiries and address their personalized learning needs to help cope with the challenges

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during their studies. We have an on-going review mechanism, in conjunction with any feedback received from our students, to assess our tutors’ job performance. We offer our tutors competitive compensation packages and career advancement opportunities. In addition, we engage other supporting staff who are mainly responsible for student administration and class monitoring, guiding students through the examination registration process.

RESEARCH AND DEVELOPMENT

Robust R&D capabilities are at the core of our competitiveness. We have devoted, and will continue to devote, great resources in our R&D efforts. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we incurred research and development expenses of RMB104.1 million, RMB124.4 million, RMB287.0 million, RMB111.7 million and RMB85.3 million, respectively.

Our R&D Team

As of June 30, 2022, we had a R&D team of 349 members, representing 4.7% of our total employees as of the same date. The following table sets forth a breakdown of our research and development team by function as of June 30, 2022.

	As of June 30, 2022	
Function	Number of Employees	% of Total
Content development ⁽¹⁾	249	71.3
Technological development	100	28.7
Total	349	100.0

⁽¹⁾ In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

The following table sets forth a breakdown of our technological development team by education degree as of June 30, 2022.

	As of June 30, 2022	
	Number of Employees	% of Total
Bachelor’s degree or below ⁽¹⁾	39	39.0
Master’s degree or above ⁽²⁾	61	61.0
Total	100	100.0

⁽¹⁾ Include 36 employees with a bachelor’s degree, two employees with an associate’s degree and one employee with a high school diploma.

⁽²⁾ Include 60 employees with a master’s degree and one employee with a doctorate degree.

We are committed to recruiting new talents to join our R&D team. We seek to hire R&D personnel with experience in the relevant fields. We attract new R&D talents by offering competitive compensation packages, career development opportunities and trainings designed to enhance their technical skills and professional knowledge.

Content Development

With a dedicated content development team of 249 specialists as of June 30, 2022, we in-house design and develop substantially all of the content on our platform, including course curricula and materials, to provide an integrated learning experience for our students.

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We have adopted a systematic and centralized content development approach to ensure consistent quality across our various offerings. We regularly update our course materials to react to the evolving market demands and learning preferences. Most of our seasoned content development specialists routinely participate in teaching activities and closely monitor the requirements in recruitment and qualification examinations to ensure our course curricula and materials are relevant and up to date. We also study previous year’s examinations questions once published to update our question bank and course materials. At the end of the course, we evaluate, update and improve course curricula and materials based upon feedback from our instructors and students as well as student performance in their examinations. We generally update our courses according to the examination cycle in response to the latest examination requirements. For example, we update our courses for the Civil Servants Examinations once a year to track the annual updates on the examination syllabi.

Moreover, we from time to time develop new courses to capture the unmet market demands in emerging areas. We typically determine whether to initiate a new course design based on extensive research and analysis. We carry out market surveys to understand students’ demands and existing products of similar kind on the market, and conduct various feasibility evaluations. Our new courses, with the accompanying course materials, typically undergo multiple rounds of internal review before final launch. We generally pilot test new courses at a limited scale for an examination cycle and make adjustments based on the feedback before they are broadly released. For example, we first launched our online premium courses targeting the interview test of the Civil Servants Examination in January 2021 specifically for Regional Civil Servants Examination at Jiangsu Province and Shandong Province where the interview tests are held relatively earlier compared to other provinces. These pilot courses were proven to be successful with over 1,000 paid enrollments. We then launched the course nationwide in April 2021 prior to the interview tests for Regional Civil Servants Examination of other provinces.

We believe our centralized approach for content development allows us to apply consistent practice across our network. With abundant teaching experience and learning behavior data, we have developed a comprehensive suite of standardized course curricula and materials, which could be utilized with minimal adjustment at lower costs as we scale up our operations. These course curricula and materials can be easily tailored to adapt to local test materials and admission standards, or students’ learning ability as well as their strengths and weaknesses. We have also established an internal knowledge base with collective experience and knowledge on course delivery and materials to help navigate common issues.

Technological Development

As of June 30, 2022, we had a technological development team of 100 professionals, approximately 61.0% of whom holding a master’s degree or higher. The members of our technological development team possess expertise spanning a broad range of related fields, from big data analytics, artificial intelligence, video recording and streaming, cloud computing to operational and infrastructure maintenance. We thereby have built proprietary Fenbi online platform and enabled advanced technological applications. See “— Our Tutoring Services — Online Tutoring — Online learning products,” “— Our Tutoring Services — Online Tutoring — Fenbi online platform” and “— Our Technology Infrastructure and Applications” for details.

OUR TECHNOLOGY INFRASTRUCTURE AND APPLICATIONS

Technology underpins our success. We have prompted the application of advanced RTC, big data, artificial intelligence, OCR and cloud technologies in the industry, which refines and transforms the traditional industry landscape, making quality tutoring services more accessible and efficient. We have consistently invested in technological development, which we believe have contributed to our sustained success and reinforced our market leadership.

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Our Technology Infrastructure

Real-time-communications

We have purposefully designed and developed our RTC video system to address the pain points of China’s online career test preparation industry. Effective online tutoring requires multi-way, real-time interactions among instructors and students, which is significantly more complex than one-way course delivery only by instructors. The demand for robust RTC capability can be more prominent in the online career test preparation industry, considering that career test preparation services target adult students who are generally more sophisticated and with more determined learning goals as compared to students of other types of online tutoring services, and therefore have heightened requirements for real-time interactive learning experiences. As a result, online career test preparation courses are generally scheduled intensively towards the examination day, which imposes greater pressures on the RTC infrastructure.

As the cornerstone of Fenbi online platform, our in-house developed RTC technology allows students to attend live courses and stream recorded courses seamlessly. We have developed an RTC video system by internal efforts to ensure high-resolution, low-latency content transmission experience. We believe such in-house developed system allows for more flexibility in our operations, as compared to those who leverage third-party video systems, we are able to conduct targeted system development swiftly in response to the evolving industry trends and market demands. Moreover, we can identify and address network lag and latency issues intelligently and independently, which enables timely troubleshooting and system maintenance to ensure user experience and engagement. Our RTC technology also provides the following key features.

- *Low latency.* Based on industry-recognized standard RTC protocols, our video system minimizes jitter and latency. Our system can dynamically select the optimal network node close to where end-users are located automatically to safeguard the “last-mile” transmission and achieve consistently high performance. Moreover, we enable stable, smooth and high-quality course delivery even in remote areas with weak network connections, as our in-house developed RTC monitoring system can assess video quality in real time, and automatically search for and connect to the access point with the strongest network connections or adapt the quality of video sources to network conditions. We also cache audio data and key frames of video sources before the first time of play to minimize latency.
- *High concurrency.* We enable industry-leading video stability and capacity that can support live large-class courses with a latency below 500 milliseconds for over 100,000 students in one class, according to the F&S Report.
- *Broad compatibility and great stability.* In addition to traditional live courses and recorded courses, our system also supports innovative use cases, such as mock interviews and interactive dual-teacher courses each staffed with one instructor and multiple tutors. Our system also features compatibility across the devices, enabling seamless learning experience. Furthermore, our system detects packet loss and performs retransmissions automatically to ensure stability.
- *High audio and video quality.* Leveraging our in-house developed technologies, we capture and synchronizes multiple audio streams, allowing interactions among instructors and students under varying network conditions and device configurations and across distant geographical areas. We pre-process outbound raw video and audio streams to reduce noise and echo, and enable instructors and students to add beautification, virtual background or other special effects to live video streams. We also post process inbound streams to compensate jitters and package losses and optimize audio and video quality. Moreover, to

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enable smooth video experience, we use industry-leading encoding and decoding technologies to compress audio and video streams before transmission and decompress the stream thereafter.

Big data analytics

Supported by a unified user registration and login portal, Fenbi online platform has accumulated 50 terabytes of comprehensive data points sorted by over 270 labels, primarily concerning course subjects and user behaviors, such as learning behaviors and preferences, and learning patterns and results with which we have established an integrated data platform to analyze and predict learning behaviors and preferences. We have built strong data analytics capability based on various algorithms, models and data analytics tools. The integrated data platform has generated valuable data-driven insights to guide our course development, optimization of question bank, content recommendation, product launches, and strategic growth initiatives.

Artificial intelligence

We have applied various artificial intelligence technologies in our business operations. With robust text recognition, natural language processing and deep learning technologies, we have developed an automated essay grading system which grades essay questions with precision and assesses students’ knowledge base and eloquence to provide suggestions for improvement. We also leverage AI technologies to automatically sort courses and arrange the display order, enabling a more user-intuitive interface and therefore more appealing online course shopping experience. Other than the optimization of product offerings and user experience, by automating certain repetitive tasks that used to be completed manually by employees, the application of AI technologies also helps us improve productivity and save labor costs. For example, we have implemented an AI-based content monitoring system to detect and screen improper or illegal content in an automated process to ensure full compliance with applicable laws and regulations.

Optical character recognition

Leveraging advanced OCR technology, we have designed a photo-based question search engine capable of detecting and extracting data from printed texts, cursive handwriting, complicated mathematical formula and geometric patterns featured in photos in a speedy and accurate manner. OCR also supports our smart devices in capturing and converting the handwritings into data.

System infrastructure

We have developed a reliable infrastructure to ensure high network capacity and scalability. We currently exclusively utilize third-party cloud service providers in China to host our network infrastructure. Our cloud-based infrastructure is able to support massive concurrent requests. For example, our architecture enables over 100,000 students to attend one single live course and over 300,000 students to take mock examinations at the same time, which denotes industry-leading capacity and stability, according to the F&S Report. Moreover, benefiting from the use of cloud technology, we can scale up our infrastructure easily as we expand without significant hardware investment or system downtime. We have developed technologies in-house to support system construction, operation and maintenance. For example, we have developed a proprietary data collection and processing methodology to reduce redundant data and free up system storage space, therefore optimizing data processing efficiency and saving associated technical expenses. We also have our own information technology technicians in charge of platform development and operation maintenance to identify and resolve technical issues in a timely manner.

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Our Technology Applications

Photo-based question search engine

In April 2020, we launched the first photo-based question search engine with a full subject coverage in China's recruitment examination tutoring industry supported by our strong OCR technologies, according to the F&S Report. The search engine allows students to use photographs of printed texts, or even cursive handwriting, complicated mathematical formula and geometric patterns, to locate answers in our comprehensive question bank.

Automated essay grading

In January 2014, we launched our automated essay grading system by leveraging robust text recognition, natural language processing and deep learning technologies. In addition to grading essay questions with precision, our automated essay grading system helps assess students' knowledge base and eloquence to provide suggestions for improvement. We had established a large pool of 10,800 essay questions with well-structured sample answers and grading guidance, and had served an accumulation of over 120.3 million users as of June 30, 2022. The massive behavioral data being processed in turn enables us to further train our AI engine to develop more systematic grading criteria and generate more reliable grading results. To date, the automated essay grading system has achieved a precision rate comparable to experienced instructors.

Grade prediction

In September 2013, we developed our grade prediction system. Leveraging intelligent algorithms, we are able to accurately predict students' grades when they take the examinations and adjust such predictions dynamically based on learning progress by analyzing learning data such as in-class performance and after-class exercise results on an on-going basis.

Intelligent content recommendation

In March 2018, we developed our intelligent content recommendation system, which can formulate targeted learning topics and learning plans catering to students' diverse situations to optimize the effectiveness of learning. For example, through our data-driven algorithms, we can track a student's learning behaviors and outcomes and recommend supplemental exercises to such student based on an in-depth analysis of areas for improvement and the identification of the commonalities among wrong answers to questions in terms of difficulty levels.

BRANDING AND MARKETING

We primarily employ the following branding and marketing methods.

- *Word-of-mouth referrals.* We believe the single greatest contributor to our success in student recruitment has been word-of-mouth referrals by our existing students who share their learning experiences and examination results with, and recommend our tutoring services to, others in their network, such as friends, family members, or colleagues. Our recruitment through word-of-mouth referrals has enjoyed a strong network effect with the rapid growth in our student base and benefits from our strong reputation and outstanding performance by our students. As evidenced by the F&S Survey, among the survey participants who purchased our services and products, 47.5% of them were recommended by their classmates and friends, and 93.6% of them would recommend our products and services to other people. We do not adopt any customer referral programs where cash incentives are provided for students' voluntary recommendations to other people. We may, in some circumstances, provide nominal gifts, such as pens, notebooks and cushions, to existing students who have

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introduced their friends, family members or colleagues to purchase our services if we become aware that the new students purchase our courses due to their acquaintances’ recommendations.

- *Fenbi online platform.* With a number of innovative online learning products and toolkits, Fenbi online platform has contributed significantly to enhancing our brand awareness. For example, our online question bank and online mock examination system are accessible to all interested users, which have helped us attract significant user traffic. The community feature of Fenbi online platform also facilitates direct and frequent communications with prospective students, effectively lowering our student recruitment costs.
- *Direct sales force.* Our sales and marketing team is generally responsible for engaging with prospective students, recommending targeted courses and identifying cross-selling and up-selling opportunities. We also have dedicated personnel responsible for pre-examination consultation and advisory services, such as sharing examination information and examination preparation materials, and providing targeted guidance on course selection and job selection. As part of our go-to-market strategy, our offline operational hubs nationwide are equipped with sales personnel to stay closer to potential students and capture and accommodate localized needs more effectively.
- *Offline events.* We may participate in various industry events for branding and student acquisition purposes. We also collaborate with select local universities to promote our brand and services. For example, we have organized various introductory classes, experience sharing seminars and offline mock examinations in universities in Beijing.
- *Social media platforms.* We actively promote our services and attract new students on various social media platforms, such as Weixin and Weibo. For example, through our official accounts on social media platforms, we distribute examination information and examination preparation materials for free to attract user traffic. In addition, we conduct promotional activities and place online advertisements on social media platforms from time to time. In 2019, 2020, 2021 and the six months ended June 30, 2022, we paid approximately RMB1.5 million, RMB0.5 million, RMB2.5 million and RMB0.5 million to social media platforms and other third parties for related marketing services, respectively.

The following table sets forth our customer acquisition cost, as measured by selling and marketing expenses per paid enrollment, for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Selling and marketing expenses per paid enrollment	19.5	42.1	72.0	70.3	61.4

As advised by our PRC Legal Advisors, while we shall comply with the general requirements of the Advertising Law and other related rules and regulations in conducting marketing activities, which apply to advertising by all businesses, there has been no specific restrictions and requirements on marketing activities by non-formal VET service providers, including us. During the Track Record Period and up to the date of this document, we have not received any inquiries from government authorities in relation to our sales and marketing activities that would have a material adverse effect on our business, results of operations and financial condition.

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OUR CUSTOMERS AND SUPPLIERS

Our Customers

Our customers include primarily our students and, to a much lesser extent, third-party book vendors who purchased our textbooks and learning materials.

Revenue generated from our top five customers in each year/period during the Track Record Period accounted for 1.1%, 1.2%, 1.6% and 2.8% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and revenue generated from our largest customer in each year/period during the Track Record Period accounted for 0.4%, 0.6%, 0.5% and 0.9% of our total revenue in the same periods, respectively.

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers.

Our Suppliers

Our suppliers primarily include suppliers for paper, third-party vendors for human resource services, publishing services, printing services, marketing services and information technology services, as well as providers of the premises we occupy for our classroom-based tutoring. We select our suppliers based on the quality and prices of their supplies and our business needs. Purchase from our top five suppliers in each year/period during the Track Record Period accounted for 49.0%, 31.9%, 16.6% and 22.2% of our total purchases in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and purchase from our largest supplier in each year/period during the Track Record Period accounted for 14.7%, 13.3%, 4.1% and 8.2% of our total purchases in the same periods, respectively. The following table sets forth certain information of our top five suppliers during the Track Record Period.

Supplier	Transaction amount (RMB in millions)	Percentage of total purchases (%)	Approximate length of relationship as of the Latest Practicable Date (Years)	Principal business
<i>For the year ended December 31, 2019</i>				
Supplier A	91.6	14.7	two	labor outsourcing service
Supplier B	78.2	12.6	five	paper sales
Supplier C	58.9	9.5	seven	printing service
Supplier D	41.5	6.7	seven	logistics service
Supplier E	34.3	5.5	two	enterprise management consulting and service
Total	304.5	49.0		
<i>For the year ended December 31, 2020</i>				
Supplier F	204.4	13.3	one	labor outsourcing service
Supplier C	97.8	6.3	seven	printing service
Supplier B	93.4	6.1	five	paper sales
Supplier D	48.3	3.1	seven	logistics service
Supplier G	48.2	3.1	three	paper sales
Total	492.1	31.9		

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Supplier	Transaction amount	Percentage of total purchases	Approximate length of relationship as of the Latest Practicable Date	Principal business
	(RMB in millions)	(%)	(Years)	
<i>For the year ended December 31, 2021</i>				
Supplier B	84.7	4.1	five	paper sales
Supplier H	84.1	4.1	two	labor outsourcing service
Supplier G	78.3	3.8	three	paper sales
Supplier C	50.9	2.5	seven	printing service
Supplier I	41.6	2.0	one	labor outsourcing service
Total	339.6	16.5		
<i>For the six months ended June 30, 2022</i>				
Supplier J	46.4	8.2	four	paper sales
Supplier G	23.4	4.1	three	paper sales
Supplier K	20.1	3.6	three	publishing service
Supplier L	19.8	3.5	one	human resource service
Supplier M	16.0	2.8	less than one	human resource service
Total	125.7	22.2		

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers.

We provided an interest-bearing loan to Supplier C, which had been fully repaid in August 2020. See “Financial Information — Discussion of Major Balance Sheet Items — Prepayment and Other Receivables.” We provided the loan to Supplier C in connection with its purchase of new printing equipment to ensure its timely and appropriate provision of printing services to us. According to the loan agreement entered into on July 20, 2016, the principal amount of the loan was RMB5.0 million with an interest rate of 8% per annum and an initial due date of January 20, 2017. The due date was subsequently extended and the interest rate was adjusted to 6% per annum starting from July 19, 2019. According to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the “Private Lending Regulations”), the financing activity between enterprises is an act of “private lending.” For private lending agreements concluded between enterprises for production and business operations, people’s courts shall support claims regarding the validity of private lending agreements, except for the circumstances stipulated explicitly in the Civil Code and those specified in Article 13 of the Private Lending Regulations. As advised by our PRC Legal Advisors, according to the relevant loan agreement and based on their inquiries into the transaction details with our Company, the arrangement is a private lending agreement concluded for production and business operations, and there is no indication of circumstances as stipulated in the Civil Code and specified in Article 13 of the Private Lending Regulations that causes the agreement to be invalid nor any dispute between the relevant parties regarding the arrangement. In addition, the annual interest rate of 8% under the agreement does not violate the relevant explicit provisions of the Private Lending Regulations.

Going forward, we do not intend to continue to provide financial assistance to our suppliers, including Supplier C. Our Directors confirm that, there have been no other past or present relationships (including, without limitation, business, shareholding, employment, family, trust, financing, fund flows or otherwise) between (1) Supplier C, its shareholders, directors, senior management or employees, or any of their respective associates, and (2) our Company, its subsidiaries, their shareholders, directors, senior management or employees, or any of their respective associates. Our Directors also confirm that our contract terms with Supplier C regarding our purchase of its services are no different than those

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entered into with other similar suppliers. Except for the loan, to the best knowledge of our Directors, our Company, our subsidiaries, shareholders, directors, senior management or any of their respective associates had no other relationship or arrangement (family, financing guarantee or otherwise in the past or present) with each of our top suppliers.

Overlapping of Customers and Suppliers

Our Directors confirmed that except for Supplier K who was also one top five customer in 2021 and the six months ended June 30, 2022, none of our major customers was our major supplier during the Track Record Period. Supplier K engaged us for printing services, and we engaged Supplier K to publish our books. Negotiations of the terms of our sales to and purchases from this company were conducted on an individual basis, and the sales and purchases were neither inter-connected or inter-conditional with each other. Revenue generated from Supplier K as a percentage of our total revenue was 0.2% in 2021 and 0.8% in the six months ended June 30, 2022. The services purchased from it as a percentage of our total purchases was 0.4%, 0.9%, 1.5% and 3.6% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our Directors confirmed that all of our sales to and purchases from this company were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

SEASONALITY

The timing at which students purchase our tutoring courses and learning products is subject to seasonal fluctuations in relation to the examination cycle. For example, the written tests of the National Civil Servants Examination are normally held in November or December of a year and the interview tests are normally held in February or March of the following year. As for the Regional Civil Servants Examination, the written tests and the interview tests (following the announcement of the written test results) are normally held in the first half of a year. The timing at which students submit refund requests is also subject to the release schedule of the examination results, and typically follows the release of the results. The movement of our refund liabilities and liquidity position may, accordingly, be subject to seasonal fluctuations. As a result, our operating and financial metrics for an interim period may not be representative of our overall performance. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations."

COMPETITION

We operate in a rapidly changing and highly competitive industry. We face existing and potential competition with major career test preparation service providers and other education companies. See "Industry Overview" for details about the competitive landscape.

We believe our principal competitive advantages include the following:

- well-established online platform and innovative technology capability;
- breadth and quality of our course offerings and accompanying services and products;
- a dedicated team of teaching staff;
- our research and development capabilities;
- overall student experience; and
- our brand recognition.

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We believe we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition or more financial resources than we do. See “Risk Factors — Risks Relating to Our Business and Industry — We face intense competition, which could divert students to our competitors, lead to pricing pressure and loss of market shares.”

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisors have advised that during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “— Licenses, Permits and Approvals,” we had obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, approvals and certificates remained in full effect.

The following table sets out a list of material licenses, permits, and approvals currently held by us.

License/Permit	Holder	Granting authority	Latest grant date	Expiry date
Value-added Telecommunications Business Operating License for Internet Information Service . . .	Fenbi Bluesky	Beijing Communications Administration	August 5, 2022	August 5, 2027
License for the Production and Operation of Radio and Television Programs.	Fenbi Bluesky	Beijing Municipal Radio and Television Bureau	September 15, 2022	September 15, 2024
License for Operating Publication Business ⁽¹⁾ .	Fenbi Bluesky	Chaoyang District Bureau of Press and Publication, Beijing	September 29, 2022	September 29, 2028
	Tianxia Culture	Beijing Municipal Bureau of Press and Publication	August 4, 2022	April 30, 2028
	Tianxia Education	Chaoyang District Bureau of Press and Publication, Beijing	June 20, 2022	April 30, 2028
	Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司)	Beijing Municipal Bureau of Press and Publication	August 2, 2022	April 30, 2028
Private School Operating Permit	Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)	Hongta District Bureau of Education and Sports, Yuxi	February 2022	February 2025
	Diqing Bilan Education and Training Co., Ltd. (迪慶筆藍教育培訓有限公司)	Shangri-La Bureau of Education and Sports	June 28, 2021	June 28, 2026
License for Printing Operations	Lancai Tianxia	Shandong Province Bureau of Press and Publication	March 30, 2021	December 31, 2025

(1) According to the Administrative Regulations on Publication (2020 revised) (出版管理條例) promulgated by the State Council, effective on November 29, 2020, publication activities include publishing, printing or reproduction, import and distribution of publications; and pursuant to the 2021 Negative List, editing, publishing and production of publications are subject to foreign investment prohibitions. During the Track Record Period and as of the Latest Practicable Date, we have engaged in publication distribution business, including wholesale, retail and online sales, and have obtained the License for Operating Publication Business for such publication distribution business; however, we have not engaged in editing, publishing or production of publications. We cooperate with independent third-party publishing companies with publishing qualifications and engage such publishing companies to edit and publish relevant learning reference materials created by us. Our PRC Legal Advisors are of the view that the publication distribution business of the Group (including the Group’s License for Operating Publication Business) and the Group’s cooperation with independent third-party publishing companies with publishing qualifications are not subject to foreign investment restrictions or prohibitions and therefore are not included under the Contractual Arrangements.

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AVSP

The Audio-Visual Regulations requires any entity engaged in certain audio-visual program services via the internet to hold an AVSP. However, due to the vague definition of “audio-visual program services,” there was uncertainty as to whether our online tutoring services fall within the definition and whether we are required to obtain the AVSP. For example, on January 8, 2019 and May 22, 2020, in the Q&A section of its website, Beijing Radio and Television Bureau confirmed that online tutoring shall not be subject to the AVSP requirement. Due to such uncertainty of regulatory requirement on online tutoring, we were not explicitly required to obtain an AVSP when we commenced our online tutoring business. Furthermore, there remain uncertainties regarding the rapidly evolving regulatory practices. As of the date of this document, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP, according to the Audio-Visual Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise.

We were imposed a fine of RMB3,000 by the Cultural Market Administrative Law Enforcement Department of Beijing Municipal (北京市文化市場綜合執法總隊) (the “Department”) in December 2019 for lack of an AVSP. However, with the promulgation and revision of relevant laws and regulations, the regulatory trend of government departments on related businesses may evolve. Accordingly, regulatory practices of relevant competent authorities may change from time to time. Therefore, based on the recent confirmations by the relevant competent authorities, such incident has no material implication on our business operations under the current regulatory regime. As advised by our PRC Legal Advisors, according to an on-site interview with the NRTA on February 22, 2022, the regulations and policies for private enterprises to conduct audio-visual business are being formulated and have not yet been promulgated, and in practice, many private enterprises engaging in the internet audio-visual business have not obtained the AVSP or complete the registration procedure. The NRTA further confirmed that we are currently not required to terminate our operations relating to audio-visual program services, or subject to administrative penalties for such operations without an AVSP under the current regulatory regime (the “NRTA’s Confirmation”). As advised by our PRC Legal Advisors, the NRTA, as the highest-level competent authority of radio, film and television in China under the State Council, is the competent authority for regulating internet audio-visual program services and is responsible for approving the AVSP and supervising business activities related to internet audio-visual program services. Therefore, the NRTA is a competent government authority to interpret the current regulatory regime and provide the relevant confirmation. As further advised by our PRC Legal Advisors, the relevant interviewee is competent to provide such confirmation.

Furthermore, the Department confirmed during an on-site interview on June 17, 2022 that the administrative fine in 2019 did not constitute a material administrative penalty, and that it will not impose any administrative penalties on us for our operations without obtaining an AVSP and completing the registration procedure under the current regulatory regime (the “Department’s Confirmation”). As advised by our PRC Legal Advisors, the Department and the interviewee are competent to provide such confirmation. As of the Latest Practicable Date, the administrative fine has been fully paid, and the Department has not initiated additional administrative inquiries, investigations, penalties or other proceedings since then.

As a result, as advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, the administrative penalty in 2019 would not undermine the authority of the NRTA’s Confirmation. Based on the Department’s Confirmation and the NRTA’s Confirmation, our PRC Legal Advisors are of the view that, under the current regulatory regime, the risk that we are required to terminate our operations relating to audio-visual program services or subject to further administrative penalties for such operations without an AVSP is remote. Having considered the foregoing, our Directors believe that the fact that we have not obtained an AVSP for the related business operations would not have a material adverse effect on our business, results of operations or financial condition or the [REDACTED].

BUSINESS

Online Publishing Service License

As advised by our PRC Legal Advisors, according to the interview with Beijing Municipal Bureau of Press and Publication on February 12, 2022, we are not required to obtain an Online Publishing Service License to conduct online tutoring services, including the provision of audio and video courses and course materials through our Fenbi online platform. As confirmed by our PRC Legal Advisors, Beijing Municipal Bureau of Press and Publication and the interviewee are competent to provide such confirmation as Beijing Municipal Bureau of Press and Publication is responsible for conducting pre-requisite examination of an enterprise’s application to carry out online publishing services in Beijing City, including us, and has the authority to determine whether our business constitutes online publishing services and whether we are required to apply for an Online Publishing Service License.

Private School Operating Permit

It remains unclear under the 2021 Revised Regulations as to whether and how a career test preparation service provider such as us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. As advised by our PRC Legal Advisors, according to our on-site interview with the MOE on February 14, 2022, being the competent governmental authority to provide such confirmations, we are not required to obtain the approval from the relevant education regulatory authorities for the establishment of non-formal education and training institutions targeting adult students or obtain a private school operating permit for our tutoring services. In practice, only a few education regulatory authorities in certain areas used to require us to obtain a private school operating permit for our offline tutoring services, and we had obtained such permit accordingly. As of the date of this document, we have obtained private school operating permits for our offline operations in Diqing Tibetan Autonomous Prefecture, Yunnan Province and Yuxi City, Yunnan Province, as previously required by local regulatory authorities. These regulatory authorities, including Education and Sports Bureau of Shangri-La City, Diqing Prefecture (迪慶州香格里拉市教育體育局) and Education and Sports Bureau of Hongta District, Yuxi City (玉溪市紅塔區教育體育局), have confirmed in interviews on May 13, 2022 and May 19, 2022, respectively, that the current regulatory practice no longer requires such permit for the operation of non-formal education and training institutions targeting adult students. As advised by our PRC Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations. As such, our Directors believe that, in the absence of significant changes in regulatory requirements, the fact that we have not obtained private school operating permits for the related business operations in most areas would not have a material adverse effect on our business, results of operations and financial condition.

As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, as we would not be required to terminate our operations for lack of AVSP, Online Publishing Service License and private school operating permits, there would be no material financial or operational impact on our Group, according to PRC laws and regulations.

For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition.”

DATA PRIVACY AND SECURITY

We are committed to protecting our users’ data and privacy. To that end, we implement strict protocols on data collection, transmission, storage and usage, and have technologies and systems in place to safeguard against unauthorized data access and disclosure.

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During the course of our business, we mainly access and analyze data on users’ learning behaviors and preferences, as well as learning patterns and outcomes, rather than their personal identifiable information, to recommend targeted learning content and formulate personalized learning strategies. Prior to the collection and use of these data, we obtain each user’s consent through the user interfaces of our Fenbi online platform, with prominent displays of the user agreement and privacy policy which require the user to give affirmative consent by clicking the checkbox. As such, we believe that informed consent of users and the legitimacy basis of collection and use of personal data are established by explicit disclosure of, among others, the purpose, scope and manner of personal information collection and use. To ensure the confidentiality and integrity of our data, we limit access to user data on a “need-to-know” basis, which can only be granted with appropriate authorization. We also adopt data encryption measures to ensure the secure processing, transmission and usage of data. Furthermore, we have implemented internal policy and practice guideline regarding algorithm recommendation in compliance with applicable laws and regulations, including the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-related Internet Information Services and the Provisions on Algorithm Recommendation. For example, we inform users in a prominent manner of our provision of algorithmic recommendation services and provide them with a convenient option to turn off the algorithmic recommendation services. We also provide users with the function of selecting or deleting user tags for their personal characteristics used in the algorithm recommendation service. We disclose the basic principle, purpose and intent, and main operation mechanism of the algorithm recommendation service in an appropriate manner. We also from time to time review, evaluate and verify the mechanism, model, data and application results of the algorithm mechanism, and have not set up algorithm models that violate laws and regulations or violate ethics and morality, such as inducing users to indulge in and over-consume. We do not use algorithms to block information, over-recommend, or manipulate the ranking of lists or search results, nor do we use algorithms to implement unreasonable differential treatment in transaction conditions, such as transaction prices, based on students’ preferences and transaction habits. As of the Latest Practicable Date, we had not applied any algorithm recommendation technology prohibited or restricted under the Provisions on Algorithm Recommendation to the provision of internet information services. In addition, we have submitted our filing report through the internet information services algorithm filing system as required by the Provisions on Algorithm Recommendation.

Moreover, we take safety precautions to maintain our technology infrastructure to further protect our data and information. We assign designated personnel to take charge of the operation, maintenance and security management of our technology infrastructure, as well as data backup and disaster recovery, and implement corresponding protocols. As a general principle, one can only access our internal systems with secure and proper authorization. We maintain our various supporting or operational systems in separate infrastructure to mitigate the risk of system failures and cyber-attacks. We also perform system check and monitoring on a regular basis to detect and deter potential security breaches and other security incidents and threats. Moreover, we engage firewall services to effectively safeguard against sophisticated hacker attacks.

We enter into confidentiality agreements with our employees who have access to our data and information. The confidentiality agreements provide that, among others, these employees are legally obligated not to share, distribute or otherwise disclose our confidential data and information, including other parties’ data and information in possession as a result of their employment, to any third parties. These employees are also legally obligated to surrender all confidential data and information in possession upon resigning and to retain their confidential obligations afterwards. Such employees bear compensation liability if they breach their confidential obligations. Furthermore, to prevent improper disclosure and misappropriation of data and information, our agreements with our suppliers and other business partners generally include a confidentiality provision under which they are legally obligated to not to share, distribute or otherwise disclose our confidential data and information, including other parties’ data and information in possession as a result of their relationship with us, to other parties.

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We are subject to a variety of laws and regulations regarding cybersecurity, data security and data privacy. The regulatory framework for data privacy protection in China is rapidly evolving. For example, the PIPL, which took effect on November 1, 2021, accentuates the importance of processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. The Draft CAC Regulations on Internet Data Security, which was published on November 14, 2021, provides that data processors conducting certain activities shall apply for cybersecurity review. The Measures for Cybersecurity Review 2022, which took effect on February 15, 2022, provides that the relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under certain circumstances. See "Regulation" for details. As advised by CM Law Firm, our legal advisors as to PRC cybersecurity and data privacy protection laws, we do not foresee any material impediments for us to comply with the existing PRC laws and regulations on cybersecurity, data security and personal data protection, including but not limited to the PIPL, the Provisions on Algorithm Recommendation and the Identification Measures, in all material respects based on the following reasons: (1) as of the date of this document, we have not been subject to any material administrative penalties, mandatory rectifications or other sanctions imposed by any competent regulatory authorities in relation to cybersecurity, data and personal information protection, nor have we been subject to or involved in any investigations, or received any inquiry, examination, material warning or interview in such respect; (2) as of the date of this document, there has been no material cybersecurity or data protection incidents, or any infringement upon any third parties, or other legal, administrative or governmental proceedings pending or, to the best of our knowledge, threatened against or relating to our Group; (3) as discussed above, as of the date of this document, we have adopted and implemented robust and stringent internal control systems focusing on data security and personal information protection, which set forth comprehensive and detailed provisions to guide our activities of data collection, processing, analysis and usage to comply with the existing PRC laws and regulations on cybersecurity, data security and personal data protection; and (4) we have been constantly monitoring and will continue to monitor and assess the latest legislative and regulatory development in cybersecurity and data protection, and we have been maintaining and will continue to maintain ongoing consultation with relevant government authorities to seek guidance on the applicability of relevant laws and regulations, so that we may continually amend our internal policies in response to new regulatory developments and take any necessary rectification measures in a timely manner to comply with the requirements thereof if and when they come into effect. Based on the above opinion of CM Law Firm, we are of the view that the existing PRC laws and regulations on cybersecurity, data security and personal data protection and potential changes to such laws and regulations would not have a material adverse effect on our business, results of operations and financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data loss or security breach incidents. Nevertheless, our Fenbi mobile app was once ordered by regulatory authorities to rectify unauthorized personal data collection in October 2020. The incident was primarily due to the oversight and lack of comprehensive understanding by the responsible staff of the relevant laws and regulations. We had amended the authorization policy setting regarding personal data collection and completed the rectification by November 2020. Based on regulatory practice, should regulatory authorities be dissatisfied with our rectification, they would suspend our mobile apps or impose additional administrative penalties. As of the date of this document, we have not been subject to any suspension of mobile apps or other administrative penalties as a result of personal data collection and data non-compliance. As such, as advised by CM Law Firm, the likelihood that we would be ordered by regulatory authorities to suspend our mobile apps or be imposed administrative penalties due to such unauthorized personal data collection is remote. We have implemented internal control measures to prevent similar incidents, including the supplement of internal control policies on personal data collection and the reinforced efforts on self-inspection in order to identify and preempt potential unauthorized collection and use of personal data. As such, as advised by CM Law Firm, we were in compliance in all material respects with all applicable PRC laws and regulations with respect to data privacy and protection.

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INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of contractual restrictions and intellectual property registrations to establish and protect our intellectual properties. We have also engaged third-party experts to actively identify and cope with infringement and misappropriation incidents. In addition, we have set up channels for our employees, students and other third parties to report potential infringement and misappropriation incidents, which we will then verify and follow up. As of the Latest Practicable Date, we had registered 128 trademarks, 20 patents and 74 copyrights (including 53 software copyrights), together with five pending patent applications. See “Appendix IV — Statutory and General Information — B. Further Information about Our Company’s Business — 2. Intellectual Property Rights” for details.

Despite our efforts, third parties may still obtain and misappropriate our intellectual property without authorization. As of the Latest Practicable Date, we had not found any of such misappropriations of our intellectual property rights that could have a material adverse effect on our business and operations. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights may adversely affect our business, results of operations and financial condition. For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.”

We have used our best efforts to ensure compliance with applicable intellectual property laws. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material intellectual property infringement actions brought by third parties. For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to intellectual property infringement claims by third parties, which may materially and adversely affect our business, results of operations and financial condition.”

EMPLOYEES

As of June 30, 2022, we had 7,388 full-time employees, all of whom were based in China. The following table sets forth the number of our full-time employees by function as of June 30, 2022.

Function	As of June 30, 2022	
	Number of Employees	% of Total
Instructors and other teaching staff	4,075	55.2
Sales and marketing	2,409	32.6
General administration and operations	359	4.8
Content and technological development ⁽¹⁾	349	4.7
Production of textbooks and learning materials	196	2.7
Total	7,388	100.0

⁽¹⁾ In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our talent management strategy, we offer employees competitive base salaries, performance-based bonuses and other incentives. We have adopted a training protocol, pursuant to which we provide both onboarding and on-the-job training to our employees.

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As required under PRC labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. In compliance with PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

Two of our branch offices have set up a labor union. In 2021 and the six months ended June 30, 2022, we optimized our employee structure as part of our business strategy to improve our operational efficiency and paid an aggregate compensation of RMB168.9 million to retrenched employees. As advised by our PRC Legal Advisors, based on regulatory confirmations and public search, as of the Latest Practicable Date, there were no labor disputes in relation to employee retrenchment compensation that would have a material adverse effect on our business operations, and we had not been subject to administrative penalties by any labor regulatory authorities in this regard. As further advised by our PRC Legal Advisors, we are in compliance with the relevant laws and regulations in relation to the compensation paid to the retrenched staff in all material aspects. Since 2021 and up to June 30, 2022, we had been involved in labor disputes with 102 employees, among which (1) we obtained six judgments in our favor, (2) we settled disputes with 39 employees for an aggregate settlement amount of approximately RMB1.3 million, (3) 31 employees had withdrawn their claims, (4) we received eight judgments against us for an aggregate judgment amount of approximately RMB0.3 million, and (5) the remaining 18 were still pending as of the Latest Practicable Date with an aggregate amount in dispute of approximately RMB2.3 million. We believe that these disputes, individually or in the aggregate, have not materially and adversely affected our business operations and financial condition, and we have made sufficient provisions for the labor disputes during the Track Record Period. We believe that we otherwise generally maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. See “Risk Factors — Risks Relating to Our, Business and Industry — Increases in labor costs or any labor dispute or unrest may adversely affect our reputation, business, results of operations and financial condition.”

In addition to full-time employees, we engage part-time employees, including part-time instructors, in order to accommodate more students during peak examination preparation seasons. We primarily engage part-time employees through outsourcing companies. The agreements with these outsourcing companies generally have a term of one to two years. Under certain agreements, we are entitled to unilaterally terminate cooperation with the outsourcing companies based on our operational needs. The outsourcing companies shall supply part-time employees to provide services as required by us under the agreements, which are subject to our quality standards. The agreements generally provide for a management service fee to the outsourcing companies that ranges from 5% to 8% of the total amount of commissions entitled by the part-time employees engaged through them. We settle the fees with outsourcing companies mainly on a monthly basis. The commissions for the part-time employees shall be paid through the outsourcing companies. Both parties under the agreements generally shall keep confidential and not disclose to any third party information obtained during the course of cooperation.

We typically set our course arrangements and sales goals ahead of the incoming peak seasons based on our assessments of the recruitment plans, and determine the number of part-time workers we may need accordingly. In 2019, 2020, 2021 and the six months ended June 30, 2022, our part-time instructors delivered approximately 190, 290, 340 and 160 class hours on average, respectively. To ensure teaching quality, we generally conduct training for part-time instructors by ourselves. Our contract workers are typically paid based on their actual workloads. For part-time instructors, we determine the hourly rates according to their respective education backgrounds, work experiences and subjects and course types in charge, which, pursuant to our internal policy, shall range from RMB80 to RMB500. We record commissions paid to part-time instructors through outsourcing companies as human resource outsourcing and other labor costs. This on-demand approach has optimized our efficiency and cost control, and allowed us the flexibility amid the fluctuations in market demands.

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During the Track Record Period, we had terminated cooperation with certain major outsourcing service providers upon conclusion of the service term and/or to establish cooperation with alternative ones with more competitive fee rates. We had not experienced any material disputes with our part-time employees or cooperated outsourcing companies during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we operated our businesses through 219 leased properties nationwide, with a total gross floor area of approximately 153,000 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as office premises and tutoring classrooms for our business operations.

Our lease agreements in respect of the above-mentioned 219 leased properties generally have expiration dates ranging from December 2022 to October 2028. We plan to renew our leases or negotiate new terms when the existing leases expire. All lessors are Independent Third Parties. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of properties in China.

As of June 30, 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

Title Defects

As of the Latest Practicable Date, 19 of our leased properties had title defects that may adversely affect our ability to continue to use them in the future, which account for approximately 8.7% of our total leased properties as of the same date. Among the 19 leased properties with title defects, 13 are used as our office premises, two are used as our employee dormitories, two are used as our warehouses, one is used as our self-study room, and one is used as our office premise and classroom, which we believe presents no safety issues for teaching purpose. The aggregate leased area of these defective properties is approximately 34,000 square meters. The existence of title defects is mainly due to the following reasons: (1) certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, and (2) the intended purposes contained in the property ownership certificates are inconsistent with the actual use of property. As of the date of this document, we are not aware of any challenge being made by a third party or government authority on the titles of any of these leased properties that might have a material adverse effect on our current leases.

According to relevant laws and regulations and as confirmed by our PRC Legal Advisors, the lessors shall be responsible for the circumstances that the intended purposes stated in the property ownership certificates are inconsistent with the actual use of property, and there are no rules or regulations requiring the lessee to obtain the ownership certificate or imposing regulatory punishment on the lessee for not doing so. Accordingly, our PRC Legal Advisors are of the view that we are not subject to any material administrative penalty for any of the title defects in the leased properties.

Moreover, according to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. If our ability to continue leasing such properties is affected by a third-party objection, we may seek indemnity from the lessor in accordance with relevant PRC laws and regulations.

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We believe there is a sufficient reservoir of comparable alternative properties in proximity, and therefore do not expect to incur significant time and cost for identifying alternatives and relocating our operations in the less likely event that we were required to do so. We have developed contingency plans to safeguard our operations against potential risks associated with the title defects. We have prepared and will continuously update a list of backup properties in preparation for any potential relocation upon expiry of or disruption to the existing leases due to title defects. Depending on the size, location, facilities and current usage of the concerned leased property, we expect that it generally takes three to 30 days to complete the relocation with household moving expenses ranging from RMB500 to RMB180,000 per property. We also expect to incur renovation expenses ranging from RMB3,000 to RMB450,000 for a single property, where applicable. We expect that the aggregate relocation costs for the 19 leased properties with title defects will be approximately RMB2.0 million. We may also rent hotel conference rooms to provide tutoring services for certain courses, as we usually do. Moreover, we can serve our students with comprehensive online products and services remotely, which we believe will, to a certain extent, minimize the impact of the potential relocation on our overall business operations. As a result, our Directors believe that relocation will not have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we have enhanced our internal control to avoid such risks by the following measures:

- we have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents of the existing properties with title defects as soon as possible; and
- we will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on the nature, designated use and title certificates for such properties.

Non-registration

As of the Latest Practicable Date, 219 lease agreements of our leased properties had not been registered and filed with relevant land and real estate management departments in China. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisors, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate maximum potential penalties for failing to complete the registration within a prescribed period in relation to the 219 lease agreements would be approximately RMB2.2 million. As of the date of this document, we have not received any order from the relevant government authorities requiring us to register these lease agreements. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

We have implemented internal control measures to prevent recurrence of non-registration, including assigning designated staff from our legal department to manage regulatory registration and filing related matters. The designated staff from our legal department will keep records of the lease registration status and report to our senior management periodically. We will also provide training to members of our legal department and employees of our operational hubs to familiarize them with the legal requirements in relation to property rentals.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. However, in line with general market practice, we do not maintain any business interruption insurance, keyman life insurance or insurance policies covering damages to our technology infrastructure, which are not mandatory under PRC laws. During the Track Record Period

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and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims. Any uninsured occurrence of business disruption, litigation or natural disaster could have a material adverse effect on our results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — Our limited insurance coverage could expose us to significant costs and business disruption.”

AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received recognition for the quality and popularity of our services and products. The following table sets forth some significant awards and recognition we have received.

Awarding Year	Award/Certificate	Awarding Organization
2019	High and New Technology Enterprise (高新技術企業)	Beijing Municipal Commission of Science and Technology (北京市科學技術委員會), Beijing Municipal Finance Bureau (北京市財政局), and Beijing Municipal Tax Service of SAT (國家稅務總局北京市稅務局)
2019	Most Influential Education Brand of the Year (2019年度影響力教育品牌) .	Tencent News (騰訊新聞)
2019	Influential Online Education Institution Brand Annual Award (年度品牌影響力在線教育機構)	Xinhuanet (新華網)
2019	Internet Plus Technology-based Education Brand of the Year (年度互聯網+科技教育品牌)	Sina (新浪)
2019	Most Trusted Vocational Education Brand of the Year (中國好教育年度社會信賴職業教育品牌)	China.com.cn (中國網)
2020	Educational Charity Program for Social Responsibility of the Year (年度社會責任公益教育項目)	Global Times (CN) (環球網)
2020	Top 10 Education Brands of the Year (教育十大年度品牌)	Beijing Evening Post (北京晚報)
2020	Annual Social Responsibility Model Taker of Chinese Enterprises of 2020 (2020年中國企業責任案例)	People’s Daily (人民日報社)
2020	Member of the Intellectual Property Working Committee of Internet Society of China (中國互聯網協會知識產權工作委員會成員單位)	Intellectual Property Working Committee of Internet Society of China (中國互聯網協會知識產權工作委員會), and Secretariat of Internet Society of China (中國互聯網協會秘書處)
2020	Most Recognized Education Product by Users of 2020 (2020年最受用戶歡迎教育產品)	JingMedia (鯨媒體)
2021	Most Recognized Online Education Platform of the Year (年度口碑在線教育平台)	AI Online Education Conference of 2021 (AI在線教育大會2021)

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LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, results of operations or financial condition.

Compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, or experience any non-compliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “— Legal Proceedings and Compliance — Compliance,” we had complied with the relevant PRC laws and regulations currently in effect in all material respects.

Fire safety

Non-compliance incidents

We offer classroom-based tutoring courses through classroom facilities set up by a network of local operational hubs. We generally operate our classroom-based tutoring services on leased properties, which allows us to swiftly execute and adjust our geographical expansion plan in response to changing market conditions and demands. We also allow students to elect to take courses at any convenient location of their choosing.

For certain leased properties that function as our offline offices and/or classroom facilities, we have carried out certain decoration work to meet the needs of our business operations. According to the relevant PRC laws and regulations, our decoration work fall within the scope of construction work. If the investment amount of such construction project exceeds RMB300,000 and its gross floor area is more than 300 square meters, the records of the fire safety design and the completion inspection (the “Fire Safety Filing”) (竣工驗收消防備案) shall be filed to the competent fire safety authorities after the decoration work obtains the construction permit and passes the completion inspection.

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During the Track Record Period and up to the Latest Practicable Date, we had 67 leased properties which did not complete the required Fire Safety Filing before commencing operation, primarily because (1) the owners of certain leased properties had not completed the Fire Safety Filing for the entire properties within which our leased premises were located, which caused a delay in our applications for the Fire Safety Filing, and (2) we were unable to provide the property ownership certificates for certain leased properties, which were required by the relevant regulatory authorities when applying for the Fire Safety Filing, as certain lessors failed to provide such property ownership certificates, or certain properties were mortgaged and, therefore, their property ownership certificates were retained by banks. The following table sets forth a breakdown of the 67 properties for each period indicated.

	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
Reasons for the incompleteness of the Fire Safety Filing				
the owners of the relevant leased properties had not completed the Fire Safety Filing for the entire properties within which our leased premises were located . . .	1	20	10	2
we were unable to provide the property ownership certificates for the relevant leased properties for the reasons discussed above	2	11	21	—
Total	3	31	31	2

After the Track Record Period and up to the Latest Practicable Date, we had not commenced the operation on any leased properties without completing the required Fire Safety Filing.

Among the 67 leased properties, as of the Latest Practicable Date, we had (1) terminated the relevant leases for 44 properties, (2) continued to use 11 properties for which we had subsequently completed the Fire Safety Filing, and (3) suspended the usage of the remaining 12 properties, including 10 properties for which we are in the process of terminating the relevant leases, and two properties for which we are in the process of applying for the Fire Safety Filing. According to the confirmation of the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters. Based on such confirmation, our PRC Legal Advisors are of the view that our risk of being penalized retrospectively for these historical non-compliance incidents is low. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of rental expenditures (including lease expenses and depreciation of right-of-use assets) attributable to the 67 leased properties were RMB0.8 million, RMB14.6 million, RMB47.9 million and RMB18.6 million, respectively, representing 0.8%, 4.2%, 8.2% and 12.3% of our total rental expenditures in the same periods, respectively. As such, we believe that these non-compliance incidents would not materially and adversely affect our business operations. We further undertake that we will not resume the operation on the suspended properties that are undergoing the Fire Safety Filing until the Fire Safety Filing is completed.

As of the date of this document, all of our leased properties in use are in compliance with the applicable fire safety laws.

Although we did not timely complete the fire safety filing for certain properties during the Track Record Period, we appreciate the significant importance on fire safety and strive to mitigate our risk exposure to potential fire safety accidents and public safety concerns. To this end, before the commencement of the operations of these properties, we had taken various measures to ensure the fire safety of these leased properties, including (1) installing the necessary fire safety equipment as required by applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water spray, and (2) applying fire resistant construction and decoration materials, installing proper evacuation route indication signs, and where applicable, proper emergency exits. Our Directors are of the view that these measures are adequate and effective to mitigate risks associated with fire safety. Having considered that all of the properties it has inspected have complied with the applicable fire

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safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed and there are no material impediments for these properties to complete the Fire Safety Filing with the fire safety authorities, the Fire Safety Consultant is of the view that the foregoing measures are adequate and effective. Having taken into account the factors above, the independent due diligence work conducted by the Joint Sponsors and the view of the Directors and the Fire Safety Consultant, the Joint Sponsors concur with the above-mentioned Directors' and Fire Safety Consultant's view.

Potential legal consequences

Pursuant to the Fire Prevention Law of the PRC, the construction project that fails to complete the Fire Safety Filing shall be ordered to rectify and shall be subject to a fine of up to RMB5,000. The relevant rules and regulations also provide that, construction projects that have completed the Fire Safety Filing are subject to unannounced inspection. Upon receiving the notice for rectification as a result of unqualified inspection result, the construction project shall be suspended for use. After the rectification is completed, the competent fire safety authority shall conduct a reinspection, and the construction project can only be put into use if deemed as qualified.

As elaborated above, according to the confirmation of the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters. As of the date of this document, we have terminated the leases or suspended the usage of all concerned properties, and the relevant regulatory authorities have not imposed any material administrative actions, fines or penalties for our inability to complete the necessary fire safety procedures.

As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, the fire safety non-compliance incidents have no impact on the renewals of our licenses according to PRC laws and regulations. Furthermore, based on the terms of our insurance policies for two leased properties, the insurers shall have the right to terminate the policies or increase the insurance premiums in case of our failure to fulfill safety obligations, including compliance with relevant fire safety laws and regulations. As of the Latest Practicable Date, such insurers had not terminated the policies or increased the insurance premiums due to the fire safety non-compliance incidents, nor had we had any insurance claims under such insurance policies.

Rectifications and internal control measures

We have engaged Taitong Construction Co., Ltd. (太通建設有限公司) as the fire safety consultant (the "Fire Safety Consultant") in December 2021 to conduct fire safety inspections on all leased properties that were in use but had not completed the required Fire Safety Filing then. The Fire Safety Consultant is primarily engaged in the maintenance and inspection of fire safety facilities and fire safety evaluation. The Fire Safety Consultant has the relevant qualifications and certificates, such as the ISO 9001, ISO 14001 and ISO 45001 certificates, and has a dedicated inspection team consisting of certified fire safety specialists and constructors with extensive prior work experience.

The Fire Safety Consultant has conducted a comprehensive review and inspection of the following aspects of our operations through on-site inspection, surveys and document review, which has covered substantially similar inspection scope that would be conducted by competent government authorities for us to obtain the relevant fire safety approval: (1) the compliance of our fire protection system with laws and regulations and industry standards, (2) the adequacy of the fire safety equipment and system and emergency evacuation plan of the relevant premises, (3) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and on-site personnel, and (4) the fire protection capability of our decoration materials and exterior wall insulation materials. The review and inspection was completed by December 2021.

Upon inspection of these properties, the Fire Safety Consultant is of the view that (1) the risk exposure to potential fire safety accidents of these properties is inherently low as our operations do not involve the use of gas or fuel to light open flames, (2) we have established and implemented a comprehensive set of fire safety policies and procedures as well as fire safety and emergency evacuation plan that are in compliance with the applicable PRC laws and regulations, (3) the relevant premises are in compliance with applicable building fire protection and fire safety standards, (4) the

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premises are in compliance with the applicable PRC laws and regulations to be used for classroom-based tutoring, (5) all of these premises have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed, (6) we were not able to complete the Fire Safety Filing for these properties for reasons other than fire safety defects, and (7) there are no material impediments for these properties to complete the Fire Safety Filing, as the case may be, upon the submission of all necessary application documents and the completion of the on-site inspections.

We implemented recommendations provided by the Fire Safety Consultant in December 2021 to manage our risk exposure to potential fire safety accidents, including (1) improving internal fire inspection mechanisms and strengthening communications with building owners to rectify potential fire safety concerns, and (2) conducting fire safety training and providing related guidance to our employees, especially those relating to basic fire safety information, such as fire extinguisher usage and emergency evacuation method.

In addition to the recommendations provided by the Fire Safety Consultant, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our independent internal control consultant to manage the associated risks and prevent recurrence of such non-compliance incidents. Set forth below are certain key efforts we have made:

- *Fire safety policies.* We have implemented fire safety management policies, including detailed guidance on the use and maintenance of fire safety facilities. We have also adopted internal policies to ensure that our newly leased properties will comply with relevant fire safety laws and regulations. For example, to the extent feasible, we will only lease properties for which (1) there is no title defect, (2) the intended purposes are consistent with our actual use of properties, and (3) the fire safety procedures have been completed. We undertake that for any new leased property with investment of decoration work of more than RMB300,000 and a gross floor area of more than 300 square meters, we will ensure the Fire Safety Filing has been completed with the competent authorities. We further undertake that, we will report the status of completing the Fire Safety Filing and the change of status (such as permanent closure, relocation or re-opening) for the relevant leased properties that are currently suspended in the interim and annual reports after the [REDACTED]. Moreover, we have developed contingency plans to safeguard our operations against the potential risks associated with the failure to complete the Fire Safety Filing. The relevant operational hubs have been preparing and will continuously update a list of backup properties. As such, we do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity if we can no longer utilize the original compliant properties.
- *Training.* We provide regular trainings on fire safety to our on-site employees, which cover general fire safety information and regulations and correct use of fire safety equipment. We also participate in fire drills on a regular basis to heighten the awareness of our employees on fire safety.
- *Designated personnel.* We have designated our internal compliance personnel to supervise and complete the necessary fire safety procedures.

Our internal control consultant reviewed the internal control measures adopted by us in respect of fire safety management and noted that a formal fire safety management policy has been established and implemented within our Group. The rules and responsibilities have been clearly set up in the fire safety management policy, including fire safety inspection, potential remediation and facilities management.

Having considered the above rectifications, our Directors are of the view that our Group's enhanced internal control measures with respect to fire safety are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents. Based on the work performed and the results of its review, the Fire Safety Consultant is of the view that our Group's enhanced internal control measures, if implemented continuously, are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents. Having

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taken into account the factors above, the independent due diligence work conducted by the Joint Sponsors and the view of the Directors and the Fire Safety Consultant, the Joint Sponsors concur with the above-mentioned Directors' and Fire Safety Consultant's view.

After the Track Record Period and up to the Latest Practicable Date, we had no newly leased property that would require the Fire Safety Filing. We undertake that we will only open new hubs after we have obtained all necessary licenses, permits and approvals required under the relevant PRC rules and regulations going forward, including the Fire Safety Filing where applicable.

Based on the foregoing, our Directors believe that such historical non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the [REDACTED], on the grounds that: (1) as of the date of this document, we have terminated the leases or suspended the usage of all fire safety non-compliant leased properties, and we have not been subject to any material administrative penalties during the Track Record Period and up to the date of this document; (2) the Fire Safety Consultant has advised us that all of the properties it has inspected have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed and there are no material impediments for these properties to complete the Fire Safety Filing with the fire safety authorities; (3) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant to prevent the recurrence of such non-compliance incidents; (4) we undertake to relocate if required by the relevant regulatory authorities, and as we have been continuously compiling a reservoir of alternative sites that have completed the Fire Safety Filing, we do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity; and (5) our PRC Legal Advisors have advised us as discussed above.

Having considered the nature and reasons of the fire safety related non-compliance, our Directors are of the view that such historical non-compliance would not affect their suitability to act as directors of a [REDACTED] company under Rules 3.08 and 3.09 of the Listing Rules based on the following reasons:

- (i) the occurrence of such historical non-compliance was not due to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes;
- (ii) we have taken remedial measures as described above to the extent feasible, including terminating the leases or suspending the usage of all fire safety non-compliant leased properties, and engaged the Fire Safety Consultant to conduct fire safety inspection of the concerned properties;
- (iii) such historical non-compliance has not had any material and adverse impact on our business, results of operations and financial condition;
- (iv) no administrative fines or other penalties were otherwise imposed on us or any of our Directors in connection with such non-compliance, and no investigations or actions were conducted by the relevant regulatory authorities on any of our Directors in connection with the same;
- (v) as described above, we have enhanced our internal control measures and procedures to the extent applicable to manage the associated risks and prevent recurrence of such non-compliance;
- (vi) we undertake to report the status of completing the Fire Safety Filing and the change of status (such as permanent closure, relocation or re-opening) for the relevant leased properties that are currently suspended in the interim and annual reports after the [REDACTED]; and
- (vii) our Directors are aware of the requirements and obligations as directors of a [REDACTED] company pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

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Based on the independent due diligence work conducted as described below, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the views of the Directors on their suitability to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules:

- (i) (a) obtained and reviewed the fire safety report prepared by the Fire Safety Consultant, (b) obtained and reviewed the credentials of the Fire Safety Consultant, (c) discussed with the Fire Safety Consultant regarding the methodologies it has adopted to assess the Group’s fire safety condition and the scope of inspection on each property that had not completed the Fire Safety Filing as of the Latest Practicable Date, and (d) understood that the Fire Safety Consultant has not identified any material deficiencies in relation to the Group’s fire safety condition, and that the Group’s enhanced internal control measures, if implemented continuously, are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents;
- (ii) discussed with the Company, the Company’s PRC Legal Advisors and the Fire Safety Consultant to understand, among others, (a) the background and reasons for such non-compliance and its legal consequences; (b) various measures adopted by the Group as described above; (c) remedial and rectification actions taken or to be taken by the Group; and (d) potential operational and financial impacts to the Group;
- (iii) discussed with the Company’s PRC Legal Advisors to confirm that the local governmental authorities who provided certain confirmations during the interviews are competent authorities for such confirmations, obtained and reviewed the notes of interviews with such authorities, which were also attended by the Joint Sponsors’ PRC legal advisor on behalf of the Joint Sponsors, and understood that certain properties were not required to obtain Fire Safety Filing or the Company was allowed to continue using the relevant leased properties without being subject to any administrative penalties in the absence of any claims and thus the risk of being subject to material penalties for such properties is remote;
- (iv) engaged an independent internal control consultant to conduct an internal control review of the Group, and understood that the Group has established fire safety management procedures pursuant to the independent internal control consultant’s recommendation;
- (v) reviewed the legal opinion prepared by the Company’s PRC Legal Advisors in relation to the Group’s fire safety condition and understood that to the extent that the Company has completed the applications for the Fire Safety Filing, the risk of being subject to any administrative penalties due to the untimely completion of the Fire Safety Filing that would have a material adverse effect on the Company’s business operations or financial condition is remote; and
- (vi) discussed with the Company’s PRC Legal Advisors to understand, based on the confirmation given by the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters, and therefore the Company’s PRC Legal Advisors are of the view that the risk of being penalized retrospectively for these historical non-compliance incidents is low.

Social insurance plans and housing reserve fund

Non-compliance incidents

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing reserve funds for their employees. During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for certain employees or make timely registration with the relevant social insurance or housing reserve fund authorities. Our non-compliance was primarily due to (1) the oversight and lack of comprehensive understanding by the responsible staff of the relevant local regulations, (2) the insistence by certain employees on

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participating in local social insurance offered in their desired places of residency, instead of the social insurance offered in their places of employment, and (3) the unwillingness by certain employees to participate in the housing reserve fund scheme.

Potential legal consequences

As advised by our PRC Legal Advisors, orders to make full contributions within a prescribed time period may be imposed on an employer for not making full social insurance contributions for employees in a timely manner. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if we fail to register and establish an account for social insurance contributions for our employees, the relevant social insurance authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance.

As advised by our PRC Legal Advisors, if any of the relevant housing reserve fund authorities is of the view that our contributions to the housing reserve fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing reserve fund authority may apply to a PRC court for an order of mandatory payment. In addition, if we fail to register and establish an account for housing reserve fund contributions for our employees, the relevant housing reserve fund authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant housing reserve fund authorities, we may be subject to a fine ranging from RMB10,000 to RMB50,000.

Rectifications and internal control measures

As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions, nor had we received any order to settle the outstanding amount of such contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions. As advised by our PRC Legal Advisors, in the absence of any employee claims and significant changes in regulatory requirements regarding social insurance and housing reserve fund contributions, the likelihood that we would be required by relevant authorities to pay the shortfalls and late charge for social insurance and housing reserve fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on (1) the interview with the MOHRSS on February 9, 2022, (2) the confirmations obtained from the competent authorities from the regions covering substantially all of our subsidiaries, and (3) their understanding of the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued by the MOHRSS, which seeks to promote the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in a lump sum. As advised by our PRC Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations.

We undertake that in the event that the competent regulatory authorities require us to make up for any shortfall in our contributions and/or pay any late charge, we would seek timely compliance. Moreover, we have been liaising with relevant regulatory authorities in different localities to adjust the payment base for our social insurance and housing reserve fund contributions, the procedure and timing of which may vary based on local rules and policies, such that we can make full contribution in compliance with the applicable laws and regulations as soon as practicable. To prevent the recurrence of such non-compliance, our PRC Legal Advisors provided trainings to our management and human resource department staff on the relevant rules and practice in relation to compliance with social insurance and housing reserve fund requirements. As an annual compliance measure following the

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[REDACTED], we will continue to communicate with our employees with regard to the employee social insurance plans and housing reserve fund, and contribute to the employee social insurance plans and housing reserve fund consistent with the standards stipulated under applicable PRC laws and regulations. In addition, we have enhanced our internal policies and procedures to ensure compliance with the relevant laws and regulations. Among others, we have clarified in the employee manual that the contribution of social insurance and housing reserve funds shall conform with the relevant laws and regulations. Our human resources department will follow the rules and policies on social insurance and housing reserve fund contributions for any update. We will (1) regularly consult outside counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (2) regularly prepare reports regarding our contribution amounts for review by our Board; and (3) conduct internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations. Furthermore, we made appropriate provisions for the historical inadequate contributions in our financial statements based on the relevant local rules and policies and interviews with and confirmations of the relevant regulatory authorities. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of provisions made for the total outstanding amount of social insurance and housing reserve fund contributions was RMB0.6 million, RMB1.9 million, RMB9.1 million and RMB1.0 million, respectively. As for the penalty amount, as advised by our PRC Legal Advisors, according to the Social Insurance Law, we would be subject to a fine only if the relevant social insurance authorities are of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations and order us to pay the outstanding balance within a prescribed time period plus a late fee, and we fail to do so within the prescribed period as requested by the relevant social insurance authorities. As our Directors have undertaken that in the event that the competent regulatory authorities require us to make up for any shortfall in our contributions and/or pay any late charge, we would seek timely compliance, our risk of being penalized by the competent authorities is relatively low.

Our Directors believe that the above non-compliance incidents would not have a material adverse effect on our business, results of operations or financial condition or the [REDACTED], considering that (1) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (2) we had not received any notifications from the relevant PRC authorities requiring us to pay the shortfalls or the penalties with respect to social insurance and/or housing reserve funds as of the Latest Practicable Date; (3) we were neither aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and/or housing reserve funds; (4) we undertake to pay any shortfall within a prescribed time period upon request by the relevant government authorities or upon the complaint by any affected employee; (5) we have adopted robust internal control measures as discussed above; (6) we made appropriate provisions for social insurance and housing provident fund contributions; and (7) the advice from our PRC Legal Advisors discussed above.

OCCUPATIONAL SAFETY

We have obtained all necessary licenses in relation to workplace safety and established work safety policies or procedures to ensure that all parts of our operations are in compliance with applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant workplace accident or encounter any material non-compliance issues with respect to any applicable laws and regulations on occupational safety.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We regard environment protection as an important corporate responsibility, and are committed to promoting corporate social responsibility and sustainable development as well as integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “ESG Policy”) on [•] in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations. Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy

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and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may assess the ESG risks and review our existing strategies, targets and internal controls. Necessary improvement will then be implemented to mitigate the risks.

Identification, Management and Assessment Approaches

Our Board is principally responsible for overseeing the formulation of our ESG strategies, determining the ESG-related risks, and monitoring and reviewing our ESG performance. It also closely follows the latest ESG-related laws and regulations and correspondingly updates our ESG measures to ensure timely compliance. In addition, we have established an ESG working group to assist our Board in formulating and implementing ESG-related strategies and policies. The ESG working group reports to our Board and assesses our sustainable development strategies, targets and performance regularly. The members of the ESG working group include the heads of various functional departments.

We will primarily adopt the following approaches to identify, assess and manage material ESG issues.

- *Identification:* Our Directors will discuss the ESG issues with key stakeholders, including our major customers, major suppliers, management team and employees, and collect their views and opinions on our ESG measures and practices, which will help us better identify and prioritize the ESG issues and risks inherent in our business operations and formulate effective measures to mitigate those risks.
- *Management:* We have implemented ESG measures that provide guidelines for managing our ESG issues. Our Board will review ESG issues arising from our business operations and our corresponding ESG measures, including major plans of actions, risk management policies and business plans, and set our performance objectives.
- *Assessment:* Our Board will review the progress made towards ESG-related goals to guide our Group to achieve better ESG performance. Our Board will also engage third-party inspection and assessment institutions to identify and assess our level of compliance in respect to environmental protection covering emission of wastewater, air pollution control and climate changes.

Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting initiatives that aim to create effective and lasting benefits. For example, with the COVID-19 pandemic bringing unprecedented challenges to people’s lives, we have quickly responded to the situation and proactively took various measures to help fight against the pandemic, including making donations. We were recognized as an Outstanding Donator for the Prevention and Containment of COVID-19 (新冠肺炎疫情防控捐贈突出貢獻者) by Hope Project Office of Hubei Province (湖北省希望工程辦公室) and Hubei Youth Development Foundation (湖北省青少年發展基金會). We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

Potential Climate-related Risks to and Opportunities for Our Business Operation and Financial Results

We recognize the importance of preserving the natural environment, conserving natural resources and protecting global ecosystems to create a sustainable society for our future generations. We endeavor to reduce any negative impact on the environment through our commitment to energy saving and sustainable development. Since we do not operate in a highly-polluting industry, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect to incur any material liabilities in this regard that could have any material adverse effect on our business and results of operations.

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We understand that the adverse impact of the global climate change may eventually impact our business operations. As such, we have identified the following ESG risks and opportunities with reference to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures.

- *Physical risks:* The global temperature may increase due to the climate change, leading to a higher consumption level of electricity, which may result in, among others, an increase in our operating costs. The global temperature increase may also result in more unpredictable weather conditions, such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding, and increased rainfall. Such extreme weather conditions may result in suspension of our operations.
- *Transition risks:* Transition risks refer to medium- and long-term financial risks related to the progress of adjustment towards a lower-carbon economy, which can be prompted by, for example, changes in climate policies, technology, or market sentiment. The laws and regulations on environmental protection may change from time to time, and any change may increase our compliance costs and litigation risks in our operations. If we are in breach of any environmental laws and regulations, or face any threatened claims in this regard, our business and reputation could be adversely affected. While we believe that we have limited exposure to climate-related transition risks, our students and other business partners may face different transition risks, which may eventually have an adverse impact on our business.
- *Potential opportunities:* While analyzing the climate-related risks that we may be exposed to, our management concludes that better risk management can unlock even greater opportunities. With the popularization and application of technologies and the further streamline and synergy of our online and offline operations, our business operations will see a huge improvement in managing the energy efficiency. As such, there will be better chances for us to be recognized by students and business partners as compared to other less environment-friendly competitors. In addition, as we provide both online and classroom-based tutoring services, our teaching staff and students can switch to online channels when there are unpredictable weather conditions.

We will continue to explore sustainable business opportunities and apply more environment-friendly new technologies to the extent applicable.

Measures to Manage and Mitigate ESG Risks

To combat climate-related risks, we have implemented internal policies, including a low carbon energy saving proposal (低碳節能倡議書), to reduce our carbon footprint, such as reducing the energy consumption and carbon emission through a number of measures, including (1) switching off lights and powers for electronic devices when not used and replacing all electric lamps in the workplace with energy-saving lamps, (2) using environmentally friendly printing paper and packaging cartons made of 10% recycled pulps, and carrying out our printing operations in compliance with the certificate of CEC-7009EL issued by China Environmental Labeling Center, (3) using double-sided printing of documents, (4) reducing the use of disposable products, including wooden chopsticks, paper cups and paper towels, and advocating for proper waste separation, (5) encouraging employees to work from home and take practical actions to reduce energy consumption, and (6) reducing the use of disposable bottled water in offline classrooms and providing barreled water instead, and encouraging students taking our classroom-based tutoring courses to bring their own water cups to reduce the consumption of disposable paper cups. We also engage suppliers in neighboring regions to the extent feasible to avoid excessive carbon emissions from transportation.

Specifically, we have adopted measures to reduce our paper consumption going forward to the extent possible, including (1) checking with our personnel of tutoring business every six months so as to enable our in-house printing facilities to accurately accommodate the demand for sales of books, (2) continuing to improve our printing efficiency through providing on-the-job training to employees responsible for printing operations, (3) further optimizing the print output formatting, such as reducing default line spacing, margins and header and footer sizes, and reformatting reports and spreadsheets to

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fit a full page, in order to further reduce our paper usage without sacrificing the quality of our textbooks and learning materials, and (4) reducing the distribution of free notepads by providing notepads to students in need, rather than providing notepads to each student.

Regarding the physical risks, since we have both online and classroom-based tutoring services in scattered locations nationwide, the physical impact on our own operations due to climate change is limited. We are aware that unanticipated system failure due to extreme weather can result in severe disruption to our operations. Any material data loss could materially and adversely affect our business and reputation. Therefore, we have engaged three streamlined broadcast service providers to ensure smooth operations in case of any disruption.

While we have concluded that our transition risk is limited due to our business nature, such risk could ripple from our students and other business partners. We will continue to monitor our risk exposure in this respect.

To strengthen awareness on environmental protection and social responsibility, we will arrange online ESG training courses for all of our employees. Employees are required to complete at least two-hour training every year. In order to increase our contribution to social welfare activities, we require each provincial branch to organize local employees to participate in social welfare activities at least once a year, including community volunteering, nursing home volunteering and orphanage volunteering. We also require that the number of participating employees of every such activity shall be no less than 10.

During the Track Record Period, we were not aware of any actual climate-related risks or damages that had adversely affected our business, results of operations and financial condition. Our Directors will continue to exert their efforts on environmental protection and mitigating climate-related risks to our business operations.

Environmental Performance and Metrics

Electricity is the principal source of energy consumption in our operations. The printing process of our textbooks and learning materials may generate noise, solid waste, exhaust gas and waste water. In 2019, 2020, 2021 and the six months ended June 30, 2022, the electricity consumption of our offices and classrooms was 0.8 million, 6.6 million, 9.8 million and 4.5 million kilowatt hours, respectively, which was equivalent to 0.5 million, 3.8 million, 5.7 million and 2.6 million metric tonnes of carbon dioxide as scope 2 indirect emission, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2022, our printing paper consumption was 17,228, 29,866, 38,880 and 15,812 tons, respectively, which were all environmentally friendly paper. In addition, we have been awarded the certificate of CEC-7009EL issued by China Environmental Labeling Center for our printing operations, which indicates that we have met the specific environmental protection requirements with respect to printing materials, printing technologies and production process. We consumed 2.0 million, 4.3 million, 7.3 million and 1.9 million pieces of packaging carton boxes in the same periods, respectively. The packaging cartons we purchased were made of 10% recycled pulps. Our energy and resource consumption during the Track Record Period was generally in line with our business scale. In addition, we have not encountered any problems in sourcing water that is fit for purposes. All of our facilities have stable sources of water supply from municipal pipes and the water quality meets the national safety standard. Due to our business nature, emissions of noise, solid waste, exhaust gas and waste water have been immaterial.

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Targets

Strategies	Approaches	Short-term target	Long-term target
Carbon emission reduction	Reduce carbon emission by improving energy efficiency during our operations: <ul style="list-style-type: none"> • minimize the use of lighting and make full use of natural light sources; and • turn off the air-conditioning system during non-working hours to reduce unnecessary power consumption. 	Reduce the intensity of carbon emission by 1% of our current discharge by the end of 2022.	Reduce the intensity of carbon emission by 3% of our current discharge by the end of 2026.
Carbon neutrality	In pursuit of our social responsibility and in line with the national target to achieve carbon neutrality by 2060, we aim to achieve carbon neutrality by 2050.		

Our administrative department assesses and reports the consumption figures to our management team regularly. If there is any deviation, we will investigate the cause and take appropriate corrective measures.

We have followed strict operating protocols and waste handling and disposal measures to make our operations more energy efficient and environmentally friendly and ensure effective compliance with applicable PRC environmental laws and regulations. We have also implemented work safety guidelines setting out safety practices, accident prevention and accident reporting procedures. We conduct regular safety inspections and maintenance for our equipment and facilities. In particular, we have implemented various measures to control the potential adverse environmental impact of our printing activities. Our noise emission, which was categorized as level three under the Noise Emission Standard for Industrial Enterprises at Boundary (GB12348-2008), would not cause a material impact on the surroundings. Consumer waste is generally handled by local environmental sanitation authorities on a daily basis. General solid waste, such as paper and packaging waste, is generally recycled to the extent possible. Regarding hazardous solid waste generated from our printing process, such as waste photosensitive materials and waste developer, we have entered into agreements with qualified third parties for proper disposal. Our exhaust gas emissions comply with all emission limits under the Emission Standards of Volatile Organic Compound for Printing Business (DB37/2801.4-2017) after filtering and purifying. With respect to the waste water discharges, we disseminate such to the local sewage disposal system in accordance with relevant regulations.

According to The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Business Council for Sustainable Development and the World Resources Institute, scope 1 direct emission is directly generated by the businesses which are owned or controlled by our Group. As we engage in the business of tutoring services but not industrial manufacturing, our scope 1 emission is minimal. Moreover, as we provide online and classroom-based tutoring services, the scope 3 emission during our ordinary course of business mainly relates to disposal of waste paper and packaging materials, adoption of third-party cloud services and OA system, as well as business travel by our employees. We collect paper and packaging waste at our printing facilities during production, which are then sold to third parties for recycling. In 2021 and the six months ended June 30, 2022, the scope 3 emission from disposal of waste paper and packaging materials was 10,000 and 12,000 metric tonnes of carbon dioxide, respectively. As we had not launched our in-house printing facilities until March 2021, the related scope 3 emission was not applicable for 2019 and 2020. During the Track Record Period, due to the impact of the COVID-19 pandemic, business trips were significantly reduced, and we instead have encouraged, and will continue to encourage, online communications within our Group and with our business partners to reduce carbon emissions resulting from business travel. In addition, we have partnered with reputable cloud service suppliers who are also devoted to carbon reduction, and will maintain the capacity comparable to our business needs to avoid over-usage and corresponding excessive emission.

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We believe that we are not susceptible to climate change and we have not experienced extreme weather conditions in the areas where we conduct our operations. As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

Our Directors confirm that we have obtained all applicable permits and licenses under PRC environmental laws and regulations that are material to our operations. During the Track Record Period and up to the Latest Practicable Date, there were no breaches or violations of the PRC environmental laws and regulations applicable to our business operations that would have a material and adverse effect on our business, results of operations or financial condition. In addition, we had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection, or been involved in any significant work place accident or fatality. During the Track Record Period, our expenses in relation to environmental protection were insignificant, and we did not incur any material compliance costs associated with climate change. We expect such expenses to remain at relatively low levels in the foreseeable future.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our audit committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, acceptance of bribes or rebates, embezzlement or misappropriation of our assets, and forgery or alteration of our accounting records.

We offer compulsory training courses to our new employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant rules and regulations. We also actively participate in industry events organized by relevant regulatory authorities from time to time to discuss the latest regulatory requirements of China’s career test preparation industry and the overall private education industry.

In addition, we have appointed Maxa Capital Limited as our compliance advisor with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors are of the view that we have adequate and effective internal control procedures.

Risk Management

We are exposed to various risks during our operation. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of career test preparation services, changes in the regulatory environment in China’s career test preparation industry, our ability to offer quality services and products to our students, availability of financing to fund our expansions and business operations, and competition from other market players. See “Risk Factors” for disclosures on

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various risks we face. In addition, we face numerous market risks, such as credit and liquidity risks that arise in the normal course of our business. See “Financial Information — Quantitative and Qualitative Disclosures about Market Risks” for details.

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording procedures, and compliance with applicable laws and regulations. Our Board oversees and manages the overall risks associated with our operations. We [have] established an audit committee to review and supervise the financial reporting process and internal control system of our Group. See “Directors and Senior Management — Board Committees — Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We [have] adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for qualified teaching staff and other skilled employees is intense and we may be adversely affected by the departure of any key instructors, senior managers or other key employees. See “Risk Factors — Risks Relating to Our Business and Industry — If we fail to continue to engage, train and retain qualified teaching staff, we may not be able to maintain consistent teaching quality, and our business, results of operations and financial condition may be materially and adversely affected” and “Risk Factors — Risks Relating to Our Business and Industry — Our business depends on the continuing efforts of our senior management, other key personnel and a competent workforce to support our existing operations and future growth. If we fail to attract, retain and motivate talents, our operations and growth prospects may be adversely affected.” Each of our senior executive officers has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We also require our staff to conform to high ethical standards. We distribute copies of our employee handbook to all of our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with. We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

Information Technology Risk Management

See “— Data Privacy and Security” for our information security procedures and policies.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instrument match the relevant contracts.

Our finance team is headed by our chief financial officer, Mr. RAN Dong, who has extensive experience in financial management and investment. All other senior members of our finance department are experienced in finance and accounting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

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Compliance and Intellectual Property Rights Risk Management

Compliance with PRC laws and regulations, especially laws and regulations governing the career test preparation industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from violation of third-party intellectual property rights, are major areas of focus in our management of operational risk. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC law. Our legal department also ensures that all necessary applications or filings for trademark, copyright and patent have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.