Application Proof of

SHANGHAI ABLE DIGITAL SCIENCE&TECH CO., LTD.
上海卓越睿新數碼科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

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SHANGHAI ABLE DIGITAL SCIENCE&TECH CO., LTD.
上海卓越睿新數碼科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, [REDACTED]

農銀國際
ABC INTERNATIONAL

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the other **[REDACTED]**) and our Company on or about **[REDACTED]** or such later time as may be agreed between the parties, but in any event no later than 12:00 noon on **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** (for itself and on behalf of the other **[REDACTED]**) and our Company are unable to reach an agreement on the **[REDACTED]** by 12:00 noon on **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately. Applicants for **[REDACTED]** may be required to pay, on application (subject to application channel), the maximum **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the **[REDACTED]** should be less than HK$**[REDACTED]** per **[REDACTED]**.

The **[REDACTED]** (for itself and on behalf of the other **[REDACTED]**) may, with consent of our Company, reduce the number of **[REDACTED]** and/or the indicative **[REDACTED]** range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of the reduction in the number of **[REDACTED]** and/or the indicative **[REDACTED]** range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.able-elec.com** as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the **[REDACTED]**. For further information, please refer to the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

The obligations of the **[REDACTED]** under the **[REDACTED]** to **[REDACTED]** for, and to procure applicants for the **[REDACTED]** for, the **[REDACTED]**, are subject to termination by the **[REDACTED]** (for itself and on behalf of the other **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Further details of such circumstances are set out in the section headed "**[REDACTED]**." It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold outside of the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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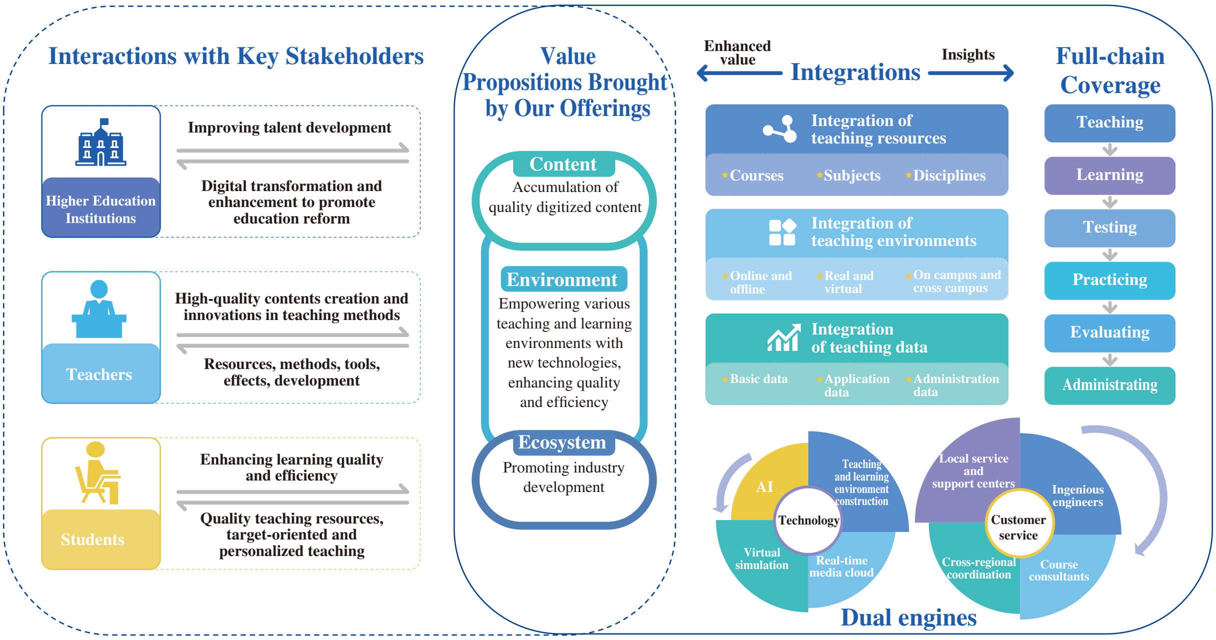
This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully in full before you decide to invest in the* **[REDACTED].**

WHO WE ARE

We are a reputable digital teaching and learning solution provider for higher education institutions in China, committed to the development, delivery and operation of digital educational content and digital teaching and learning environment services and products for higher education institutions. Our offerings cover all critical aspects from teaching, learning, practicing, testing and evaluating to administrating. We are committed to empowering higher education institutions, teachers and students by facilitating broad access to educational resources and enhancing the efficacy of educational outcomes. China's higher education teaching and learning digitalization market is highly fragmented. According to Frost & Sullivan, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue in 2023. Higher education institutions in China include universities and higher vocational colleges. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

Our long-standing dedication to the education sector has endowed us with insights into the teaching and learning process, the needs of higher education institutions and teachers, a diverse array of academic subjects, as well as the application of technology. These insights, combined with our focus on technology and customer service – the "dual engines" driving our progress – have enabled us to deliver advanced services and products and garner customer recognition. During the Track Record Period, we had developed more than 31,000 digital courses and our services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. We had 627 digital courses that won the gold awards in the first and second batch of national recognition of first-class undergraduate courses and the review of national online quality courses for vocational education by the Ministry of Education, being the most among the top five players by revenue in China's higher education teaching and learning digitalization market.

Below is a diagram which illustrates our business model and how we provide value propositions to the key stakeholders in the higher education industry:



OUR SERVICES AND PRODUCTS

During the Track Record Period, we primarily generated revenue from two types of services and products, namely digital educational content services and products and digital teaching and learning environment services and products. The digitalization for the higher education teaching and learning encompasses both educational content digitization and teaching and learning environment digitalization. We are capable of addressing the multifaceted needs of higher education institutions in such aspects. The following table sets forth some key performance indicators of our business during the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
Number of customers	1,174	1,422	1,738
Average revenue per customer[(1)] *(RMB)*	340,809.9	459,187.1	488,031.1
Number of Overlapping Customers	291	346	449
Average revenue per Overlapping Customer[(2)] *(RMB)*	711,504.1	1,018,652.0	1,102,294.3
Revenue contributed by Overlapping Customers *(RMB in thousand)*	207,047.7	352,453.6	494,930.2
Number of Key Account Customers	245	344	449
Average revenue per Key Account Customer[(3)] *(RMB)*	1,126,061.2	1,456,650.2	1,503,205.8
Revenue contributed by Key Account Customers *(RMB in thousand)*	275,885.0	501,087.7	674,939.4

Notes:

(1) The average revenue per customer is calculated as total revenue in the year divided by the number of customers served in the same year.

(2) The average revenue per Overlapping Customer is calculated as total revenue generated from the Overlapping Customers in the year divided by the number of Overlapping Customers served in the same year.

(3) The average revenue per Key Account Customer is calculated as the total revenue generated from the Key Account Customers in the year divided by the number of Key Account Customers served in the same year.

Digital Educational Content Services and Products

We offer flexible options for our digital educational content services and products to meet higher education institutions' evolving needs. We started with digital course development, assisting our customers with converting their traditional educational content into digital forms. Through close collaboration with our customers and the continual adaption of leading technologies, we launched our virtual simulation development in 2020 and our knowledge graph development in 2023 to assist our customers with delivering more interactive, engaging and personalized learning experiences for their students. Our digital educational content services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. In 2022, 2023 and 2024, our digital educational content services and products revenues as a percentage of our total revenues was 83.9%, 82.5% and 83.7%, respectively. In 2022, 2023 and 2024, we had 112, 313 and 579 customers who purchased multiple types of digital educational content services and products, respectively. During the Track Record Period, we primarily offer digital course development, knowledge graph development and virtual simulation development under digital educational content services and products.

- ***Digital course:*** Our digital course development focuses on the digital transformation of higher education institution curricula, catering to the specific needs of teachers. By leveraging years of experience in digital teaching and learning solutions for the higher education sector, we offer digital course development to assist our customers with the process of transforming their traditional in-classroom lecturing practice via building interactive and engaging digital educational content to meet their teaching requirements. We have set certain quality control rules and procedures encompassing the entire digitization process, including the design and formulation of syllabi for digital courses, scriptwriting, video recording, editing and review. In 2022, 2023 and 2024, we had 950, 1,147 and 1,298 customers for our digital course development services and delivered 7,914, 11,167 and 12,304 digital courses during the same years, respectively.

- ***Knowledge graph:*** In 2021, we started research and development for knowledge graph development. Following two years of investment, we successfully commercialized and launched our knowledge graph development business to meet both the evolving demand from our customers and the emergence of AI technologies in 2023. During the knowledge graph mapping process, we employ various AI techniques, such as natural language processing, optical character recognition and document structuring algorithms. These techniques help us to extract, link, expand and classify the concepts or entities from natural language texts and other data sources, and to identify the relations between them based on their features, correlation and similarity. In 2023 and 2024, we delivered more than 1,200 and 4,600 knowledge graphs across various subjects including engineering, pharmacy, science and agriculture, among others, respectively.

- ***Virtual simulation:*** Our virtual simulation development uses technologies such as virtual reality and augmented reality to assist our customers with creating more immersive, focused, imaginative, interactive and effective educational content.

Digital Teaching and Learning Environment Services and Products

Our suite of digital teaching and learning environment services and products, which includes cloud-based LMS (learning management system) and digital classrooms, is designed to help higher education institutions create effective and integrated digital settings, both online and offline. These digital teaching and learning environments are crucial for the efficient management of teaching and learning resources, the delivery of digital educational content and the enhancement of interactions between teachers and students. In 2022, 2023 and 2024, our digital teaching and learning environment services and products revenues as a percentage of our total revenues was 15.9%, 17.4% and 16.2%, respectively. In 2022, 2023 and 2024, we had 9, 23 and 15 customers who purchased both types of digital teaching and learning environment services and products, respectively.

- ***Cloud Learning Management System (LMS):*** We offer self-developed, AI-enabled, cloud-native and integrated LMS for higher education institutions to assist them with managing and creating simpler and better connected teaching and learning processes, allowing them to connect their on-campus teaching facilities and enabling their administrators to monitor teaching quality and learning outcomes, and optimize operation efficiency and resource allocation. In 2022, 2023 and 2024, 477, 516 and 676 customers subscribed for our Cloud LMS, respectively.

- ***Digital classroom:*** In tandem with the digitization trend in educational content, we also offer digital classroom environment services and products to assist higher education institutions with designing and building digital classrooms. Our services and products encompass a comprehensive delivery process from consultation and design, determining technologies, hardware and software required, to training and delivery, ensuring hassle-free experiences for our customer. In 2022, 2023 and 2024, we delivered 6, 15 and 5 immersive classrooms and 3, 16 and 12 panoramic teaching spaces and nil, 5 and 12 customer subscribed for our LiveCourse during the same years, respectively.

Pricing

We charge our digital educational content services and products by project with reference to certain price ranges, which were designed primarily to take into consideration the amount and complexity of work and time involved in the service and product development and delivery process and may be subject to change based on market condition. For Cloud LMS, we typically charge our customers on a subscription basis, and additional fees for customized development. We offer our digital classroom services and products to customers in accordance with their specific needs and charge them on a project basis. We adopt a cost-based approach, taking into consideration types of hardware, the size of classrooms and types of function, including immersive classrooms and panoramic teaching spaces.

SALES AND MARKETING

We take immense pride in our extensive nationwide customer service and support center network, which stands as a testament to our unwavering commitment to customer-centric values and the guarantee of customer satisfaction. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities, covering substantially all provinces, municipal cities and autonomous regions in China. We tend to situate our customer service and support center within our network in areas with a high concentration of higher education institutions. Below is a map showing the distribution of our customer service and support centers:

See "Business – Sales and Marketing."

CUSTOMERS AND SUPPLIERS

Our customers primarily are higher education institutions including (i) universities, (ii) colleges and (iii) vocational schools. In 2022, 2023 and 2024, revenue from our top five customers in each year or period of the Track Record Period in aggregate accounted for 6.5%, 7.1% and 5.0% of our total revenue for the respective periods, and revenue from our largest customer in each year or period of the Track Record Period accounted for 1.4%, 2.6% and 1.2% of our total revenue for the respective periods. See "Business – Our Customers."

Our suppliers are primarily cloud services provider, video and audio hardware suppliers and information technology services providers. In 2022, 2023 and 2024, purchases from our top five suppliers in each year or period of the Track Record Period in aggregate accounted for 50.8%, 37.3% and 32.2% of our total purchases for the respective periods, and purchases from our largest supplier in each year or period of the Track Record Period accounted for 35.6%, 21.7% and 16.3% of our total purchases for the respective periods. See "Business – Our Suppliers."

OUR STRENGTHS

We believe that the following strengths set us apart from our peers and allow us to capitalize on the market opportunities to ensure sustained development:

- Reputable digital teaching and learning solution provider for higher education institutions in China;
- Robust services and products development capabilities and excellent customer service with strong recognition;
- Strong technology application and rapid services and products iteration capabilities satisfy the diverse needs of customers in different scenarios;
- Customer base of leading higher education institutions empowering customer group expansion and enhancing customer loyalty; and
- Experienced management team, learning organization culture and long term dedication to higher education market.

See "Business – Our Strengths."

OUR STRATEGIES

We plan to pursue the following strategies to capitalize on industry opportunities, further consolidate our market position and contribute to ongoing industry value creation:

- Continue to focus on strategic customers and expand our business customer service and support center network;
- Continuing the iteration and upgrading of existing services and products and development of new products;
- Enhancing the strategical layout of our knowledge graph development centers; and
- Continue to recruit, develop and retain talents.

See "Business – Our Strategies."

COMPETITION

China's higher education teaching and learning digitalization market is highly fragmented. According to Frost & Sullivan, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue in 2023. The market size of China's higher education teaching and learning digitalization market has grown from RMB11.1 billion in 2019 to RMB19.3 billion in 2023, with a CAGR of 14.8%. We compete with numerous domestic companies, including those with extensive marketing and sales network, strong industry experience and extensive technology development resources. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023. See "Industry Overview – Competitive Landscape."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountant's Report in Appendix I to this document. The summary historical financial data set forth below should be read together with the historical financial information included in the Accountant's Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with IFRS Accounting Standards.

Summary of Consolidated Statements of Comprehensive Income or Loss

The following table sets forth a summary of our consolidated statements of comprehensive income or loss:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	400,111	100.0	652,964	100.0	848,198	100.0
Cost of sales	(223,566)	(55.9)	(256,621)	(39.3)	(323,040)	(38.1)
Gross profit	**176,545**	**44.1**	**396,343**	**60.7**	**525,158**	**61.9**
Distribution and selling expenses	(128,934)	(32.2)	(167,702)	(25.7)	(215,721)	(25.4)
General and administrative expenses	(39,400)	(9.8)	(44,393)	(6.8)	(68,622)	(8.1)
Research and development expenses	(98,136)	(24.5)	(101,075)	(15.5)	(126,923)	(15.0)
Net impairment losses on financial assets	(6,244)	(1.6)	(7,955)	(1.2)	(14,024)	(1.7)
Other income	13,322	3.3	10,795	1.7	8,619	1.0
Other gains – net	3,460	0.9	1,080	0.2	241	0.0
Operating (loss)/profit	**(79,387)**	**(19.8)**	**87,093**	**13.3**	**108,728**	**12.8**
Finance income	1,274	0.3	871	0.1	635	0.1
Finance costs	(960)	(0.2)	(1,330)	(0.2)	(2,765)	(0.3)
Finance income/(costs) – net	314	0.1	(459)	(0.1)	(2,130)	(0.3)
(Loss)/Profit before income tax	**(79,073)**	**(19.8)**	**86,634**	**13.3**	**106,598**	**12.6**
Income tax credit/(expense)	19,963	5.0	(5,213)	(0.8)	(1,527)	(0.2)
(Loss)/Profit and total comprehensive (loss)/income, attributable to owners of the Company	**(59,110)**	**(14.8)**	**81,421**	**12.5**	**105,071**	**12.4**

Revenue

The following table sets forth a breakdown of our revenue by types of services and products in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Digital educational content services and products	**335,554**	**83.9**	**538,434**	**82.5**	**709,964**	**83.7**
Digital course	295,706	73.9	403,112	61.7	350,835	41.4
Knowledge graph	6,024	1.5	109,130	16.7	340,401	40.1
Virtual simulation	33,824	8.5	26,192	4.0	18,728	2.2
Digital teaching and learning environment services and products	**63,471**	**15.9**	**113,915**	**17.4**	**137,620**	**16.2**
Cloud LMS	44,948	11.2	47,538	7.3	88,243	10.3
Digital classroom	18,523	4.6	66,377	10.2	49,377	5.8
Others[(1)]	**1,086**	**0.2**	**615**	**0.1**	**614**	**0.1**
Total	**400,111**	**100.0**	**652,964**	**100.0**	**848,198**	**100.0**

Note:

(1) Other types of revenue primarily consisted of rental income and ancillary value-added service to enhance customer experience.

(2) We started to generate revenue from knowledge graphs in 2022 and we define our knowledge graph business as officially launched in 2023 after the establishment of the dedicated knowledge graph business unit in the same year.

Cost of Sales

The following table sets forth a breakdown of our cost of sales in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	145,560	65.1	159,139	62.0	245,785	76.1
Purchased goods used	14,407	6.4	31,267	12.2	23,354	7.2
Digital content editing fees	18,610	8.3	22,546	8.8	21,432	6.6
Network service fees	18,854	8.4	14,320	5.6	12,053	3.7
Depreciation and amortization	14,463	6.5	11,603	4.5	9,876	3.1
Warranty expenses(1)	607	0.3	863	0.3	687	0.2
Others(2)	11,065	5.0	16,883	6.6	9,853	3.1
Total	**223,566**	**100.0**	**256,621**	**100.0**	**323,040**	**100.0**

Notes:

(1) We provide warranties for our services and products, see "Business – Our Customers – Agreements with Customers." Given that the warranty expenses were immaterial during the Track Record Period, we did not make any provision for warranty expenses.

(2) Others mainly included travel expenses, tax and surcharges, office expenses and changes in inventories of work in progress.

During the Track Record Period, the major components of our cost of sales mainly comprised of fixed cost, including employee benefit expenses, network service fees and depreciation and amortization which remained relatively stable regardless of the changes in the scale.

Gross Profit and Gross Profit Margin

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

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000, except for percentages)					
Digital educational content services and products	146,856	43.8	326,829	60.7	434,766	61.2
Digital teaching and learning environment services and products	28,676	45.2	68,946	60.5	89,969	65.4
Others[(1)]	1,013	93.3	567	92.2	424	69.1
Total	**176,545**	**44.1**	**396,343**	**60.7**	**525,158**	**61.9**

Note:

(1) Other types of gross profit primarily consisted of gross profit of rental income and ancillary value-added service to enhance customer experience.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 30.1% from RMB128.9 million in 2022 to RMB167.7 million in 2023. Such an increase was primarily due to (i) the increase in our employee benefit expenses paid to our sales personnel by 23.0% from RMB86.1 million in 2022 to RMB105.9 million in 2023, primarily due to the increased number of sales personnel and their performance-based compensation reflecting our business expansion; and (ii) the increase in our marketing expenses by 29.9% from RMB12.7 million in 2022 to RMB16.4 million in 2023, which was primarily due to the increasing number of customer communication activities to better understand their needs and promote our services and products. Our distribution and selling expenses increased by 28.6% from RMB167.7 million in 2023 to RMB215.7 million in 2024. Such an increase was primarily due to (i) the increase in our employee benefit expenses paid to our sales personnel by 31.4% from RMB105.9 million in 2023 to RMB139.1 million in 2024, which was primarily due to the increased number of sales personnel to support our marketing activities; and (ii) the increase in our travel expenses by 61.2% from RMB12.3 million in 2023 to RMB19.9 million in 2024, which was primarily attributable to the increased number of sales personnel and our enhanced marketing activities to promote our solutions. See "Financial Information – Year-to-Year Comparison of Results of Operations."

Net Profit / (Loss)

During the Track Record Period, we recorded a net loss of RMB59.1 million in 2022, net profit of RMB81.4 million in 2023 and net profit of RMB105.1 million in 2024, respectively. We recorded net loss of RMB59.1 million in 2022, primarily due to the combined effect of (i) the business disruption caused by the pandemic in 2022; (ii) our continuous investment in research and development to maintain our competitiveness in the market; (iii) our increased distribution and selling expenses demonstrating our long-term dedication to effective customer coverage and fulfilling our customer-centric strategies; and (iv) our investment in maintaining the stability and quality of our delivery capacity. We recorded a net profit of RMB81.4 million in 2023 and RMB105.1 million in 2024, primarily due to (i) the significant increase of our total revenue by 63.2% in 2023 and by 29.9% in 2024, primarily attributable to the increase in number of our customers; (ii) the increase of gross profit margin from 44.1% in 2022 to 60.7% in 2023 and further to 61.9% in 2024, primarily attributable to our increased efficiency in offline customer communication, engagement, and delivery of our products and services, as well as the launch of new products which were high profit margin by nature, such as knowledge graphs; and (iii) our enhanced ability to manage costs and increase operational efficiency, demonstrated by the decreased ratio of expenses to total revenue from 2022 to 2024.

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of April 30
	2022	2023	2024	2025
		(RMB'000)		
				(Unaudited)
Current assets				
Inventories	9,569	15,145	27,873	40,144
Trade receivables and retention money receivables	134,958	205,065	337,916	373,820
Other receivables and prepayments	57,701	57,097	67,345	64,648
Financial assets at fair value through profit or loss	70,142	120,014	48,028	–
Restricted cash	5,218	5,556	4,721	4,721
Cash and cash equivalents	206,270	141,742	230,172	68,924
Total current assets	**483,858**	**544,619**	**716,055**	**552,257**

	As of December 31,			As of April 30
	2022	2023	2024	2025
	(RMB'000)			
				(Unaudited)
Current liabilities				
Trade payables	36,806	25,180	11,084	5,403
Other payables and accruals	76,122	62,116	87,126	78,910
Borrowings	–	–	56,240	83,176
Lease liabilities	8,398	14,503	17,593	13,852
Contract liabilities	130,951	124,498	113,439	77,648
Total current liabilities	**252,277**	**226,297**	**285,482**	**258,989**
Net current assets	**231,581**	**318,322**	**430,573**	**293,268**
Net assets	**302,824**	**390,546**	**498,869**	**390,467**

The following table sets forth our total non-current assets and total non-current liabilities from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB'000)		
Total non-current assets	81,603	83,822	76,453
Total non-current liabilities	10,360	11,598	8,157

During the Track Record Period, we recorded net current assets of RMB231.6 million, RMB318.3 million and RMB430.6 million as of December 31, 2022, 2023 and 2024, respectively. Our net current assets increased from RMB231.6 million as of December 31, 2022 to RMB318.3 million as of December 31, 2023, primarily due to (i) an increase of RMB70.1 million in trade receivables and retention money receivables; (ii) an increase of RMB49.9 million in financial assets at fair value through profit or loss; and (iii) a decrease of RMB14.0 million in other payables and accruals, partially offset by the decrease of RMB64.5 million in cash and cash equivalents. Our net current assets increased from RMB318.3 million as of December 31, 2023 to RMB430.6 million as of December 31, 2024, primarily due to (i) an increase of RMB132.9 million in trade receivables and retention money receivables; and (ii) an increase of RMB88.4 million in cash and cash equivalents. Such an increase was partially offset by (i) a decrease of RMB72.0 million in financial assets at fair value through profit or loss; and (ii) an increase of RMB56.2 million in borrowings which we obtained in 2024.

Our net current assets decreased by 31.9% from RMB430.6 million as of December 31, 2024 to RMB293.3 million as of April 30, 2025, primarily due to (i) a decrease of RMB161.2 million in cash and cash equivalents; (ii) an decrease of RMB48.0 million in financial assets at fair value through profit or loss; and (iii) an increase of RMB26.9 million in borrowings, partially offset by a decrease of RMB35.8 million in contract liabilities.

During the Track Record Period, we recorded net assets of RMB302.8 million, RMB390.5 million and RMB498.9 million as of December 31, 2022, 2023 and 2024, respectively. Our net assets increased from RMB302.8 million as of December 31, 2022 to RMB390.5 million as of December 31, 2023 because we recorded net profit of RMB81.4 million in 2023 and had share-based payment of RMB6.3 million in 2023. Our net assets increased by 27.8% to RMB498.9 million as of December 31, 2024, because we recorded net profit of RMB105.1 million in 2024 and had share-based payment of RMB3.3 million in 2024.

Summary of the Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Cash and cash equivalents at the beginning of the year	**97,432**	**206,270**	**141,742**
Net cash generated from/(used in) operating activities	(48,135)	10,914	(9,526)
Net cash (used in)/generated from investing activities	171,831	(57,807)	62,187
Net cash (used in)/generated from financing activities	(14,858)	(17,635)	35,139
Cash and cash equivalents at the end of the year	**206,270**	**141,742**	**230,172**

We recorded operating cash outflow in 2022, which was primarily attributed to the net loss of RMB59.1 recorded in 2022, attributed to (i) the business disruption caused by the pandemic in 2022; (ii) our continuous investment in research and development to maintain our competitiveness in the market; (iii) our increased distribution and selling expenses in 2022 demonstrating our long-term dedication to effective customer coverage and fulfilling our customer-centric strategies; and (iv) our investment in maintaining the stability and quality of our delivery capacity. We recorded operating cash outflows in 2024, which were primarily attributed to a significant portion of our year-end revenue recognition being collected in the next year due to industry-specific fiscal cycles and seasonality, resulting in a certain mismatch in the timing of our revenue growth relative to cash collections. See "Financial Information – Liquidity and Capital Resources – Cash Flow – Net Cash Generated From/(Used in) Operating Activities."

Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	As of/For the year ended December 31,		
	2022	2023	2024
Gross Profit Margin(%)(1)	44.1	60.7	61.9
Net Profit Margin (%)(2)	N/A(3)	12.5	12.4
Return on Equity (%)(4)	N/A(5)	23.5	23.6
Current Ratio (times)(6)	1.9	2.4	2.5
Gearing Ratio (%)(7)	6.2	6.7	16.4

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated using net profit divided by revenue for the year and multiplied by 100%.

(3) Net profit margin is not applicable for 2022 as net loss was recorded during such year.

(4) Return on equity is calculated using net profit divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(5) Return on equity is not applicable for 2022 as net loss was recorded during such year.

(6) Current ratio is calculated by using current assets divided by current liabilities as of the same date.

(7) Gearing ratio is calculated by using total debt (including lease liabilities) as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** commission and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised or HK$**[REDACTED]** if the **[REDACTED]** is exercised in full. In line with our strategies, we intend to use our **[REDACTED]**, assuming the **[REDACTED]** is not exercised, from the **[REDACTED]** for the purposes and in the amounts set forth below:

- Approximately **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]**, is expected to be used for our research and development;

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for enhancing our customer service and support capabilities;

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for establishing one or two knowledge graph development centers in selected cities to enhance our capabilities and efficiency in terms of development, production and delivery of knowledge graphs; and

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for working capital and general corporate purposes.

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

RISK FACTORS

Our business and the **[REDACTED]** involve certain risks as set out in "Risk Factors." You should carefully read that section in its entirety before you decide to invest in our **[REDACTED]**. Some of the major risks we face include (i) any failure to improve and enhance the functions, performance, reliability, design, security and scalability of our services and products keeping pace with technological developments to suit our customers' evolving needs may materially and adversely affect our business and results of operation; (ii) our success depends on the growth in market acceptance for our digital educational content and digital teaching and learning environment services and products; (iii) our failure to provide high-quality customer services may materially and adversely impact our business, financial condition and results of operations; (iv) if we fail to adequately expand and retain our sales team with qualified and productive persons, or if we fail to conduct our sales and marketing activities cost-effectively, we may not be able to grow our business effectively; (v) if we are unable to retain existing customers, acquire new customers and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected; (vi) we may not be able to maintain the pricing terms for our services and products or enhance our customer retention rates going forward; (vii) we may be exposed to credit risks resulting from delays and/or defaults in payments in our operations, which would adversely affect our business, financial condition and results of operations; (viii) we operate in a competitive market and may not be able to compete successfully against our existing and future competitors; (ix) our recent growth may not be indicative of future performance, as sustaining our revenue growth rate may prove challenging, complicating the evaluation of our future prospects, while we face difficulties in executing our growth strategy and new initiatives; and (x) we recorded net losses and operating cash outflow in the past. See "Risk Factors."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang and Ms. Ge (the spouse of Mr. Wang) held in aggregate approximately 38.44% of the total issued share capital of our Company. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Wang and Ms. Ge will collectively hold approximately **[REDACTED]**% of our total issued share capital, and therefore will remain as our Controlling Shareholders.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the **[REDACTED]** of our H Shares pursuant to (i) the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**), and (ii) the H Shares to be converted from our existing Domestic **[REDACTED]** Shares on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of RMB653.0 million (equivalent to approximately HK$719.3 million) in the financial year ended December 31, 2023 exceeds HK$500 million, and (ii) our expected market capitalization at the time of **[REDACTED]**, which, based on the low-end of the indicative **[REDACTED]** range, exceeds HK$4,000,000,000.

PRE-[REDACTED] INVESTMENTS

Since our establishment, we have attracted certain Pre-**[REDACTED]** Investors and completed several rounds of equity financing in the past few years to raise funds for the development of our business. For further information of the principal terms of the Pre-**[REDACTED]** Investments and the identity and background of our principal Pre-**[REDACTED]** Investors, see "History, Development and Corporate Structure – Pre-**[REDACTED]** Investments."

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per H Share	**Based on an [REDACTED] of HK$[REDACTED] per H Share**
Market capitalization of our Shares immediately after completion of the **[REDACTED]**(1)	HK$**[REDACTED]**	HK$**[REDACTED]**
Market capitalization of our H Shares immediately after completion of the **[REDACTED]**(2)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(3)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of market capitalization of our Shares is based on the assumption that **[REDACTED]** Shares will be in issue immediately upon completion of the **[REDACTED]** [and Conversion of Domestic **[REDACTED]** Shares into H Shares], comprising **[REDACTED]** Domestic **[REDACTED]** Shares in issue, **[REDACTED]** H Shares converted from Domestic **[REDACTED]** Shares and **[REDACTED]** H Shares expected to be issued pursuant to the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The calculation of market capitalization of our H Shares is based on the assumption that **[REDACTED]** H Shares will be in issue immediately upon completion of the **[REDACTED]**, comprising **[REDACTED]** H Shares to be issued pursuant to the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and **[REDACTED]** H shares to be converted from Domestic **[REDACTED]** Shares.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II – Unaudited **[REDACTED]** Financial Information" in this document.

DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by our Company during the Track Record Period. We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our shareholders in a shareholders meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure, future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable laws and regulations and approval of our Shareholders. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

[REDACTED] EXPENSES

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range stated in this document), the aggregate commissions and fees, together with the Stock Exchange **[REDACTED]** fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the **[REDACTED]**, which are payable by us, are estimated to amount in aggregate to be approximately HK$**[REDACTED]**, accounting for **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**, of which approximately HK$**[REDACTED]** is expected to be charged to profit and loss, and approximately HK$**[REDACTED]** is directly attributable to the **[REDACTED]** and **[REDACTED]** of our **[REDACTED]** and will be deducted from equity upon the **[REDACTED]**. By nature, our **[REDACTED]** expenses are composed of (i) **[REDACTED]** commission of approximately HK$**[REDACTED]**, and (ii) non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]**, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this Document, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this Document.

Regulatory Development of CSRC Filing

The CSRC promulgated the Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reform the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, initial public offerings or listings in overseas markets shall be filed with the CSRC within three working days after the relevant application is submitted overseas. We had filed with the CSRC within three working days after we submit the **[REDACTED]** to Hong Kong Stock Exchange. See "Regulatory Overview – Regulations relating to Overseas Securities Offering and Listing".

DEFINITIONS

In this Document, unless the context otherwise requires, the following expressions have the following meanings.

"%"	per cent
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Bairuixiang VC"	Dazi County Bairuixiang Venture Capital Management Co., Ltd. (達孜縣百瑞翔創業投資管理有限責任公司), a limited liability company established under the laws of the PRC on May 09, 2017 and one of our Pre-**[REDACTED]** Investors
"Board"	the board of directors of our Company
"business day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

"Chengmai Xinri"	Chengmai Xinri Investment Management Center (Limited Partnership) (澄邁新日投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on October 20, 2015 and one of our Pre-**[REDACTED]** Investors
"China", "Mainland China" or "PRC"	the People's Republic of China, which, for the purposes of this Document only, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC, except where the context indicates or requires otherwise
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Shanghai Able Digital Science&Tech Co., Ltd. (上海卓越睿新數碼科技股份有限公司), a company initially established under the laws of the PRC on April 7, 2008 as a limited liability company and converted to a joint stock company with limited liability on December 31, 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Controlling Shareholder (s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang and Ms. Ge; and "Controlling Shareholder" shall mean any one of them
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Datai Yueda"	Jiangsu Datai Yueda Big Data Venture Capital Fund (Limited Partnership) (江蘇達泰悦達大數據創業投資基金(有限合夥)), a limited partnership established under the laws of the PRC on January 29, 2015 and one of our Pre-**[REDACTED]** Investors
"Director(s)"	the director(s) of our Company

"Domestic **[REDACTED]** Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not **[REDACTED]** on any stock exchange
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[REDACTED]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"GDP"	Gross Domestic Product

[REDACTED]

"Group", "our Group", "we", "us", or "our"	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Chengheng"	Guangzhou Chengheng Investment Partnership (Limited Partnership) (廣州誠亨投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 06, 2020 and one of our Pre-**[REDACTED]** Investors
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and **[REDACTED]** in HK dollars and to be **[REDACTED]** on the Stock Exchange

[REDACTED]

[REDACTED]

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[REDACTED]

"IASB"	International Accounting Standards Board
"IFRS Accounting Standards"	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the IASB
"Independent Third Party"or "Independent Third Parties"	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules

[REDACTED]

"Jinzhuo Hengbang"	Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (金卓恒邦科技(北京)有限公司), a limited liability company established under the laws of the PRC on February 12, 2004 and one of our Pre-**[REDACTED]** Investors
"Latest Practicable Date"	June 12, 2025, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Ministry of Education"	Ministry of Education of the People's Republic of China
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wang"	Mr. WANG Hui (王暉), one of our founders, the chairman of the Board and an executive Director and one of our Controlling Shareholders. Mr. Wang and Ms. Ge are spouses
"Ms. Ge"	Ms. GE Xin (葛新), one of our founders, a non-executive Director and one of our Controlling Shareholders. Mr. Wang and Ms. Ge are spouses
"Nomination Committee"	the nomination committee of the Board

[REDACTED]

"PBOC"	the People's Bank of China
"Peixian Yingcui"	Peixian Yingcui Enterprise Management Partnership (Limited Partnership) (沛縣穎萃企業管理合夥企業(有限合夥)) was established in the PRC as a limited partnership on August 14, 2020 and one of our shareholding platforms
"PRC Data Compliance Legal Advisor"	Commerce & Finance Law Offices
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	Jingtian & Gongcheng
"Pre-**[REDACTED]** Investments"	the Pre-**[REDACTED]** investments in our Company undertaken by the Pre-**[REDACTED]** Investors, details of which are set out in the section headed "History, Development and Corporate Structure" in this Document

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act

"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ruixin Network"	Shanghai Zhuoyue Ruixin Network Technology Co., Ltd. (上海卓越睿新網絡科技有限公司), a limited liability company established under the laws of the PRC on June 1, 2021 and a wholly-owned subsidiary of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Xiangjun"	Shandong Xiangjun Technology Service Co., Ltd. (山東祥鈞科技服務有限公司), a limited liability company established under the laws of the PRC on September 27, 2023 and a wholly-owned subsidiary of our Company
"Shanghai Baxuan"	Shanghai Baxuan Enterprise Management Consulting Partnership (Limited Partnership) (上海灞軒企業管理諮詢合夥企業(有限合夥)) was established in the PRC as a limited partnership on August 12, 2020
"Shanghai Changshi"	Shanghai Changshi Information Technology Co., Ltd. (上海長視信息技術有限公司), a limited liability company established under the laws of the PRC on December 21, 1999 and one of our Pre-**[REDACTED]** Investors
"Shanghai Shanying"	Shanghai Shanying Culture Communication Co., Ltd. (上海杉盈文化傳播有限公司), formerly known as Shanghai Zhuoyue Ruixin Electronics Co., Ltd. (上海卓越睿新電子有限公司), a limited liability company established under the laws of the PRC on March 25, 2003

"Shanghai Shuhuai"	Shanghai Shuhuai Enterprise Management Consulting Partnership (Limited Partnership) (上海黍懷企業管理諮詢合夥企業(有限合夥)) was established in the PRC as a limited partnership on October 13, 2016 and one of our shareholding platforms
"Shanghai Suishang"	Shanghai Suishang Enterprise Management Consulting Partnership (Limited Partnership) (上海遂商企業管理諮詢合夥企業(有限合夥)) was established in the PRC as a limited partnership on September 23, 2016 and one of our shareholding platforms
"Shanghai Tingri"	Shanghai Tingri Technology Co., Ltd. (上海霆日科技有限公司), a limited liability company established under the laws of the PRC on October 30, 2023 and a wholly-owned subsidiary of our Company
"Shanghai Wenjing"	Shanghai Wenjing Education Technology Co., Ltd. (上海文菁教育科技有限公司), a limited liability company established under the laws of the PRC on October 28, 2020 and a wholly-owned subsidiary of our Company
"Shanghai Womiao"	Shanghai Womiao Enterprise Management Consulting Partnership (Limited Partnership) (上海喔淼企業管理諮詢合夥企業(有限合夥)) was established in the PRC as a limited partnership on August 12, 2020 and one of our shareholding platforms
"Shanghai Xuru"	Shanghai Xuru Enterprise Management Consulting Partnership (Limited Partnership) (上海許如企業管理諮詢合夥企業(有限合夥)) was established in the PRC as a limited partnership on September 9, 2016 and one of our shareholding platforms
"Shanghai Yongcang"	Shanghai Yongcang Equity Investment Partnership (Limited Partnership) (上海永倉股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 25, 2015 and one of our Pre-**[REDACTED]** Investors
"Shanghai Zhidao"	Shanghai Zhihui Zhidao Network Technology Co., Ltd. (上海智慧知到網絡科技有限公司), a limited liability company established under the laws of the PRC on July 22, 2020 and a wholly-owned subsidiary of our Company
"Shanghai Zhunshi"	Shanghai Zhunshi Network Technology Co., Ltd. (上海諄實網絡科技有限公司), a limited liability company established under the laws of the PRC on June 3, 2021 and a wholly-owned subsidiary of our Company

"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic **[REDACTED]** Shares and H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Sichuan Zaixiang"	Sichuan Zaixiang Technology Co., Ltd. (四川載庠科技有限公司), a limited liability company established under the laws of the PRC on September 26, 2023 and a wholly-owned subsidiary of our Company

[REDACTED]

"Sole Sponsor"	ABCI Capital Limited

[REDACTED]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended December 31, 2022, 2023 and 2024

[REDACTED]

"United States" or the "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Xinjiang Lianchuang"	Xinjiang Production and Construction Group Lianchuang Equity Investment Limited Partnership (新疆生產建設兵團聯創股權投資有限合夥企業), a limited partnership established under the laws of the PRC on July 1, 2011 and one of our Pre-**[REDACTED]** Investors
"Yueda Taihe"	Jiangsu Yueda Taihe Equity Investment Fund Center (Limited Partnership) (江蘇悦達泰和股權投資基金中心(有限合夥)), a limited partnership established under the laws of the PRC on April 10, 2012 and one of our Pre-**[REDACTED]** Investors
"Yunnan Weiye"	Yunnan Weiye Yixing Technology Co., Ltd. (雲南維燁翊行科技有限公司), a limited liability company established under the laws of the PRC on September 19, 2023 and a wholly-owned subsidiary of our Company
"Zhihui Tongfu"	Xinjiang Zhihui Tongfu Technology Co., Ltd. (新疆智慧同富科技有限公司), a limited liability company established under the laws of the PRC on October 7, 2023 and a wholly-owned subsidiary of our Company
"Zhihuishu Network"	Zhihuishu Network (Shanghai) Digital Technology Co., Ltd. (智慧樹網(上海)數碼科技有限公司), a limited liability company established under the laws of the PRC on December 8, 2022 and a wholly-owned subsidiary of our Company
"ZhongYe ZhiYuan"	Shanghai ZhongYe ZhiYuan Venture Capital Partnership (Limited Partnership) (上海中葉至源創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 16, 2018 and one of our Pre-**[REDACTED]** Investors

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

"AI"	artificial intelligence
"app" or "application"	application software designed to run on smartphones and other mobile devices
"CAGR"	compound annual growth rate
"cloud-based"	applications, services or resources made available to users on demand via the Internet from a cloud computing provider's servers with access to shared pools of configurable resources
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"customer retention rate"	is calculated by dividing the number of customers for the same period in the previous year who remain as the Group's customers in the current period by the total number of customers for the same period in the previous year
"Double First-Class Initiative"	a higher education development and sponsorship scheme of the Chinese central government, initiated in 2015, which includes all universities nominated under the Project 985 and Project 211
"Double High Plan"	a higher education development and sponsorship scheme of the Ministry of Education and the Ministry of Finance of the PRC, initiated in 2019
"ESG"	environmental, social and governance
"data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
"higher vocational colleges nominated under the Double High Plan"	higher vocational colleges on the list of higher vocational institutions and disciplines of the Circular on the Announcement of the List of Higher Vocational Institutions and Disciplines for High Level Development (教育部財政部關於公佈中國特色高水平高職學校和專業建設計劃建設單位名單的通知) jointly issued by the Ministry of Education and the MOF on December 10, 2019

GLOSSARY OF TECHNICAL TERMS

"Key Account Customers" — for the purpose of this document, customers who contributed a revenue of or over RMB0.5 million in the relevant year

"LED" — light emitting diode

"LMS" — learning management system

"Overlapping Customers" — for the purpose of this document, customers who purchased both of our digital educational content services and products and digital teaching and learning environment services and products during the relevant years.

"PC" — personal computer

"Project 211" — a higher education development and sponsorship scheme of the Chinese central government for preparing approximately 100 universities for the 21st century, initiated in November 1995

"Project 985" — a higher education development and sponsorship scheme of the Chinese central government for creating world-class higher education institutions, initiated in May 1998

"R&D" — research and development

"universities nominated under the Project 985" — universities on the List of "Project 985" ("985工程"學校名單) issued by the Department of Degree Management and Postgraduate Education of the Ministry of Education on December 6, 2006

"universities nominated under the Project 211" — universities on the List of "Project 211" Schools ("211工程"學校名單) issued by the Department of Degree Management and Postgraduate Education of the Ministry of Education on December 23, 2005

"universities nominated under the Double First-Class Initiative" — universities on the updated list of Double First-Class universities of the Circular on Further Promoting the Development of First-Class Universities and First-Class Disciplines* (關於公佈第二輪"雙一流"建設高校及建設學科名單的通知) jointly issued by the Ministry of Education, the MOF and the National Development and Reform Commission on February 9, 2022

FORWARD-LOOKING STATEMENTS

This Document includes forward-looking statements. All statements other than statements of historical facts contained in this Document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Document might not occur. All forward-looking statements contained in this Document are qualified by reference to the cautionary statements set out in this section.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any failure to improve and enhance the functions, performance, reliability, design, security and scalability of our services and products keeping pace with technological developments to suit our customers' evolving needs may materially and adversely affect our business and results of operation.

The market for higher education teaching and learning digitalization in China in which we operate and compete is constantly developing with innovations. Since our inception, we have been dedicated to designing and constructing our offerings, providing a variety of services and products to help higher education institutions in China to transform and digitalize education practice, from digital educational content development to digital teaching and learning environment improvement and optimization, to address the evolving demands of teachers and students. Although we have been successful in capturing the market opportunities created by the digital transformation trend among higher education institutions in China based on our dedication to the development of digital teaching and learning solutions for higher education institutions in China and our ability to identify and meet the business needs of our customers, to remain competitive, we must continue to stay abreast of evolving industry trends and rapid technological developments.

We may face challenges in maintaining the relevance of our offerings, necessitating continual investment in adapting to the latest technologies, as the demands for education digitalization in higher education institutions continue to evolve in terms of content, form and method. Our ability to continue to attract and retain customers and increase sales depends largely on our ability to continue improving and enhancing the functions, performance, reliability, design, security and scalability of our digital educational content and digital teaching and learning environment services and products. Despite our past investments and our intention to continue committing significant resources to new technologies, including natural language processing, optical character recognition and document structuring algorithms, to enhance our services and products in different business scenarios, we may not be able to leverage new technologies effectively or adapt our services and products to meet customers' needs or emerging industry standards or generate the expected returns. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions, whether for technical, financial, or other reasons, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, our success will depend partially on our ability to continuously identify, acquire, apply, or build advanced new technologies that are valuable to our services and products, for example, in recent years, China's higher education teaching and learning digitalization market has been on the cusp of significant change due to the rapid development and integration of AI technologies. These technologies are expected to revolutionize the way digital educational content and digital teaching and learning environment services and products are delivered and have the potential to change the competitive landscape. While we are committed to applying these new technologies for innovation and continuous improvement, there is no guarantee that we will be able to successfully adapt to or stay ahead of the use of these emerging technologies to provide our customers with more advanced services and products. Failure to do so could render our existing services and products obsolete and unappealing, thereby adversely affecting our business prospects.

In addition, because our services and products are designed to operate over various networks, across numerous mobile devices, operating systems and computer hardware and software platforms, we will need to continuously modify and enhance our services and products to keep pace with changes in related hardware, software, communication, application software development platforms and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to the market in a timely manner. Moreover, uncertainties regarding the timing and nature of the development of network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or services and products delivery expenses. Any failure of our services and products to operate effectively with future network platforms and technologies could reduce the demand for our services and products, result in customer dissatisfaction and adversely affect our business, financial condition, results of operations and prospects.

Our success depends on the growth in market acceptance for our digital educational content and digital teaching and learning environment services and products.

Our success depends on the willingness of our existing and potential customers to adopt new digitalization technologies. The acceptance of our digital educational content and digital teaching and learning environment services and products largely depends on the overall growth of higher education teaching and learning digitalization market in China. The expansion of the market, in turn, depends on a number of factors, including the cost, performance and perceived value associated with digital teaching and learning solutions. If we or other major service or product providers experience disruptions in delivery or other problems, higher education teaching and learning digitalization market in China as a whole, including our services and products, may be negatively affected. If there is a reduction in demand for such services and products caused by a lack of market acceptance, technological challenges, economic condition changes, security or privacy concerns, competing technologies and products, decreases in higher education institutions' spending, or otherwise, the market for our digital educational content and digital teaching and learning environment services and products may not develop and our business, financial conditions, results of operations and prospects could be materially and adversely affected.

Our failure to provide high-quality customer services may materially and adversely impact our business, financial condition and results of operations.

We have established an extensive and nationwide customer service and support center network and place great emphasis on customer experience, recognizing customer service as pivotal to attracting new customers, retaining existing customers and growing our business. Our commitment to excellence in customer service quality is evidenced by our substantial investment in the training of our customer service and support team, the employment of course consultants and the enhancement of network coverage. Our customer service and support centers are staffed by a diverse team of professionals, each specializing in their respective roles to provide a smooth service experience. Despite our established network and dedication to customer satisfaction, we cannot provide absolute assurance that our coverage will be comprehensive or that our personnel will consistently address all customer needs effectively. There is no guarantee that we will be able to maintain a low turnover rate of existing employees and provide sufficient training to new employees to meet our standards of customer service or that an influx of less experienced personnel will not dilute the quality of our customer service. If our customer service representatives fail to provide satisfactory service, our brand and customer loyalty may be adversely affected.

If we fail to conduct our sales and marketing activities cost-effectively, we may not be able to grow our business effectively.

We rely on our sales team to market and sell our services and products. Due to the technical nature of our services and products, we believe it is in the best interest of our Company at its current growth stage to use our sales personnel, who have deep knowledge of our services and products and appreciation of our corporate values, to execute our sales and marketing strategies. If we fail to conduct our sales and marketing activities in a cost-effective way, we may incur considerable marketing expenses, which could adversely affect our business and operating results. Additionally, our sales and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. The factors mentioned above may materially and adversely impact our business, prospects, results of operations and financial condition.

If we are unable to retain existing customers, acquire new customers and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected.

Our customers primarily include higher education institutions in China. Our ability to retain existing customers, attract new ones and expand the scope and increase the volume of our services and products is critical to our revenue growth. Our customer engagement may decrease for a variety of reasons, including their level of satisfaction with our services and products, our pricing and the pricing and quality of competing products or services, the effects of PRC and global economic conditions or changes in the contracting or fiscal policies of higher education institutions. Furthermore, we focus on the pioneers and leaders in China's higher education teaching and learning digitalization, and gained insights and built services and products based on their active feedbacks. If we fail to retain such customers, we may be unable to anticipate industry trend and develop new services and products that meet our customers' evolving needs or preferences. In addition, if we are unable to encourage customers to contract and use our services and products, enhance our infrastructure and innovate and expand our operations into new markets, we may not be able to attract more customers and acquire new customers. The loss of a significant number of customers could have a material adverse effect on our business, financial condition, results of operations and prospects.

The growth of our business depends in part on existing customers keeping or expanding their use of our services and products. However, our customers have no obligation to continue to use our services and products and we cannot assure you that they will. In addition, we have invested and will continue to invest in improving our platform in order to offer better features, services and products, but they may not be adopted by our customers. If we are unable to retain customers and keep them continually using or broadening their use of our services and products, or if there is a decline in our customers' business performance, our growth may slow or decline, and our business may be materially and adversely affected.

We may not be able to maintain the pricing terms for our services and products or enhance our customer retention rates going forward.

We may need to decrease the prices of our services and products to stay competitive. As the markets for our services and products mature, or as new competitors introduce new services or products that compete with ours, we may be unable to attract new customers at the same prices or based on the same pricing model as we have adopted historically. Moreover, certain customers, such as certain renowned higher education institutions in China, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenues, profitability, financial position and cash flow.

In addition, our customers have no obligation to continually use our services and products. Our historical customer retention rates may not be indicative of our customer retention rates in the future. Our customers' retention rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our services and products and their ability to continue their spending levels. If our customers do not continually use our services and products on similar terms, our revenues may decline, and our business may be materially and adversely affected.

We may be exposed to credit risks resulting from delays and/or defaults in payments in our operations, which would adversely affect our business, financial condition and results of operations.

Our credit risk is primarily attributable to trade receivables. As of December 31, 2022, 2023 and 2024, our trade receivables and retention money receivables amounted to RMB140.8 million, RMB214.6 million and RMB345.5 million, respectively. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Trade Receivables and Retention Money Receivables." Our trade receivables and retention money receivables primarily included amounts due from customers for services and products sold in the ordinary course of our business.

If our customers delay or default on their payments to us, we may have to make impairment provisions and write off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operations.

We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.

We face competition in various aspects of our business, including research and development capabilities, customer services and retention, talents, brand awareness, commercial relationships and financial, technical, marketing and other resources. Our competitors may be able to develop services or products better received by higher education institutions in China or may be able to respond more quickly and effectively to new opportunities and changing technologies, regulations and customers' needs. In particular, AI technology companies have been actively exploring commercial application opportunities in the education industry and participated in bidding for knowledge graph development projects for higher education institutions. In addition, some of our competitors may quickly expand their existing customer base and sales network and adopt more aggressive pricing policies and offer more attractive sales terms. This could cause us to lose potential sales or compel us to sell our services and products at lower prices to remain competitive, which may have a material adverse impact on our results of operation and financial condition.

We may be subject to more competition if any of our competitors enter into business partnerships or alliances or raise significant capital, or if established companies from other market segments or geographical markets expand into our market segment or geographical market. Any existing or potential competitor may also choose to operate based on a different pricing model or lower their prices in order to increase their market share. If we are unable to compete successfully against our current or potential competitors, our business, financial condition and results of operations may be materially and adversely impacted.

Our recent growth may not be indicative of future performance, as sustaining our revenue growth rate may prove challenging, complicating the evaluation of our future prospects, while we face difficulties in executing our growth strategy and new initiatives.

In 2022, 2023 and 2024, we recorded total revenue of RMB400.1 million, RMB653.0 million and RMB848.2 million, respectively. In 2024, our total revenue increased by 29.9% as compared to that in the same period of 2023. However, you should not rely on the revenue growth of any prior period as an indication of our future performance. We cannot assure you that we will be able to manage our growth at the same rate as we did in the past or avoid any decline in the future. To maintain our growth, we need to expand our services and products offerings, broaden our customer base and strengthen our technology capabilities, among other activities. Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage the expected growth of our operations and personnel, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers in a cost-effective manner, respond in a timely manner to competitive challenges or otherwise execute our business strategies. Our growth requires significant financial resources and we will continue to place significant demands on our management. In addition, our management is tasked with the complex coordination of a vast workforce spread across multiple locations in China, which places considerable demands on managerial structures and resources. There is no guarantee that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner or at all.

Moreover, our growth strategy is influenced, in part, by our ability to implement our newly launched initiatives. We may also be unable to identify new opportunities for the rendition and deployment of our services and products. If and when we choose to enter new sectors, our market validation process may not guarantee our success. We may be unable to tailor services and products for a new sector or in the event that we enter a new sector by way of a strategic acquisition, we may be unable to leverage the acquired platform in time to take advantage of the identified market opportunity and any delay in our time-to-market could expose us to additional competition or other factors that could impede our success. Furthermore, any services and products we develop or acquire for a new sector may not provide the functionality required by potential customers and, as a result, may not achieve widespread market acceptance. To the extent we choose to enter new sectors, whether organically or via strategic acquisition, we may invest significant resources to develop and expand the functionality of services and products to meet the needs of customers in those sectors.

If we fail to effectively manage the growth of our business and operations or successfully implement our growth strategy, our reputation, results of operations and overall business and prospects may be materially and adversely impacted.

We recorded net losses and operating cash outflow in the past.

In 2022, we incurred a net loss of RMB59.1 million, due to the combined effect of (i) the business disruption caused by the pandemic in 2022; (ii) our continuous investment in research and development to maintain our competitiveness in the market; (iii) our increased distribution and selling expenses demonstrating our long-term dedication to effective customer coverage and fulfilling our customer-centric strategies; and (iv) our investment in maintaining the stability and quality of our delivery capacity. Our future profitability will depend on a variety of factors, including the expansion and performances of our company, competitive landscape, customer preference and the macroeconomic and regulatory environment. Therefore, our revenue may not grow at the rate we expect and may not increase sufficiently to offset the increase in our costs and expenses. As a result, we may incur losses in the future.

In 2022 and 2024, we incurred negative operating cash flow of RMB48.1 million and RMB9.5 million, respectively. See "Financial Information – Liquidity and Capital Resources – Cash Flow – Net Cash Generated From/(Used in) Operating Activities." If we continue to experience negative operating cash flows, our ability to sustain our operations and finance our business strategy may be adversely affected. This could necessitate additional financing to support our working capital requirements or to fund our expansion plans. There can be no assurance that such financing will be available to us on acceptable terms, or at all. If we are unable to generate positive cash flows or obtain external financing, we may need to curtail our operations or reduce our business ambitions, which could have a material adverse effect on our financial condition and results of operations.

We may not be able to procure new customer orders as planned or at a desirable pace or on favorable terms.

During the Track Record Period, we generally procured new customer orders through tender and bidding processes. The selection of a digital teaching and learning solution providers depends on a number of factors, including but not limited to the quality of services and products provided, the level of pricing and the operating capabilities of the provider. Tender outcome is ultimately at the discretion of the inviting party, and our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions and evolving government regulations as well as supply and demand dynamics within the industry. We cannot assure you that we will be able to maintain our high success rate in procuring new customer orders in the future as planned or at a desirable pace or on favorable terms.

Moreover, the tender and bidding process is subject to various laws and regulations in China. See "Regulatory Overview – Regulations on Tendering and Government Procurement". If we fail to follow the relevant regulations, we may be subject to fines and disqualified from the tender and bidding process and our business, financial condition and results of operations may be materially and adversely affected.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand are critical to maintaining and expanding our business. Maintaining and enhancing our brand depends largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative digital teaching and learning solutions for higher education institutions, which we cannot assure you we will achieve successfully.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful innovative digital teaching and learning solutions for higher education institutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our digital educational content and digital teaching and learning environment services and products through our sales team and a number of free traffic sources, including customers' word-of-mouth effect. Our efforts to market our brand have incurred significant costs and expenses, and we intend to continue such efforts. We cannot assure you, however, that our sales and marketing expenses will lead to increasing revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

If our services and products contain material errors, defects, or security issues, we may lose our customers and incur significant remedial costs.

Our digital educational content and digital teaching and learning environment services and products often, by their nature, contain technological errors, defects and security issues that are difficult to detect and rectify, particularly when introduced or when new versions or upgrades are implemented. Despite various tests, our digital educational content and digital teaching and learning environment services and products may contain material errors, defects and security issues, which we may not be able to fix in a timely manner or at all. We may incur significant expenses rectifying any material serious errors or defects and compensating our customers who are affected by such errors and defects. In addition, if we fail to provide the prescribed digital educational content and digital teaching and learning environment services and products to our customers in time or at all due to such material errors, defects and security issues, our customers may receive unsatisfactory service experiences which may impair our relationships with our existing customers and adversely affect our capability to expand our customer base.

Given that many of our customers use our digital educational content and digital teaching and learning environment services and products in critical parts of their teaching programs, any error, defect, or service interruption in our services and products could result in significant losses for our customers. Our customers may seek damages from us for any losses they incur as a result of such errors or cease using our digital educational content and digital teaching and learning environment services and products altogether. We cannot assure you that the disclaimers limiting our exposure to claims, which we typically include in the agreements with our customers, will be enforceable or give us adequate protections against liabilities. Moreover, our customers may share information about their poor experiences in the community, resulting in negative publicity about us. Such negative publicity could damage our reputation and future sales.

Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

AI technologies are at early stages of development and continue to evolve. Similar to many innovations, AI technologies present risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications that breach public confidence or violate applicable laws and regulations in China and other jurisdictions or litigation or other proceedings initiated by certain individuals claiming for infringement of legitimate rights such as privacy or personality rights. Such misuse could affect customer perception, public opinion and the views of policymakers and regulators and result in decreased adoption of AI technologies. For example, the European Parliament called for a ban on police use of facial recognition technology in public places. Though we do not have a presence in the European Union and it is uncertain whether the proposed ban will take effect eventually, the negative perception of AI technologies could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

We have invested significantly in our research and development efforts in AI technologies and its teaching and learning digitalization market applications, but we can make no assurance that these efforts will generate our expected returns or any return at all. AI technologies are constantly evolving. Failure to cope with the rapid development of AI technologies may materially and adversely affect our business, financial condition and results of operations. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our AI solutions. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner or at all. If the recommendations, forecasts or analysis that our AI solutions assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability and ethical or reputational harm. Any flaws or deficiencies in our AI technologies and solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects. Similar to many disruptive innovations, AI technologies present risks and challenges that could affect user perception and public opinion. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, whether intended or inadvertent and whether by us or by third parties, may dissuade prospective users from adopting AI solutions, may impair the general acceptance of AI solutions by society, attract negative publicity and adversely impact our reputation. It may even violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressure from activists and/or other organizations and heightened scrutiny by regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

If we fail to manage our technology infrastructure effectively, our existing customers may experience service outages and our new customers may experience delays in the deployment of our services and products.

We have experienced growth in the number of customers and data that our technology infrastructure supports. We seek to maintain sufficient excess capacity in our technology infrastructure to meet our customers' needs. We also seek to maintain excess capacity to facilitate rapid provision of new customer deployments and expansion of existing customer deployments. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and evolution of our services and products. However, provision of new hosting infrastructure requires a significant lead time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, spikes in customer usage and denial-of-service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and materially and adversely affect our business, financial condition and results of operations.

Security breaches, attacks against our systems and network and any potential resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and materially and adversely affect our financial condition and results of operations.

Our cybersecurity measures may not detect, prevent, or control all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence, or other attacks, risks, data leakage and similar disruptions that may cause service interruptions or jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against these attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation and business would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

We collect and have access to certain personal information belonging to users of our services and products through our system. Any failure or perceived failure to comply with data privacy, cybersecurity and data security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data, could subject us to potential liabilities.

We collect and have access to certain data relating to background information of our customers and users of our services and products, such as names, student/faculty IDs, major, university and department information, and processing such data and providing our services and products via information systems are subject to PRC laws and regulations regarding privacy and the protection of data and cybersecurity. See "Regulatory Overview – Regulations on Data Security, Cyber Security and Data Privacy Protection." We expect that the collection, use, processing and storage of personal information and data will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase the compliance costs of our Group and our customers. Furthermore, we are obliged to secure the safety of our information and network platform and keeping in compliance with relevant laws and regulations requires significant cost. We cannot guarantee that we will always be in compliance with such laws and regulations due to any misconduct of our employees, our misinterpretation of the laws and regulations, any changes of such laws and regulations, or further interpretation of such or any action of a third party. Our failure to comply with these laws and regulations in the collection, use or disclosure by us of personal information that we collect or which is accessed through our systems or cybersecurity may result in litigation or action against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

We cannot assure you that unauthorized third parties will not succeed in their attempts to obtain unauthorized access to any personal information relating to our customers and users of our services and products. Such information may also be exposed through human errors or other malfeasance. Any unauthorized access of such personal information or any compromise of our system security could have an adverse effect on our business, financial condition and results of operations.

We are dependent on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our senior management or other key employees could significantly delay or prevent us from achieving our strategic business objectives and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. If we lose the services of any member of our senior management or key employees, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

If we are unable to attract, retain and motivate qualified personnel, our business may be adversely affected.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel specializing in research and development and sales and marketing, particularly with experience in the China's higher education informatization market. The size and scope of our business may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. Competition for talent and qualified personnel in the industry in which we are involved is intense and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, we cannot assure you that these individuals would choose to join, or continue working for, us. In order to enhance the stability of our team and attract talent and qualified personnel, we have devoted ourselves to building a nurturing corporate culture and offered various incentives and training to our staff. Nevertheless, we cannot assure you that we can attract or retain talent and qualified personnel.

If we fail to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

We use third-party cloud-based infrastructure to support our business operations. Any disruption in the operations of these third-party providers, limitations on capacity, or interference with our use could adversely affect our business, financial condition and results of operations.

Our cloud infrastructure hosting our Cloud LMS (learning management system) for our customers is operated and maintained by our own servers operated in custody with a third-party data center and we use various third-party cloud infrastructures to support certain aspects of our business operations. We do not control, or in some cases have limited control over, the operation of the facilities or technologies we use from the third-party vendors. Customers expect to access our services at any time, without interruption or degradation of performance. Any limitation on the capacity of our cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our cloud infrastructure that may be caused by cyberattacks or natural disasters, such as fires, floods, severe storms, or earthquakes, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect our platform. A prolonged service disruption for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

In the event that our service agreements relating to our third-party cloud infrastructure are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of Internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to our platform, as well as significant delays and additional expenses in arranging or creating new facilities and services or re-architecting our platform for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

We engage third-party suppliers for certain hardware and services. If any of these third-party suppliers terminates its business relationship with us, any issues related to such hardware or services could damage our reputation and sales, which may adversely affect our business.

We collaborate with external hardware suppliers to offer an attractive user experience and drive customer acceptance of our services and products. For example, we collaborate with hardware suppliers in relation to devices such as digital podiums, audio devices and panoramic screens. We anticipate that we will continue to rely on such third-party suppliers in the future. We believe that we have long and stable relationships with our existing large third-party suppliers. However, the stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure stable relationships and high-quality outsourced hardware with our large suppliers. If any of our large suppliers terminates its business relationship with us, we may encounter difficulty in finding a replacement that can provide services or hardware of equal quality at a similar price.

Integrating new third-party hardware and services into our existing services and products may consume a significant amount of our time and resources. Our services and products depend on the successful operation of third-party hardware in conjunction with our software, so any undetected errors or defects in the third-party hardware and services could impair our services and products.

Our employees and business partners may engage in intentional or negligent misconduct or other improper activities, or violate laws, our internal policies, or the policies of our customers, which could impair the quality of our services and products, cause us to lose customers, or subject us to liability.

We risk compromising the quality of our digital educational content and digital teaching and learning environment services and products if our employees and business partners do not perform in accordance with our standards. We have policies and guidelines to monitor and ensure the services and products delivered are of satisfactory standards. We have also adopted and implemented a series of onboarding procedures designed to verify the integrity and qualifications of our employees and business partners. However, we cannot guarantee that our employees and business partners will not commit any misconduct. Furthermore, we may be exposed to the risks of fraud or other misconduct committed by our employees and business partners. Fraud or other misconduct by our employees and business partners may involve engaging in unauthorized misrepresentation to our potential customers, misappropriating third-party intellectual property and other proprietary rights, misusing sensitive personal information and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our customers or candidates for fraud or misconduct committed by such third parties. Any claims could subject us to costly litigation and impose a significant strain on our financial resources and the attention of management personnel regardless of whether the claims have merit, any of which could result in customers' and candidates' complaints and regulatory and legal liabilities, as well as serious harm to our reputation.

We may not be able to adequately protect our intellectual property rights and may be subject to intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations.

Our trade secrets, trademarks, copyrights, patents and other intellectual property rights are critical to our success. We rely on and expect to continue to rely on agreements with our employees and third parties to protect our intellectual properties. However, events beyond our control may pose threats to our intellectual property rights and the integrity of our products and brand. Effective protection of our trademarks, copyrights, domain names, patent rights and other intellectual property rights is expensive and challenging. In addition, our intellectual property rights may be declared invalid or unenforceable by the courts.

Similarly, to protect our unpatented proprietary information and technology, such as trade secrets, we rely on our agreements with employees and third parties that contain restrictions on the use and disclosure of such information or technology. For example, our employees are required to keep confidential any unpatented proprietary information and technology during the contract term and two years after the termination of their employment agreement. These agreements may be inadequate or may be breached, either of which could potentially result in the unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our competitive advantages derived from such intellectual property rights. Significant impairments of our intellectual property rights may result in a material and adverse effect on our business.

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

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations and seek to continue to improve these systems. See "Business – Risk Management and Internal Control." Our risk management and internal controls depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services and products in the future, the diversification of our offerings will require us to continue to enhance our risk management capabilities. If we fail to adapt our risk management policies and procedures to our changing business, our business in a timely manner, results of operations and financial condition could be materially and adversely affected.

Export control and economic or trade restrictions that were imposed on a number of entities may affect our business, financial conditions and results of operations.

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and export controls administered by the relevant government authorities involving the country in which we operate, and other geopolitical challenges. The U.S. government imposed targeted economic and trade restrictions on a number of Chinese companies and institutions that limit their access to U.S.-origin goods, software, and technologies (collectively, "**items**"), as well as items that contain a significant portion of certain U.S.-origin items or are a direct product of certain U.S.-origin items. We have conducted business with some of these entities and our business operation is subject to the evolving export controls administered by the relevant government authorities. If the U.S. government imposes more stringent restrictions, or if relevant government authorities interpret the current regulations differently from our view, our sales may be negatively affected.

Although our current services and products are not subject to the scope of the Export Administration Regulations ("**EAR**"), U.S. export controls and trade laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are out of our control or heightened by national security concerns. Such potential restrictions, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may, among other things, delay or impede the development of our services and products, hinder the stability of our supply chain, and may result in negative publicity, require significant management time and attention, any of which may have an adverse effect on our business, financial condition and results of operations.

Negative publicity and allegations involving us, our shareholders, directors, supervisors, officers, employees and business partners may adversely affect our reputation, business, financial condition and results of operations.

We, our shareholders, directors, supervisors, officers, employees, associates and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could change the market perception that we are a trustworthy services and products provider. In addition, to the extent our employees and business partners were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs responding to allegations and negative publicity and may not be able to settle these issues to the satisfaction of our investors and customers.

Our use of open-source software could subject us to possible litigation.

We use open-source softwares in connection with our services and products. Companies that incorporate open-source software into their products and services may, from time to time, face claims challenging the ownership of open-source software and compliance with open-source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open-source software or non-compliance with open-source licensing terms. Some open-source software licenses require users who distribute open-source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open-source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, financial condition and results of operations.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to litigation, disputes, or claims of various types brought by our competitors, employees, customers, business partners, or others in matters relating to contractual or labor disputes, intellectual property infringements, or claims and disputes involving the misconduct of our employees. We cannot assure you that we will not be subject to similar disputes, complaints, or legal proceedings in the future, which may damage our reputation, evolve into litigations, or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, subjects us to the risk of significant damages, requires significant management of time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. If there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

Any failure to obtain and maintain the approvals, licenses and permits required for our operations may materially and adversely affect our business and results of operations.

Our business requires us to obtain and renew, from time to time, relevant approvals, licenses and permits, If we fail to obtain, maintain, or renew any necessary approval, license, or permit for our operations in a timely manner or at all, or if the scope of our operations exceeds the scope permitted under the applicable approvals, licenses and permits, we may be subject to fines, penalties, or the suspension of operations or even the revocation of operating licenses, and our business, financial condition and results of operations may be materially and adversely affected.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we did not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. In addition, we did not maintain keyman insurance, insurance policies covering damages to our network infrastructures or information technology systems, or any insurance policies for our properties. However, any uninsured losses may result in us incurring substantial costs and the diversion of our resources, which could have an adverse effect on our business and results of operations.

The discontinuation or fluctuation of any government grants could adversely affect our financial position, results of operations, cash flows and prospects.

During the Track Record Period, we received government grants which mainly include financial subsidies from local government authorities with certain specified conditions, as well as the amortization of deferred government grants. In 2022, 2023 and 2024, we recognized government grants of RMB13.3 million, RMB10.8 million and RMB8.6 million as other income, respectively. We cannot assure you that we will continue to receive such government grants from local government authorities or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received could have a material and adverse effect on our business, financial condition and results of operations.

Our results of operations are subject to seasonal fluctuations.

We have experienced and expect to continue to experience seasonal fluctuations depending on the relevant time of a year in our results of operations. Our services and products is subject to seasonal fluctuations depending on our customers' annual procurement timeline. Our customers, which primarily consist of higher education institutions in China, generally finalize their annual procurement schedules and budgets for digital teaching and learning solutions during the first quarter of the year, while companies operating in China's higher education teaching and learning digitalization market, such as us, generally communicate with these higher education institutions about their demands, participate in relevant project bidding, as well as deliver their services and products in the remaining period of the year. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance.

Failure to make timely social insurance and housing provident fund contributions for some of our employees as required by PRC laws and regulations may subject us to late payments and fines imposed by relevant governmental authorities.

Companies operating in the PRC are required to make social insurance and housing provident funds for their employees. During the Track Record Period, since some of our employees prefer their social insurance and housing provident funds to be paid at their respective residences for the convenience of utilizing such benefits locally, we engaged a third-party agent to pay social insurance and housing provident funds for them. As of the Latest Practicable Date, we had ceased such abovementioned arrangements and made rectifications in this respect and, as advised by our PRC Legal Advisor, we had complied with the requirements to pay for the social insurance and housing provident funds under our own accounts in all material respects. Despite we took such rectification measures, we cannot guarantee that we will not be subject to additional contribution, late payment fee or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer if relevant authorities determine our historical use of third-party agent to pay social insurance and housing provident funds to be non-compliant as required by applicable PRC laws and regulations. This in turn may affect our financial condition and results of operations.

In addition, we did not pay social insurance and housing provident fund contributions in the full amount for certain employees. See "Business – Employees – Social Insurance and Housing Provident Funds." We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future. We may be ordered by the relevant authorities to pay the overdue contributions within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People's Court. Any such order may materially and adversely affect our business, financial condition and results of operations.

Our rights to use some of our leased properties could be challenged by property owners or other third parties due to defects, which may adversely affect our business operations and financial condition.

We leased certain properties in the PRC in connection with our business operations. As of the Latest Practicable Date, (i) eight of the lessors of our lease properties did not provide valid title certificates or authorization for leasing; (ii) the actual usages of nine leased property were used for purposes inconsistent with their respective designated use; and (iii) 46 lease agreements had not been registered with relevant authorities as required by applicable PRC laws and regulations. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period, and as such, the potential maximum penalties in relation to the aforementioned incidents is approximately RMB0.5 million. See "Business – Properties." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to such leases. If any of these challenges are successful, the lease may be affected and we may be required to relocate from these relevant properties. If we fail to find qualified alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from challenges to our leases of properties for which our lessors do not hold valid titles or failed to complete the necessary procedures, our business, financial condition and results of operations may be materially and adversely affected.

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

Any future occurrence of force majeure events, natural disasters, or outbreaks of pandemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the COVID-19 pandemic, may materially and adversely affect our business, financial condition and results of operations. An outbreak of a pandemic or contagious disease or other adverse public health developments in China or elsewhere in the world could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business.

Moreover, the regions where we primarily operate have experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of pandemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such events, will not seriously disrupt our operations or those of our customers and other business partners, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

Our contract liabilities primarily represented the advance payment from customers for our services and products. We recorded contract liabilities of RMB131.0 million, RMB124.5 million and RMB113.4 million as of December 31, 2022, 2023 and 2024, respectively. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Contract Liabilities."

If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments we have received. This may materially and adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, our relationship with such customers may deteriorate, which may also affect our reputation and financial condition in the future.

Fair value changes for our financial assets at fair value through profit or loss may adversely affect our financial condition and results of operations.

As of December 31, 2022, 2023 and 2024, our financial assets at fair value through profit or loss amounted to RMB70.1 million, RMB120.0 million and RMB48.0 million, respectively. In 2022, 2023 and 2024, we had financial assets at fair value through profit or loss comprised of investments in wealth management products issued by banks, of which fair value is measured based on discounted cash flows. According to our accounting policy in respect of fair value measurements, the valuation basis of our financial assets amounts to unobservable input for the relevant asset (level 3 fair value measurement). Should there be any valuation uncertainties from such unobservable input, the value of our financial assets recognized in profit or loss due to fair value change may be overestimated or underestimated by our management. In addition, we are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect the fair value of our financial assets. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Financial Assets at Fair Value Through Profit or Loss." We cannot guarantee that the fair value of our financial assets will not fall or always remain stable. If there is a decrease in fair value of our financial assets, our results of operations and financial conditions may be adversely affected.

RISKS RELATING TO LAWS AND REGULATIONS

Our business is subject to various evolving laws and regulations. Any adverse changes in the regulatory regime relating to the areas where we operate businesses may affect our ability to provide offerings, thereby materially and adversely affecting our business, financial condition and results of operations.

The operations of our businesses are subject to various laws, rules and regulations at the national and regional levels of China's higher education industry. Such laws, rules and regulations mainly relate to the Company Law, the Telecommunications Regulations and the Administrative Regulations on Publication, among other things. Compliance with these laws and regulations could cause difficulties and incur higher costs. New laws or regulations or developments to laws and regulations could impose additional compliance costs, reduce our revenue and require us to change our operations to ensure compliance or otherwise change our business.

In recent years, the PRC government has, on many occasions, introduced new laws, rules and regulations relevant to our businesses and amended or replaced the current applicable regulations, requiring us to conduct business with newly enacted oversight and regulatory compliance. Any developments in the applicable laws, rules and regulations could require us to obtain newly enacted licenses, permits, approvals, or certificates, increase our operational expenses or result in the invalidation of licenses, permits, approvals, or certificates we currently have.

Newly promulgated laws and regulations may be subject to further variations in application, interpretation and implementation. As a result, we may not become aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the developments in the regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel, or services to comply with the latest laws and regulations in light of developments in the regulatory environment, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

Developments in economic conditions could adversely affect our business, financial condition, results of operations, cash flows and prospects.

All of our current businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and, as a result, our business, financial condition and results of operations are influenced by the overall economic environment in the PRC. The PRC government regulates the economy and industries by imposing industrial policies and regulating the PRC's macroeconomy through fiscal and monetary policies. Our performance is affected by China's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world could also impact China's economy. We are unable to predict all the risks that we face as a result of current economic and regulatory developments, and many of these risks are beyond our control. All such factors may materially and adversely affect our business and results of operations as well as our financial performance.

The remittance of Renminbi into and out of the PRC and governmental administration of currency conversion may affect our ability to pay dividends and other obligations and affect the value of your investment.

The PRC government regulates the convertibility of Renminbi into foreign currencies. We receive all of our revenue in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations. Shortages in the availability of foreign currency may affect our ability to remit sufficient foreign currency or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Under the relevant laws and regulations, the government is eligible to take necessary measures to guarantee and regulate the international balance of payments when serious balance disequilibrium of payments occurs, or it is possible that it may occur, or other legal circumstances occur. If the foreign exchange administration system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Data protection, cybersecurity, privacy and similar laws in China and other jurisdictions regulate the collection, use and disclosure of information and data and cybersecurity and failure to comply with or adapt to changes in these laws could materially and adversely harm our business.

Our business collects and processes certain data, including students' personal data and other information and data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

As collecting, using, storing, sharing, transferring and disclosing personal data are highly regulated in the PRC, we have adopted various measures to ensure our compliance with the confidentiality of personal data. However, these measures may not always be effective and there can be no guarantee that we can completely protect the information from leakage and constantly maintain compliance within an evolving regulatory environment. Such information could be divulged due to, for example, theft or misuse arising from employee misconduct or negligence or compromised in the event of a security breach of any third-party online platform we use. The activities of such parties are beyond our control, and there is no guarantee as to the effectiveness of the measures we have taken to urge and supervise third parties to abide by applicable cybersecurity and data privacy and protection laws and regulations. If any third party fails, or is deemed to have failed, to obtain authorization from the subject of personal information in a reasonable and lawful manner, or to comply with applicable cybersecurity and data privacy and protection laws and regulations, it may also have a material adverse effect on our businesses as well as our reputation.

Additionally, a technological failure or security breach may result in the violation of regulations, and may lead to civil, administrative, or criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations. Regulators have increased their focus on data protection, cybersecurity and privacy in the PRC. In addition, any developments in applicable laws and regulations could impose more stringent requirements on us and subject us to increased compliance costs, which may have a material and adverse effect on our business, financial condition and results of operations.

Due to the ongoing developments of the regulatory environment, there can be no assurance that our operation will consistently comply with the applicable laws and regulations on data protection, cybersecurity and privacy laws, regulations and policies. If we fail to do so, we may become subject to fines or other penalties, such as being required to cease operations or modify the functionalities or contents of our platform, or we may choose to terminate certain operations if we determine that the requirements to operate in compliance are overly burdensome. In each case, our business, financial condition and results of operations may be materially and adversely affected.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**") and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators ("**CIIOs**") purchasing network products and services which affect or may affect national security, must file for the cybersecurity review; (ii) Internet platform operators holding the personal information of more than one million users seeking a listing in a foreign country ("**Foreign Listing**") must file for the cybersecurity review; and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data-processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO or being involved in any investigations of cybersecurity review by cybersecurity authorities.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, or privacy protection nor had there been material cybersecurity and data protection or privacy protection incidents or infringement upon any third parties or other legal proceedings or administrative or governmental proceedings pending or, to the best of our knowledge, threatened against or relating to us regarding to cybersecurity, data protection and privacy protection. Additionally, we have established a set of internal policies, procedures and measures with designated responsible personnel in accordance with the applicable laws and regulations relating to user data privacy and security. Based on the aforementioned factors, we and our PRC Data Compliance Legal Advisor believe that (i) as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, privacy and personal information protection in all material aspects and (ii) the cybersecurity-related regulations will not have any material and adverse effect on our business operations or the **[REDACTED]**. Based on our PRC Data Compliance Legal Advisor's consultations with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**", currently the China Cybersecurity Review, Certification and Market Regulation Big Data Center, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines) on April 17, 2024, (i) a listing in Hong Kong does not fall within the definition of "Foreign Listing," and therefore the obligation to proactively apply for a cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the **[REDACTED]**.

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

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon the exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon the exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by competent governmental authorities.

Also, pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in the Stock Incentive Plan of an Overseas Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. After our company becomes an overseas **[REDACTED]** company upon completion of the **[REDACTED]**, we and our directors, executive officers and other employees who are PRC residents and who have been granted share-based awards may follow SAFE Circular 7 to register with SAFE or its local counterparts. We will make efforts to comply with these requirements upon completion of our initial **[REDACTED]**. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also affect the ability to make payments under our share incentive plans or receive dividends or sales proceeds related thereto or our ability to contribute additional capital to our wholly foreign-owned enterprises in China and limit our wholly foreign-owned enterprises' ability to distribute dividends to us.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system and take necessary measures to implement their confidentiality and archive management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations, or financial conditions.

Given that the Archives Rules were recently promulgated, their interpretation, application and enforcement are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC, and all our non-current assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management may also be located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon our Directors, Supervisors and senior management outside the PRC. In addition, investors may also experience difficulties in enforcing judgments due to the lack of reciprocal recognition and enforcement of judicial rulings and awards of other jurisdictions.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the **[REDACTED]** of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose new requirements on us or otherwise tighten the regulations on us. If it is determined in the future that new approval from or filing with the CSRC or other regulatory authorities or other procedures is required, we may fail to obtain such approval, perform such filing procedures, or meet such new requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition. Furthermore, any unforeseeable circumstances and/or negative publicity regarding such an approval, filing, or other requirements may also have a material adverse effect on the price of our shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to completion of the **[REDACTED]**, there has been no public market for our Shares. There can be no guarantee that an active **[REDACTED]** market for our Shares will develop or be sustained after completion of the **[REDACTED]**. The market price of our Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**. Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all existing Shareholders (including the Pre-**[REDACTED]** Investors) could not dispose of any of the Shares held by them. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

The liquidity, [REDACTED] volume and market price of our Shares following the [REDACTED] may be volatile, which could result in substantial losses to you.

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

You will experience immediate dilution and may experience further dilution if we issue additional Shares or other equity securities in the future.

As the **[REDACTED]** of our Shares is higher than the consolidated net tangible assets per share immediately prior to the **[REDACTED]**, purchasers of our Shares in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the **[REDACTED]** adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

Any possible conversion of our Domestic [REDACTED] Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

We have applied to the CSRC for the conversion of a portion of our Domestic **[REDACTED]** Shares into H Shares. If the conversion is filed by the CSRC, such a portion of the Domestic **[REDACTED]** Shares will be converted into H Shares upon the **[REDACTED]**, which will be **[REDACTED]** and **[REDACTED]** on the Stock Exchange. If our separate application is filed with the CSRC, our remaining Domestic **[REDACTED]** Shares may also be converted into H Shares in the future, and such converted shares may be **[REDACTED]** or **[REDACTED]** on an overseas stock exchange, provided that prior to the conversion and **[REDACTED]** of such converted shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the filing notice from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing. Therefore, upon obtaining the requisite approval and filing notice, our Domestic **[REDACTED]** Shares may be **[REDACTED]**, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange one year after the **[REDACTED]**, which at that time could further increase the number of our H Shares available in the market and may negatively impact the market price of our H Shares.

Establishing share option scheme and granting options under it may affect our result of operation and dilute Shareholders' percentage of ownership

We may establish share option scheme and grant share options under such scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operation. Issuance of Shares for the purpose of satisfying any award made under such share option scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No share option scheme has been established as of the Latest Practicable Date.

Our Controlling Shareholders have significant influence over us, and their interests may not always be aligned with the interest of our other Shareholders.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), our Controlling Shareholders will control approximately **[REDACTED]**% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying, preventing, or deterring a change in control of us that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

We cannot assure you whether and when we will declare and pay dividends in the future.

We may not be able to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our H Shares as a source of any future dividend income.

Our ability to pay dividends will depend on various factors, including whether we are able to generate sufficient earnings. The distribution of dividends shall be proposed by our Board of Directors at their discretion and will be subject to corporate approval processes. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS Accounting Standards, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers, Controlling Shareholder and Pre-[REDACTED] Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers, Controlling Shareholder and Pre-**[REDACTED]** Investors, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are not currently aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

We cannot guarantee the accuracy of certain facts and statistics contained in this document.

Certain facts and statistics in this document have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Information derived from official government sources has not been independently verified by us or any of the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]** and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this document.

Forward-looking information in this Document is subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events, or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this Document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations, or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the **[REDACTED]** and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views, or opinions expressed by the press or other media regarding our Shares, the **[REDACTED]**, or us. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports, or publications in making their decisions as to whether to invest in our **[REDACTED]**. By applying to purchase our Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the **[REDACTED]**.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters is based, and most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. we have appointed Mr. XI Puzhao and Ms. YEUNG Siu Wai Kitty ("**Ms. Yeung**") as our authorized representatives (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

4. we have appointed Silver Nile Global Investments Limited as our compliance advisor (the "**Compliance Advisor**") upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Hong Kong Stock Exchange during the period from the **[REDACTED]** to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the **[REDACTED]**; and

5. each of our Directors has provided his/her mobile phone numbers, office phone numbers, e-mail addresses and fax numbers (where available) to the Hong Kong Stock Exchange. In the event that a Director expects to travel and be out of office, he/she shall provide to the Authorized Representatives the phone numbers of the place of his/her accommodations or the phone numbers where he/she can be contacted.

6. meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our Authorized Representatives or our Company's Compliance Advisor, or directly with our Directors within a reasonable period. Our Company will inform the Hong Kong Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, the Directors and/or the Compliance Advisor of our Company in accordance with the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of **[REDACTED]** (the "**Waiver Period**") and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Ms. CAO Rui ("**Ms. Cao**") and Ms. Yeung as the joint company secretaries of our Company. Ms. Cao, our chief financial officer and secretary of the Board, is responsible for financial management of our Group and has extensive experience in board and corporate management matters but personally does not process any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Yeung, a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Cao for an initial period of three years from the **[REDACTED]** to enable Ms. Cao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management – Joint Company Secretaries" in this Document for further information regarding the qualifications of Ms. Cao and Ms. Yeung. By virtue of Ms. Cao's experience and familiarity with our Company, we believe she is capable of discharging the duties as one of the joint company secretaries and is suitable to act in this capacity. Furthermore, given that the main operations of our Company are located in the PRC, we believe that it would be in the best interests of our Company and our corporate governance to have Ms. Cao, who possesses the relevant background and experience in the PRC, to act as our joint company secretary. The waiver will be revoked if and when Ms. Yeung ceases to provide assistance to Ms. Cao as a joint company secretary.

Accordingly, whilst Ms. Cao does not possess the formal qualifications required of a company secretary under Rules 3.28 and 8.17 of the Listing Rules, based on the above reasons, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Cao will be appointed as our joint company secretary.

The waiver [was granted] for a three-year period on the condition that Ms. Yeung, as a joint company secretary of our Company, will work closely with, and provide assistance to Ms. Cao, in the discharge of her duties as a joint company secretary for an initial period of three years from the **[REDACTED]**. Ms. Yeung is a suitably qualified person to render assistance to Ms. Cao so as to enable her to acquire the "relevant experience" required of a company secretary under Rule 3.28 of the Listing Rules. In addition, Ms. Cao will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Our Company will further ensure that Ms. Cao has access to the relevant training and support that would strengthen her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange.

Before the expiration of the end of the three-year period, the qualifications and experience of Ms. Cao and the need for on-going assistance from Ms. Yeung will be evaluated by our Company. Our Company will liaise with the Hong Kong Stock Exchange before the end of the three-year period to enable it to assess whether, having benefited from the assistance of Ms. Yeung for the preceding three years, Ms. Cao has attained the relevant experience (within the meaning of Rule 3.28 Note 2) and is capable of discharging the duties of a company secretary so that a further partial waiver will not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

For further information on our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" of this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WANG Hui (王暉)	Room 2603, No. 5, Lane 768 Dingxi Road, Changning District Shanghai PRC	Chinese
Mr. XI Puzhao (襲普照)	Room 1102, No. 23, Lane 2328 Yishan Road, Minhang District Shanghai PRC	Chinese
Ms. WANG Xin (王欣)	No. 35, Lane 888 Minghua Road, Xinqiao Town Songjiang District Shanghai PRC	Chinese
Non-executive Directors		
Ms. GE Xin (葛新)	Room 2603, No. 5, Lane 768 Dingxi Road, Changning District Shanghai PRC	Chinese
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Principal Place of Business in Hong Kong	Room 1910, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
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Remuneration Committee	Prof. MA Xufei (馬旭飛) *(Chairman)* Prof. LIU Ningrong (劉寧榮) Mr. WANG Hui (王暉)
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*The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the* **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Sole Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

CHINA'S HIGHER EDUCATION INFORMATIZATION MARKET

Overview of China's Education Informatization Market

With the booming digital economy in China, the education informatization market has also witnessed significant development. The main source of funding for the education informatization market is the national fiscal expenditure on education. According to the explicit requirements of the Chinese government, the government fiscal expenditure on education should account for no less than 4% of the GDP. In addition, since 2011 the Ministry of Education has explicitly proposed that governments at all levels should allocate funding for education informatization at a rate of no less than 8% of the fiscal expenditure on education. The above-mentioned two explicit budget requirements for fiscal expenditure on education and education informatization support the stable and sustainable growth of the education informatization market.

In 2023, the education informatization expenditure in China reached RMB479.0 billion, representing a CAGR of 4.5% during the period from 2019 to 2023. By 2028, the education informatization expenditure in China is expected to reach RMB591.4 billion, with a CAGR of 4.7% from 2023 to 2028.

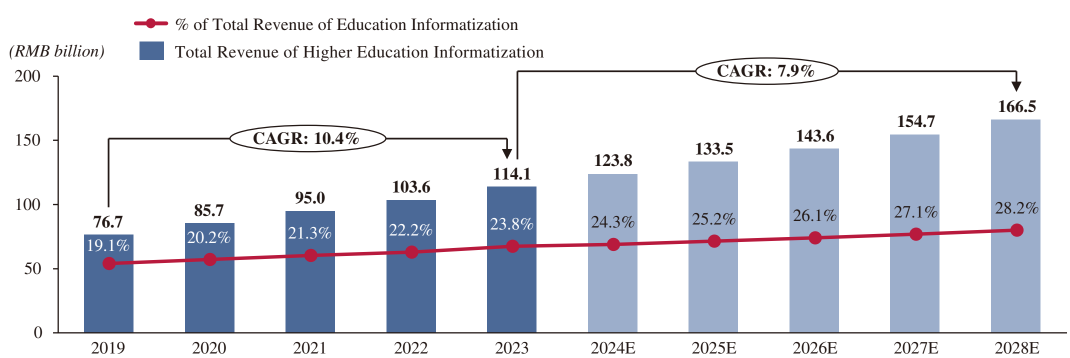
Market Size of China's Higher Education Informatization Market

Higher education informatization refers to the use of information technologies to carry out comprehensive, systematic and in-depth informatization transformation and upgrading of campus management, teaching and learning and scientific research activities of higher education institutions. Higher education informatization aims to improve the quality, efficiency and effectiveness of higher education.

The 2024 "Chinese Government Work Report" reiterates the significance of in-depth implementation of the strategy of developing the country through science and education. Higher education plays a crucial role in China's high-quality development process, especially for high-skilled talents cultivation, innovative scientific research and public services. The use of information technology in higher education is widespread due to the wide range of disciplines and the rapid iteration of knowledge under higher education. Under the influence of rapid development and iteration of revolutionary technologies, greater policy orientation and financial support will be given to higher education informatization. By 2023, the government expenditure on higher education informatization reached RMB114.1 billion, accounting for 23.8% of the total education informatization expenditure. Accompanied by a steady increase in fiscal support for education, continued growth in the number of students and policy support from central and local governments, higher education informatization is accelerating and will continue to be the largest subsegment in education informatization in terms of annual additional investment in the future.

The market size of higher education informatization in terms of total revenue in China reached RMB114.1 billion in 2023, with a CAGR of 10.4% from 2019. By 2028, the market size of higher education informatization in terms of total revenue in China is expected to reach RMB166.5 billion, with a CAGR of 7.9% from 2023 to 2028.

Market Size of Higher Education Informatization (China), 2019–2028E



Source: Ministry of Education, National Bureau of Statistics, Frost & Sullivan

Market Size of China's Higher Education Informatization Market by Application Scenario

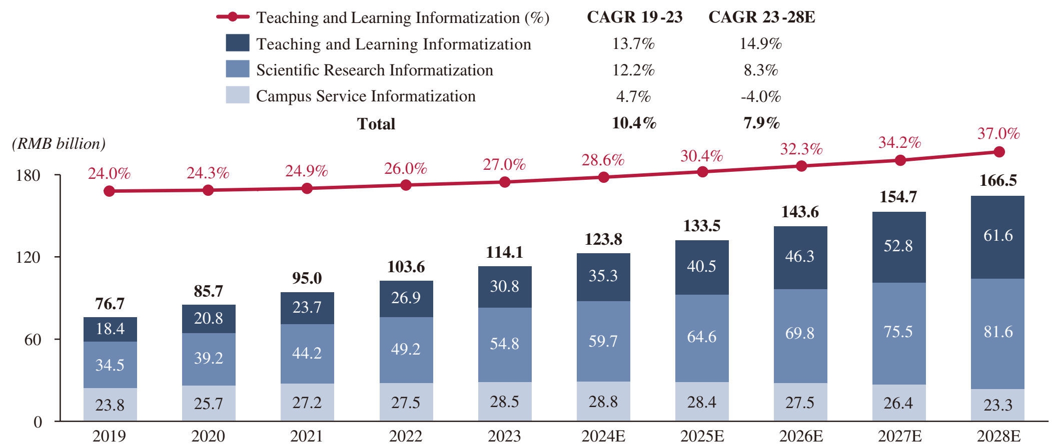
China's higher education informatization can be divided into teaching and learning informatization, scientific research informatization and campus service informatization by application scenario. Teaching and learning informatization in higher education institutions mainly focuses on teaching and learning activities, including informatization of teaching and learning content, methods, resources and evaluation. Related applications include, but are not limited to, online courses (such as MOOCs), virtual simulation courses, digital classrooms, teaching resource management platforms and knowledge graphs. Scientific research informatization mainly focuses on scientific research activities, including the construction of research laboratories and the purchase and consumption of research-related equipment and consumables. Related applications include, but not limited to, database sharing, university instrument and equipment sharing systems. Campus service informatization refers to the informatization solutions adopted by higher education institutions in the areas of operation, management and logistic services and the main applications include campus administration management system and library management system.

In the past ten years, the construction of campus informational hardware facilities and equipment of higher education institutions developed rapidly, with the average annual informatization expenditure exceeding RMB10.0 million for each higher education institution. By the end of 2023, the construction of campus informational hardware facilities and equipment of higher education institutions has been highly penetrated, and more than 90% of the higher education institutions have implemented campus service systems such as campus administration management system and library management system. In the past ten years, the average campus service informatization expenditure cumulatively reached approximately RMB30.0 million for each higher education institution, and the campus service informatization expenditure per institution in developed regions in China is near saturation. As campus service informatization construction entering the operational stage, future expenditure on higher education campus service informatization are expected to decrease correspondingly. The market size of campus service informatization in terms of revenue reached RMB28.5 billion in 2023, with a CAGR of 4.7% from 2019 to 2023. It is expected to decrease to RMB23.3 billion in 2028, with a CAGR of -4.0% from 2023 to 2028. The development of campus service informatization has also laid the foundation for scientific research informatization, and teaching and learning informatization in higher education.

Scientific research informatization is another important subsegment of the higher education informatization market. The market size of higher education scientific research informatization in terms of revenue reached RMB54.8 billion in 2023, with a CAGR of 12.2% from 2019 to 2023. With the rising demand for emerging technologies in scientific research activities, the market size of higher education scientific research informatization is expected to increase to RMB81.6 billion in 2028, with a CAGR of 8.3% from 2023 to 2028.

Teaching and learning informatization is the most promising subsegment of higher education informatization. Higher education teaching and learning informatization has become the core of higher education informatization. In recent years, the relevant national departments have increasingly emphasized the importance of teaching and learning informatization. The Ministry of Education and other six departments in the "Promoting the Construction of New Educational Infrastructure to Build a High-quality Education Support System of the Guiding Opinions" (《關於推進教育新型基礎設施建設構建高質量教育支撐體系的指導意見》) clearly state that, "to improve the digital teaching and learning facilities, upgrade multimedia teaching equipment, introduce high-definition live and recording teaching methods; to establish subject-specific classrooms and teaching laboratories, and create a vivid and intuitive teaching and learning environment through perceptual interaction, simulation experiments and other equipment; where possible, to popularize personalized teaching and learning devices that meet technical standards and learning needs; to support the construction of video interactive systems that meet teaching and management needs, and support home learning and home-school interaction." After the COVID-19 pandemic, teachers and students in higher education are accustomed to a robust, flexible and efficient technology-based teaching and learning system, which stimulates further investment in higher education teaching and learning informatization. In the future, higher education teaching and learning informatization is expected to become one of the two mainstays of higher education informatization. The market size of higher education teaching and learning informatization in terms of revenue reached RMB30.8 billion in 2023, with a CAGR of 13.7% from 2019 to 2023. It is expected to increase to RMB61.6 billion in 2028, with a CAGR of 14.9% from 2023 to 2028. The revenue of higher education teaching and learning informatization accounted for 27.0% of the total revenue of higher education informatization, and this share is expected to rise continuously and to reach 37.0% in 2028.

Market Size of Higher Education Informatization by Application Scenario (China), 2019–2028E



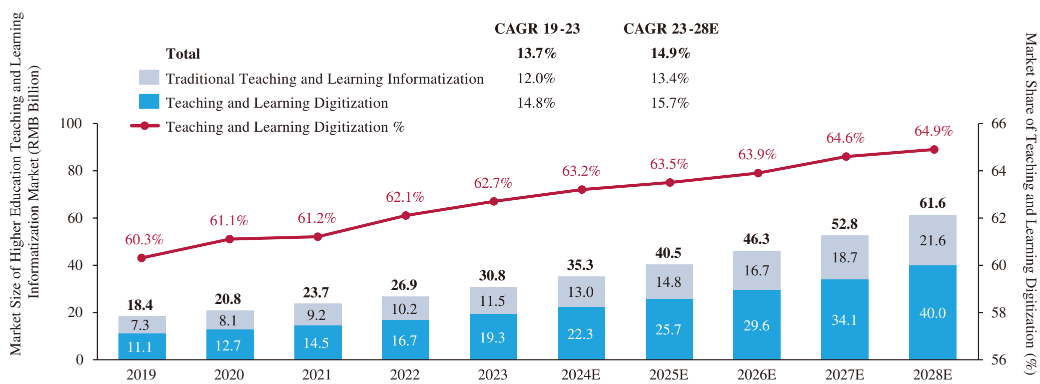
Source: Ministry of Education, National Bureau of Statistics, Frost & Sullivan

OVERVIEW OF CHINA'S HIGHER EDUCATION TEACHING AND LEARNING INFORMATIZATION MARKET

Market Size and Growth of China's Higher Education Teaching and Learning Informatization Market

With the rise in government expenditure on higher education informatization and the growing proportion of expenditure on teaching and learning informatization, the market size of China's higher education teaching and learning informatization market increased from RMB18.4 billion in 2019 to RMB30.8 billion in 2023, with a CAGR of 13.7%. It is expected to reach RMB61.6 billion by 2028, representing a CAGR of 14.9% from 2023 to 2028. In terms of development stage, higher education teaching and informatization market can be divided into traditional teaching and learning informatization and teaching and learning digitalization. The market share of higher education teaching and learning digitalization has increased from 60.3% in 2019 to 62.7% in 2023, and is expected to reach 64.9% by 2028.

Market Size of Higher Education Teaching and Learning Informatization Market by Development Stage (China), 2019–2028E



Source: Ministry of Education, National Bureau of Statistics, Frost & Sullivan

Market Size and Growth of China's Higher Education Teaching and Learning Digitalization Market

Under the strong support of the government and the active response of higher education institutions to digitalization policies, the market size of China's higher education teaching and learning digitalization market has grown from RMB11.1 billion in 2019 to RMB19.3 billion in 2023, with a CAGR of 14.8%. It is expected to reach RMB40.0 billion by 2028, with a CAGR of 15.7% from 2023 to 2028. The higher education teaching and learning digitalization market can be categorized into two sub-markets by product or service type: higher education digital educational content production market and higher education digital teaching and learning environment market.

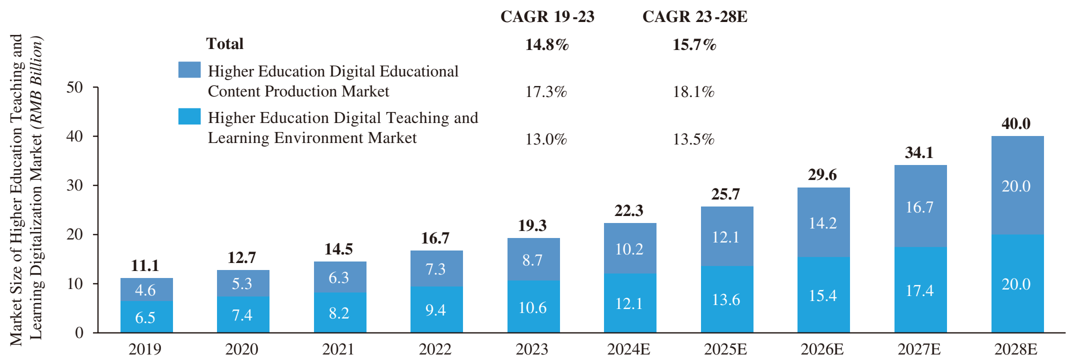
Digital educational content production is the core of education, the starting point and foundation of teaching and learning digitalization in higher education. High-quality educational content is carefully designed and produced by outstanding teaching teams within higher institutions, based on curricula. Capturing the teaching process or creating course materials allows students to watch independently or engage in hands-on learning, laying an important content foundation for digital teaching. In 2023, higher education digital educational content production market accounted for 45.1% of the overall market size of higher education teaching and learning digitalization in China, and is projected to reach 50% by 2028.

Digital teaching and learning environment represents the environmental carrier for education, such as smart classrooms and LMS (learning management system). These are intended to provide teachers and students with an immersive teaching experience and to serve personalized user requirements in various scenarios. It also refers to cloud platforms, software, or cloud-based APIs provided to higher education institutions to facilitate the management of their teaching resources. These tools serve the entire process of teaching activities, from course development, course management, course selection and payment, classroom teaching, online learning, to certification of studies.

According to the Ministry of Education, there were approximately 76,800 digital courses available for higher education by the end of January 2024. This represents less than 10% of the total higher education courses, indicating substantial potential for growth in the higher education digital educational content production market, as well as the overall higher education teaching and learning digitalization market.

In addition, a few services and products providers are actively developing an ecosystem for higher education teaching and learning digitalization, offering vital support to leverage the increased value of digital educational content and the digital teaching and learning environment, contributing significantly to the advancement of the industry.

Market Size of Higher Education Teaching and Learning Digitalization Market by Product / Service Type (China), 2019–2028E



Source: Ministry of Education, National Bureau of Statistics, Frost & Sullivan

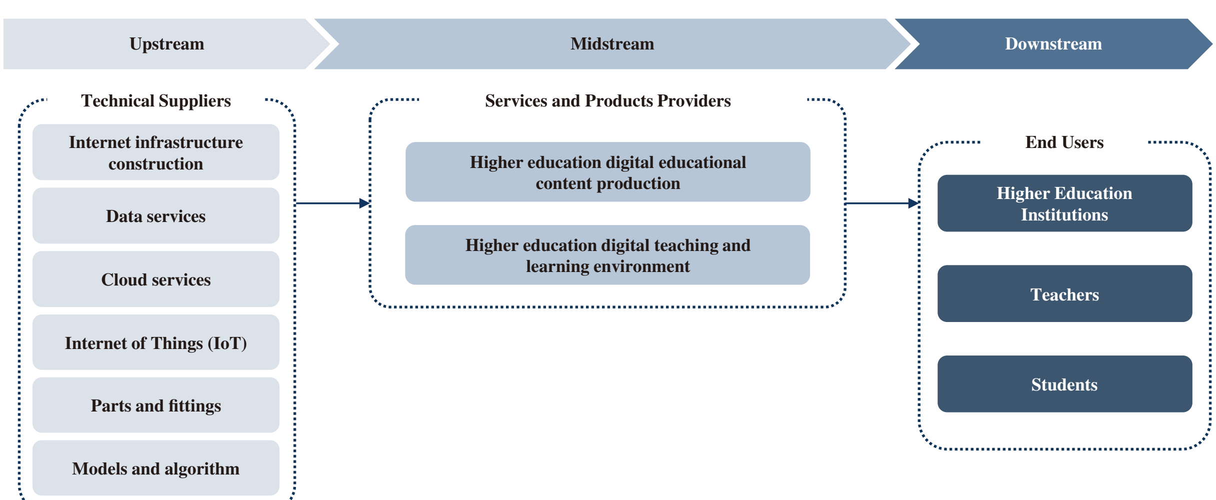
Value Chain

The value chain of China's higher education teaching and learning digitalization market includes upstream technical suppliers, midstream services and products providers and downstream end users.

The upstream of China's higher education teaching and learning digitalization market mainly involves technical suppliers providing internet infrastructure construction, data services, cloud services, Internet of Things (IoT), parts and fittings and models and algorithms.

The midstream of China's higher education teaching and learning digitalization market mainly involves two types of services and products for higher education institutions, including (i) digital educational content production and (ii) digital teaching and learning environment. Some leading services and products providers offer both.

The downstream of China's higher education teaching and learning digitalization market mainly involves end users such as higher education institutions, teachers and students.



Source: Frost & Sullivan

Policies and Regulations of China's Higher Education Teaching and Learning Digitalization Market

Over the past years, the Chinese government has issued a series of policies and regulations to encourage and promote the development of higher education teaching and learning digitalization. Below listed some policies and regulations that are promulgated in recent years.

Name	Issued Time	Issued Department	Key Messages
The 2024-2035 Master Plan on Building China into a Leading Country in Education 《教育強國建設規劃綱要(2024-2035年)》	2025	Central Committee of the PRC, State Council of the PRC 中共中央、國務院	• Implement the national digital education strategy. Promote integration, intelligence, and internationalization while strengthening and utilizing the National Smart Education Public Service Platform to establish a digital education system. Develop new types of digital education resources. • Advance the construction of digital campuses and explore effective ways for digital empowerment in large-scale personalized learning and innovative teaching. Facilitate the global reach of high-quality Massive Open Online Courses (MOOCs).
Highlights of the National Education Digitization Strategy Initiative 2024 《國家教育數字化戰略行動2024年工作要點》	2024	Ministry of Education of the PRC 中華人民共和國教育部	• Strengthen overall planning for education digitalization; improve the National Smart Education Public Service Platform system; implement AI-powered education initiatives; and build a sound ecosystem for digital education applications.
China Smart Education Development Report (2023) 《中國智慧教育發展報告(2023)》	2024	China National Academy of Educational Sciences 中國教育科學研究院	• The global development of digital education will follow five major trends: 1) The application prospects of generative artificial intelligence in education are vast. 2) Technology-driven immersive scenarios will enhance the learning experience. 3) Education assessment will undergo a digital transformation. 4) Teachers and artificial intelligence will coexist, co-teach, and co-learn. 5) The digital education application ecosystem will thrive.
Plan for the Overall Layout of Building a Digital China 《數字中國建設整體佈局規劃》	2023	Central Committee of the PRC, State Council of the PRC 中共中央、國務院	• To vigorously implement the national education digitalization strategic action and improve the national smart education platform.
Highlights of the work of the Department of Higher Education of the Ministry of Education for the year 2023 《教育部高等教育司2023年工作要點》	2023	Ministry of Education of the PRC 中華人民共和國教育部	• Emphasized the in-depth implementation of the digital strategy action and the shaping of new advantages in the reform and development of higher education, include accelerating the digital transformation of higher education and creating a new form of teaching and learning in higher education; strengthening the construction of the National Higher Education Intelligent Education Platform, expanding the content of the platform, perfecting the platform's functions, and constructing a comprehensive service platform for higher education rich in content and highly efficient in terms of services.
Notice on the release of two education industry standards for the smart education platform series 《關於發佈智慧教育平台系列兩項教育行業標準的通知》	2022	Ministry of Education of the PRC 中華人民共和國教育部	• To solidly advance the national education digitalization strategic action, to improve the education informatization standard system, and to enhance the construction and application level of smart education platforms at all levels.
Guiding Opinions of the Ministry of Education and Five Other Departments on Promoting the Construction of New Educational Infrastructures and Constructing a High-Quality Educational Support System 《教育部等六部門關於推進教育新型基礎設施建設構建高質量教育支撐體系的指導意見》	2021	Ministry of Education of the PRC, Office of the Central Cyberspace Affairs Commission, National Development and Reform Commission, Ministry of Industry and Information Technology of the PRC, Ministry of Finance of the PRC, the People's Bank of China 中華人民共和國教育部、中央網絡安全和信息化委員會辦公室、國家發展改革委、中華人民共和國工業和信息化部、中華人民共和國財政部、中國人民銀行	• To popularize blended, cooperative, experiential and inquiry-based teaching under new technology conditions, and explore new teaching methods. • To promote applications such as the "three classrooms" and expand the coverage of high-quality resources. • Develop applications such as intelligent diagnosis, resource pushing and learning counselling based on big data to promote students' personalized development. • Develop teaching applications such as intelligent teaching assistants and intelligent learning companions based on artificial intelligence, realizing "human-machine co-teaching and human-machine co-education", and improving the quality of education and teaching and learning.
Digital Campus Construction Specifications for Higher Education Institutions 《高等學校數字校園建設規範》	2021	Ministry of Education of the PRC 中華人民共和國教育部	• Emphasized the establishment of a stable funding mechanism to ensure that the financial needs of digital campus construction are met. • The government supports and incentivizes the construction of digital campuses in terms of policy, and promotes universities to accelerate the pace of information technology construction through policy guidance and financial support.
Implementation Program for the Evaluation of Undergraduate Education Teaching and Learning in General Colleges and Universities (2021-2025) 《普通高等學校本科教育教學審核評估實施方案(2021-2025年)》	2021	Ministry of Education of the PRC 中華人民共和國教育部	• Defined assessment criteria for undergraduate teaching, in which the digitalization of the content of the curriculum by schools and teachers plays an important role.
Measures for the Recommendation and Recognition of National First-Class Undergraduate Programs under the "Twenty Thousand Plan" 《「雙萬計劃」國家級一流本科課程推薦認定辦法》	2019	Ministry of Education of the PRC 中華人民共和國教育部	• From 2019 to 2021, it would complete the identification of about 4,000 national online first-class courses (national high-quality online open courses), 4,000 national offline first-class courses, 6,000 national online and offline blended first-class courses, 1,500 national first-class courses for virtual simulation experimental teaching, and 1,000 national first-class courses for social practice.
China Education Modernization 2035 《中國教育現代化2035》	2019	Central Committee of the PRC, State Council of the PRC 中共中央、國務院	• Emphasized the importance of accelerating educational change in the information age. • Proposed the construction of an intelligent campus and the coordinated construction of an integrated digital teaching, management and service platform. • Proposed the use of modern technology to promote the reform of the talent training model and achieve the organic combination of large-scale education and personalized training.
Implementation Program for Accelerating the Modernization of Education (2018-2022) 《加快推進教育現代化實施方案(2018-2022年)》	2019	Central Committee of the PRC, State Council of the PRC 中共中央、國務院	• Included "vigorously promoting education informatization" as one of the ten key tasks, emphasizing the key role of education informatization in the modernization of education.

Name	Issued Time	Issued Department	Key Messages
Education Informatization 2.0 Action Plan 《教育信息化2.0行動計劃》	2018	Ministry of Education of the PRC 中華人民共和國教育部	• Put forward the development goal of 'three full, two high and one big', i.e. teaching application covers all teachers, learning application covers all students of school age, digital campus construction covers all schools, the level of informatization application and the information literacy of teachers and students are generally improved, and the 'Internet + Education' platform is established. • Emphasized on the deep integration of information technology and education; to promote the upgrading of the mode of supply of educational services and the level of educational governance.
13th Five-Year Plan for Education Informatization 《教育信息化「十三五」規劃》	2016	Ministry of Education of the PRC 中華人民共和國教育部	• Emphasized the in-depth integration of information technology and education services. • To promote innovation in education concepts and models, and to reform the talent training model.
Opinions on Strengthening the Application and Management of Online Open Course Construction in Higher Education Institutions 《關於加強高等學校在線開放課程建設應用與管理的意見》	2015	Ministry of Education of the PRC 中華人民共和國教育部	• Colleges and universities should carry out the innovation of credit recognition and credit management system of online courses. Online courses should expand the scope of mutual recognition of credits, establish a unified standard for mutual recognition of credits, and rely on third-party recognition institutions to carry out credit recognition, accumulation and conversion.

Policies related to the digitalization of higher education in China have greatly advanced the development of digital teaching and learning. These policies provide clear development direction, enhance infrastructure, promote the integration of technology and education, facilitate the sharing of high-quality resources, upgrade the digital literacy of teachers and students, and optimize education management and services. This strong support has fostered innovation in education models and improved education quality, aligning higher education with the demands of the digital age.

Key Drivers of China's Higher Education Teaching and Learning Digitalization Market

Demands for Educational Equity: The continuous advancement of society places greater demands on educational equity. An increasing number of leading domestic higher education institutions are leveraging teaching and learning digitalization products and services to share high-quality educational resources with regional institutions with scarce educational materials or traditional teaching methods. This shared effort can help reduce regional imbalances in the distribution of educational resources, thereby promoting educational equity. Digitalization is critical to meeting such demands, as it fully leverages technology to address the challenges in creating, sharing and accessing high-quality educational resources.

Technology Accumulation and Innovative Application: Innovative developments in AI, virtual simulation, audio-video technology and data security have accelerated the transformation from traditional classrooms to digital and intelligent learning spaces. These technologies not only enhance the quality of education, but also facilitate the construction of intelligent teaching and learning environments and the sharing of resources, creating a constantly evolving digital ecosystem for education.

Pioneering Impact of Leading Higher Education Institutions: Higher education institutions in "Double First-Class Initiative" and "Double High Plan" are leading higher education institutions that excel in research capabilities, discipline building and faculty strength compared to other institutions. These leading universities are pioneers and leaders in China's teaching and learning digitalization in higher education, leading to the development of the entire market. In 2021, the average total expenditure on higher education informatization for universities within the "Double First-Class Initiative" reached RMB33.4 million being the latest publicly available data published in 2023, which was about three to four times that of other universities. Similarly, the average total expenditure on higher education informatization for vocational colleges within the "Double High Plan" reached RMB15.8 million in 2021 being the latest publicly available data published in 2023, approximately two to three times higher education institutions that of other vocational colleges. In terms of digitalization capabilities and willingness, these leading higher education institutions are significantly ahead of other domestic higher education institutions, playing a driving and exemplary role in the digitalization construction of other higher education institutions.

Evolution of Teaching and Learning Habits: The digital era has not only affected students, but has also significantly impacted teachers. As students increasingly embrace digital learning tools, teachers are adapting to this shift by incorporating digital resources into their teaching methods. This shift in teaching and learning habits has been accelerated by the COVID-19 pandemic, as teachers and students have had to quickly adjust to remote and online teaching and learning environments. As a result, higher education institutions are required to continuously update teaching facilities and methods to align with emerging learning habits and requirements. This trend has also stimulated the expansion of the market for higher education teaching and learning digitalization services and products.

Favorable Policies and Financial Support: The Chinese government is actively advocating for the implementation of digitalization in higher education teaching and learning, with the goal of nurturing more talents who can contribute to scientific research innovation and drive the overall economic and social development. Favorable policies to promote and facilitate the sharing and integration of high-quality educational resources can also enhance the overall quality of higher education.

Future Trends of China's Higher Education Teaching and Learning Digitalization Market

Focusing on High-Quality Digital Educational Content: The uneven distribution of educational resources reveals that teachers and courses in key disciplines will receive greater attention, prompting an increasing number of teachers to assume responsibility for the dissemination of knowledge and prioritize the creation of high-quality digital educational content. The continuous accumulation of such content fuels the expansion of digital environments and broadens the scope of digital resource sharing. This fosters equity in education, thus raising overall education standards.

Enhanced and Integrated Support for Digital and Intelligent Teaching Methods: Next-generation information technologies, such as AI and big data, serve as new drivers for the advancement of teaching and learning digitalization in higher education, facilitating the full integration and innovative evolution of information technology across all aspects of the higher education teaching system. This includes the establishment and enhancement of the supporting systems for higher education teaching and learning digitalization, such as integrated teaching and learning environments, teacher competency frameworks, technology-enabled teaching methodologies, personalized education resource services, education evaluation systems, data-driven governance frameworks for the evolving education sector.

Blended Learning Models: Blended learning models, which combine online and offline approaches, are emerging as a prominent educational strategy. This integration of traditional offline and online teaching methods is shaping a new teaching model. Moreover, it encompasses a rich fusion of real-world and virtual learning and environments, spanning experiences both within and beyond individual institutions. In this model, digital tools and platforms are seamlessly integrated into teaching scenarios, enhancing flexibility in learning while maintaining continuity and quality of education.

Personalized Teaching and Learning Approaches: With the increasing maturity of next-generation technologies such as AI, big data and cloud services, attention will be further focused on meeting the personalized needs of teachers and students through intelligent analysis and management tools. Taking university knowledge graphs as an example, as the core brain and engine of the future "AI + education" era, knowledge graphs not only help teachers visualize, personalize and systematize fragmented teaching resources, and provide intelligent education services, but also facilitate students' personalized deep learning and adaptive learning from their own perspectives, achieving scientific learning paths.

Challenges for China's Higher Education Teaching and Learning Digitalization Market

Data Privacy and Security: The increased use of digital platforms for learning has heightened concerns about data privacy and security. Robust systems must be implemented to protect students' personal information.

Regulatory Environment: The regulatory environment for higher education teaching and learning digitalization in China is still evolving, leading to potential uncertainties and policy changes that could impact the market.

Quality of Digital Content: There is a need for high-quality, engaging, and interactive digital content that can effectively facilitate learning. This requires considerable investment in content development and regular updates to keep pace with advancements in various fields of study.

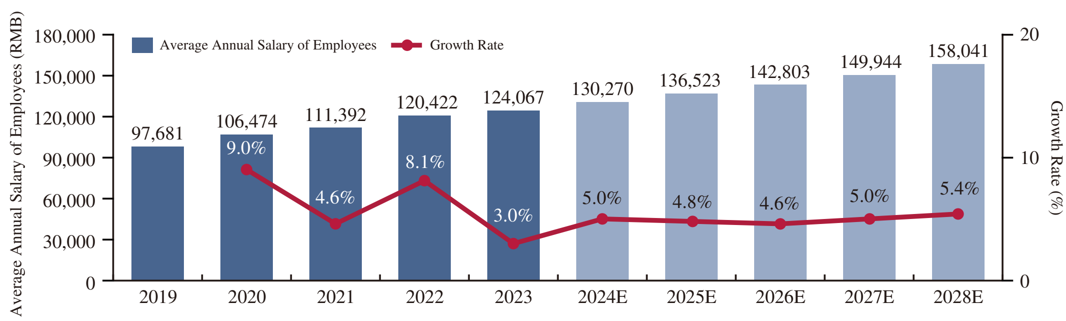
Training for Educators: Many educators may lack proficiency in using digital tools and platforms for teaching. Providing comprehensive training is crucial to ensure the effective implementation of digital teaching and learning in higher education.

Cost Analysis of China's higher education teaching and learning digitalization market

In China's higher education teaching and learning digitalization industry, employee benefit expenses constitute a major cost. Driven by the prosperity of China's macroeconomy and the development of the education sector, the average annual salary in China's higher education teaching and learning digitalization market has risen from RMB97,681 in 2019 to RMB124,067 in 2023, reflecting a CAGR of 6.2%, according to the National Bureau of Statistics. Such trend is expected to continue, with average annual salaries projected to reach RMB158,041 by 2028, growing at a CAGR of 5.0% from 2023 to 2028, due to the emphasis on education.

The rise in employee benefit expenses presents both challenges and opportunities for enterprises operating in China's higher education teaching and learning digitalization market. The increase in employee benefit expenses may lead to increase in operating costs and market competition, which will affect profitability and investment appeal of such enterprises. In addition, it motivates companies to prioritize cost management and innovation, fostering the adoption of new technologies, the optimization of operating models and the development of more competitive and adaptable products and services.

Average Annual Salary of Employees (China), 2019-2028E



Source: National Bureau Statistics, Frost & Sullivan

COMPETITIVE LANDSCAPE

Higher Education Teaching and Learning Digitalization Market in China

China's higher education teaching and learning digitalization market is characterized by a highly fragmented competitive landscape, with many providers offering a variety of services and products. By 2023, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue of China's teaching and learning digitalization market in higher education. There were around 2,000 players in higher education teaching and learning digitalization market in 2023.

The Company ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market in 2023. This marked a significant increase from the Company's 2022 market share of 2.4%.

Top Five Companies in Higher Education Teaching and Learning Digitalization Market by Revenue (China), 2023

Ranking	Top Five Companies in Higher Education Teaching and Learning Digitalization Market	Revenue	Market Share
		(RMB Million)	*(%)*
1	Company A	910	4.7%
2	**The Company**	**651**	**3.4%**
3	Company B	400	2.1%
4	Company C	300	1.6%
5	Company D	150	0.8%
	Top five	**2,411**	**12.6%**
	Total	**19,250**	**100.0%**

Note:

1. Company A is a private domestic company, founded in 2000 and headquartered in Beijing. It primarily offers digital library solutions and services and products for higher education teaching and learning digitalization.

2. Company B is a private domestic company, founded in 2019 and headquartered in Guizhou Province. It primarily provides cloud services for IT infrastructure, including services and products for higher education teaching and learning digitalization.

3. Company C is a subsidiary of a New York Stock Exchange and Hong Kong Exchange listed company, founded in 2008 and headquartered in Zhejiang Province. It primarily provides cloud services for IT infrastructure, including services and products for higher education teaching and learning digitalization.

4. Company D is a subsidiary of a Hong Kong Exchange listed company, founded in 2010 and headquartered in Beijing. It primarily provides cloud services for IT infrastructure, including services and products for higher education teaching and learning digitalization.

Source: Frost & Sullivan

The higher education digital educational content production market is characterized by a highly fragmented competitive landscape. By 2023, the top three providers accounted for an aggregate market share of 12.0% in terms of revenue. There were around 1,000 players in higher education digital educational content production market in 2023.

The Company ranked first in terms of revenue among all companies in China's higher education digital educational content production market in 2023, with a market share of 6.2%.

Top Three Companies in Higher Education Digital Educational Content Production Market (China), 2023

Ranking	Top Three Companies in Higher Education Digital Educational Content Production Market	Revenue *(RMB Million)*	Market Share *(%)*
1	**The Company**	**533**	**6.2%**
2	Company A	450	5.2%
3	Company E	50	0.6%
	Top three	**1,033**	**12.0%**
	Total	**8,660**	**100.0%**

Note:

1. Company E is a private domestic company, founded in 2014 and headquartered in Beijing. It primarily offers products and services for higher education teaching and learning digitalization.

Source: Frost & Sullivan

China's higher education digital teaching and learning environment market is characterized by a highly fragmented competitive landscape. By 2023, the top five providers accounted for an aggregate market share of 13.4% in terms of revenue. There were around 1,500 players in higher education digital teaching and learning environment market in 2023.

The Company ranked fifth among all providers of teaching and learning digitalization in higher education in China, with a market share of 1.1% in terms of revenue in higher education digital teaching and learning environment market.

Top Five Companies in Higher Education Digital Teaching and Learning Environment Market by Revenue (China), 2023

Ranking	Top Five Companies in Higher Education Digital Teaching and Learning Environment Market	Revenue *(RMB Million)*	Market Share *(%)*
1	Company A	460	4.3%
2	Company B	400	3.8%
3	Company C	300	2.8%
4	Company D	150	1.4%
5	**The Company**	**118**	**1.1%**
	Top five	**1,428**	**13.4%**
	Total	**10,590**	**100.0%**

Source: Frost & Sullivan

Entry Barriers of China's Higher Education Teaching and Learning Digitalization Market

Comprehensive Understanding of Teaching Across Varied Disciplines: A deep understanding of the diverse disciplinary knowledge related to teaching and learning processes in higher education is a fundamental prerequisite for teaching and learning digitalization. Providers of services and products for teaching and learning digitalization in higher education must accumulate and understand the relevant disciplinary knowledge in order to effectively utilize their technical resources and capabilities, thus providing technological solutions that are in line with the requirements of higher education institutions.

Operational and Service Capabilities: Higher education institutions, as large and complex systems, require service providers to have mature operational and service capabilities. By deploying management and technical personnel to deliver on-site services, service providers can help higher education institutions achieve digital and intelligent education transformation. For newcomers, mastering and implementing the requirements of products and service for teaching and learning digitalization in higher education to meet competitive standards can be challenging.

Technological Sensitivity and Expertise in Application Development: Building robust, reliable and user-friendly end-to-end services and products for teaching and learning digitalization in higher education requires significant technological investment and expertise. Services and products providers must also customize technology to effectively address specific application scenarios in higher education institutions. This could pose a challenge for emerging companies.

Quality of Services and Products: Digital services and products for teaching and learning in higher education often contain technical errors, bugs and security issues that are difficult to detect and correct, especially when new versions or upgrades are first introduced or implemented. For new entrants to the industry, their services and products may contain significant bugs, defects or security issues, resulting in loss of customers and significant remediation costs.

Reputation and Past Performance: A solid track record and extensive past performance of providers offering services and products for teaching and learning digitalization in higher education in China are key factors that are closely evaluated by customers during the bidding process. Providers of teaching and learning digitalization in higher education with a proven track record often provide high-quality services, and their established market share significantly limits the entry of other competitors into the market. Therefore, the service experience and reputation of providers in China also serve as barriers for new entrants. For example, providers with a strong reputation and excellent performance can demonstrate their business capabilities through project quality, comprehensive execution capabilities and after-sales service, all of which are not easily achieved in a short period of time. Leading providers can gain a competitive advantage through their robust resource networks, excellent reputation and outstanding performance in bidding processes.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China's in higher education informatization market as well as higher education teaching and learning digitalization market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB400,000 to Frost & Sullivan pursuant to a service agreement reached by arm's length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of China's higher education informatization market as well as higher education teaching and learning digitalization market in the forecast period; and (iv) there is no extreme force majeure or industry regulation which may affect the market dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, regulations and rules that we believe are relevant to our business and operations.

Regulations on Company Establishment and Foreign Investment

The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**"), further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and latest amended in December 2023 and became effective on July 1, 2024, provides that companies established in the PRC may take the form of limited liability company or joint stock company with limited liability. Each company has independent legal person property and enjoys legal person property rights. The legitimate rights and interests of the company are protected by law and are inviolable.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the National People's Congress (the "**NPC**") on March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules**") which came into effect in January 2020. The Implementation Rules further clarified that the State shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment, and advance a higher-level opening.

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 Edition) 《外商投資準入特別管理措施(負面清單)(2024年版)》 (the "**Negative List**"), and the Catalog of Encouraged Industries for Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging List**"). The Negative List, which came into effect on November 1, 2024, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List, which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment. The Negative List covers 11 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment for domestic and foreign investment.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was released by the MOFCOM and the SAMR on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports etc. to the competent commerce authorities in accordance with The Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their actual controlling party, the enterprise's operation and asset and liabilities information etc., and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

Regulations and Policies on Higher Education and Promotion of the Development of Higher Education Teaching and Learning Digitalization

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998 and was then amended on December 27, 2015 and December 29, 2018 and became effective December 29, 2018, higher education includes education for academic qualifications and education for non-academic qualifications. The State supports higher education conducted through radio, television, correspondence and other long-distance means.

In February 2019, the Central Committee of the Communist Party of China and the State Council issued the China Education Modernization 2035 (《中國教育現代化2035》), which set forth ten major strategic tasks for the modernization of education, to enhance the cultivation and innovation capabilities of top-tier talents, according to which, it is necessary to establish a comprehensive policy system for the categorized development of higher education institutions, guiding them to scientifically position themselves and develop distinctive features; continuously promote the transformational development of local undergraduate higher education institutions; strengthen the innovation system of higher education institutions, build a number of internationally leading national scientific and technological innovation bases, enhance applied basic research, and comprehensively improve the original innovation capabilities of higher education institutions; explore the construction of a full-chain, networked, open collaborative innovation alliance that deeply integrates industry, academia, research, and application.

In September 2019, the Guiding Opinions on Promoting the Sound Development of Online Education (《關於促進在線教育健康發展的指導意見》) was promulgated by the Ministry of Education, Office of the Central Cyberspace Affairs Commission and other authorities and pointed out online education is a new method of education that enables interaction between teaching and learning by using modern information technology such as the Internet and artificial intelligence and is an integral part of educational services. Social forces shall be encouraged to establish online education institutions, develop online education resources, and provide quality education services. Internet companies and online education institutions shall be supported in cooperating in depth, and big data analysis, cloud computing, and other means shall be comprehensively used to fully explore emerging education demand, vigorously develop intelligent and interactive modes of online education, and enhance experience of online education. Schools shall be encouraged to increase efforts to research and develop and share online education resources and expand the coverage of teaching resources such as elite teachers' online classes from famous schools, through the national public service system for digital education resources. Schools shall be supported in researching the development of specific methods to incorporate qualified online courses into the education and teaching system. A group of high-quality online education courses shall be developed, and a learning achievement certification and course credit accumulation and conversion system shall be explored.

The Circular on the Issuance of the "14th Five-Year Plan" Education Powerhouse Advancement Project Implementation Plan (《"十四五"時期教育強國推進工程實施方案》) was jointly issued by the National Development and Reform Commission, the Ministry of Education, and the Ministry of Human Resources and Social Security on May 10, 2021. The Plan proposes to promote the optimization and adjustment of the layout of higher education resources, encourage project schools to actively expand investment channels, deepen the integration of industry and education reform, and support enterprises in industries to participate in the construction and operation of vocational education and higher education projects through various means such as capital investment, horizontal projects, joint research, personnel exchange, teacher mutual dispatch, and commissioned training.

In February 2022, Several Opinions of Five Authorities Including the Ministry of Education on Strengthening the Management of Teaching of Online Courses in Ordinary Institutions of Higher Education (《教育部等五部門關於加強普通高等學校在線開放課程教學管理的若干意見》)was promulgated, according to which, the perfection of self-supervision mechanism of online course platform was proposed, such as platforms offering credit courses must strictly implement classified cyber security protection systems and fulfill obligations of security protection and the level of security protection of the platforms shall not be lower than Level III; strictly implement the basic standards for online open courses, establish a system for educational content, quality review, and operational assurance, and strictly control political, academic, and quality aspects. Courses that have not been reviewed and officially recommended by universities shall not be accepted, and courses that do not meet basic regulatory requirements shall not be launched; strengthen the monitoring of the learning process, make full use of artificial intelligence, big data, block chain and other new generation information technologies to monitor identity authentication, educational content, discussion records and learning data in accordance with laws and regulations; according to the teaching needs of higher education institutions, timely and accurately provide relevant higher education institution students' learning data. Strictly abide by the national network security management standards, ensure the security of ideology, information content, network, data and operation service, and effectively prevent the spread of harmful information, online service interruption, data tampering and teachers' personal information leakage. In addition, the education administrative department of the State Council shall entrust a third-party institution to develop the teaching management and service platform for online open courses of higher education institutions, and implement big data monitoring for the teaching process of online open courses, The platform that provides credit course must provide open user identity data, open course access data, learning behavior data and related operation data to the teaching management and service platform of online open course of higher education. The administrative department of education under the State Council shall review the filing records of platforms offering credit courses every year; platforms with standardized supervision, high quality courses and good management services shall be included in the "white list".

On June 7, 2016, the Ministry of Education issued the 13th Five-Year Plan for Education Informatization (《教育信息化「十三五」規劃》), which actively supports and promotes the availability of digital resources for continuing education of institutions of higher learning, the establishment of online education alliance, and the establishment of university-enterprise continuing education alliance, and the exploration of digital education resource service supply modes, effectively improve the service level and capability of digital education resources, and encourage enterprises to actively provide cloud-supported, dynamically updated new digital education resources and services that adapt to blended learning, ubiquitous learning and other learning styles.

The Ministry of Education issued the Education Informatization 2.0 Action Plan (《教育信息化2.0行動計劃》) on April 13, 2018 to actively promote the establishment and improvement of the sustainable development mechanism of Education Informatization, and build a networked, digital, intelligent, personalized, and lifelong education system.

On July 18, 2024, the Third Plenary Session of the 20th Central Committee of the Communist Party of China adopted the Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening Reform and Promoting Chinese-style Modernization (《中共中央關於進一步全面深化改革推進中國式現代化的決定》), which, in the aspect of deepening the comprehensive reform of education, clearly proposes to promote digital education and empower the construction of a learning society and to strengthen the guarantee of lifelong education.

In January 2025, the Central Committee of the Communist Party of China and the State Council issued the Outline of the Plan for Building a Strong Education Country (2024–2035) (《教育強國建設規劃綱要(2024–2035)》), which encourages relevant departments to establish categorized management and evaluation mechanisms, providing differentiated support in areas such as school-running conditions, student enrollment quotas, degree program approvals, and funding allocation. Simultaneously, based on the functional positioning, actual contributions, and distinctive strengths of different types of higher education institutions, it will create incentive mechanisms for resource allocation to guide universities in leveraging their advantages and developing unique characteristics across various fields and pathways. By 2027, significant phased achievements will be made in building a strong education country. By 2035, the goal of building a strong education country has been achieved.

Regulations and Policies on Software Industry and Artificial Intelligence

The Regulation on Computer Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on June 4, 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

The Several Policies on Further Encouraging the Development of the Software and the Integrated Circuit Industries (《進一步鼓勵軟件產業和集成電路產業發展的若干政策》) which was promulgated by the State Council on January 28, 2011 and came into effect on the same date, specifies a series of policies on tax preference, promotion of investment, scientific research, talent support, intellectual properties for the software industry. Furthermore, the Several Policies on Promoting the High-quality Development of the Integrated Circuit Industries and the Software Industries in the New Era (《新時期促進集成電路產業和軟件產業高質量發展若干政策》) which was promulgated by the State Council on July 27, 2020 and came into effect on the same date, sets forth further policies on tax preference, promotion of investment, research and development, import and export, talent support, intellectual properties for the software industry.

In accordance with the National Catalogue for Guidance on Industrial Restructuring (2024 Version) (《產業結構調整指導目錄(2024年本)》) which was promulgated by the National Development and Reform Commission on December 27, 2023 and took effect on February 1, 2024, big data, cloud computing, software and information technology service and block chain information services within the extent permitted by PRC are under the encouraged category.

The Ministry of Science and Technology of the PRC issued the Guidelines for the Construction of the National New Generation Artificial Intelligence Innovation and Development Pilot Zone (《國家新一代人工智能創新發展試驗區建設工作指引》) on August 29, 2019, which was amended in 2020, specifies that an environment conducive to the innovation and development of artificial intelligence shall be created, as well as to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

The NPC promulgated the Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC and Outlines of Objectives in Perspective of the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) in March 2021 and came into effect on the same date, points out the focus of key areas such as high-end chips, operating systems, key algorithms for artificial intelligence, sensors, etc., and cultivate and grow emerging digital industries such as artificial intelligence, big data, blockchain, cloud computing, cyber security, etc.

Regulations on Value-added Telecommunications services

On September 25, 2000,the State Council promulgated the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), and revised and implemented them on February 6, 2016. The Telecommunications Regulations have established a regulatory framework for telecommunications operators in China, dividing telecommunications services into basic telecommunications services and value-added telecommunications services. Value added telecommunications operators must obtain a value-added telecommunications business operation license.

As the Annex to the Telecommunications Regulations, the Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) was latest revised by the Ministry of Industry and Information Technology on June 6, 2019. According to the Annex, information services provided through public communication networks or the Internet belong to value-added telecommunications services. Internet information services, as a subcategory of value-added telecommunications services (B25 information service services), are regulated by the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council on September 25, 2000 and latest revised on December 6, 2024. The definition of Internet information services is the service activity of providing information to Internet users through the Internet. The Administrative Measures for Internet Information Services divide Internet information services into non-operational Internet information services and operational Internet information services.

According to the Measures for the Archival Administration of Non-operational Internet Information Services (《非經營性互聯網信息服務備案管理辦法》) issued on February 8, 2005 and latest revised and implemented on January 18, 2024, whoever intends to provide non-operational Internet information services inside the PRC shall go through the procedures for archiving in accordance with the law. Those failing to go through the procedures for archiving before providing non-operational Internet information services or providing services in excess of the archived items shall be ordered by the provincial telecommunications administration at the locality of its/his domicile to make a correction within a time limit, and be fined RMB5,000 up to RMB10,000 in addition; if it/he refuses to make a correction, its/his website shall be closed.

The Provisions on the Administration of Foreign-Funded Telecommunications Enterprises (《外商投資電信企業管理規定》) issued by the State Council on December 11, 2001 and was revised on March 29, 2022 and implemented on May 1, 2022. It stipulate that foreign investment in value-added telecommunications business enterprises in China must be established in the form of Sino foreign joint ventures, and foreign investors must not hold more than 50% of the shares in the enterprise. Joint ventures must also obtain approval from the Ministry of Industry and Information Technology before engaging in value-added telecommunications services in China. According to the Negative List, the proportion of foreign investment in value-added telecommunications business entities (excluding e-commerce, domestic multi-party communication, storage and forwarding, and call centers) shall not exceed 50%.

The Company's services did not require the value-added telecommunications business operating license (ICP license) since the videos and livestreaming course services provided by the Company through its platform falls within the non-operational Internet information service as prescribed under the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) as of the date of this document.

Regulations on Mobile Internet Applications Information Services

On August 10, 2019, the Ministry of Education and other governmental authorities issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Internet Applications (《關於引導規範教育移動互聯網應用有序健康發展的意見》), provides that the educational mobile application providers shall, after obtaining the ICP record-filing certificates, the certification for record-filing of cyber security level-based protection grade and other required materials, handle educational business record-filing with the provincial education administrative departments at the places where the providers are located, and register their basic information and the information on the educational mobile applications developed thereby. The Opinions encourage the education mobile applications with university teachers and students as the main users to enhance the supply capacity of high-quality network education resources, and become an effective carrier to strengthen the ideological and political work on the network. The education mobile applications with forum, community, message and other functions should establish an information audit system.

On November 11, 2019, the Ministry of Education issued the Administrative Measures for Filing of Educational Mobile Internet Applications (《教育移動互聯網應用程序備案管理辦法》), which came into effect on November 11, 2019. According to such Measures, education mobile application providers shall register as providers through the public service system in accordance with the requirements of these Measures, and cooperate with the provincial education administrative department in the place of registration to carry out the registration review work. If educational mobile applications violate laws and regulations or the requirements of these Measures are not rectified in a timely manner, they will be included in the blacklist of educational mobile application providers, reported to the education system, and the relevant educational mobile application filing will be revoked. The units involved shall not submit any further filing applications within six months.

On June 14, 2022, the CAC issued a revised version of the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Revised APP Provisions**"), which basically reflects the regulatory development since 2016 and further emphasizes that mobile Internet app providers shall comply with the relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. According to the Revised APP Provisions, mobile Internet app providers shall not compel users to agree to non-essential personal information collection out of any reason and are prohibited from banning users from their basic functional services due to the users' refusal of providing non-essential personal information.

According to the Notice by the Ministry of Industry and Information Technology of Carrying out the Filing of Mobile Internet Applications (《工業和信息化部關於開展移動互聯網應用程序備案工作的通知》) issued on July 21, 2023, an app developer shall undergo the filing formalities with the provincial-level communications administration where its domicile is located. To this end, its network access service providers or app distribution platforms ("**distribution platforms**") shall submit an online application and check and examine the application for filing through the Management System for National Fundamental Internet Resources (i.e. ICP/IP address/domain name information filing management system, abbreviated to the "**filing system**"). The apps that fail to undergo the filing formalities and engage in illegal activities will be dealt with by communications administrations in accordance with relevant laws and regulations.

The Company has obtained ICP filing certificates, the certification for record-filing of information system security level-based protection (信息系統安全等級保護備案證明) and the communication network security protection classification filing certificate (通信網絡安全防護定級備案證明) in respect of its major operating platforms, and has completed the filing of educational mobile Internet applications in respect of its major operating APPs.

Regulations on Online Live-Streaming Services

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Streaming Services (《互聯網直播服務管理規定》) (the "**Online Live Streaming Regulations**"), which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceed the scope of their licenses, shall subject to punishment by the CAC and its provincial counterparts which may include an order to cease such services and a fine of RMB10,000 to RMB30,000. Other violations of the Online Live Streaming Regulations are subject to punishment by the national and local internet information offices; if such violations constitute crime offence, criminal investigations or penalties may be imposed.

According to the Notice on Strengthening the Management of Internet Live Streaming Service (《關於加強網絡直播服務管理工作的通知》) issued by the CAC, the Ministry of Culture and Tourism of the PRC, the Office of the National Anti-pornography and Anti-illegal Working Group and other governmental authorities on August 1, 2018, live streaming service providers shall perform website ICP filing procedures with the competent telecommunication department according to law and carry out business in strict accordance with the permitted business scope, and shall not use live-streaming services to produce, reproduce, release, or disseminate information content prohibited by laws and regulations.

On December 9, 2022, the Ministry of Education has issued the Requirements on the Safety of Online Teaching Platforms for Live Streaming (《直播類在線教學平台安全保障要求》), providing for the safety compliance requirements, safety function requirements and data security requirements of online teaching platforms for live streaming. The Requirements stipulate that the live-streaming teaching platforms shall conduct the grading record-filing of the graded protection of information systems (including Apps) in accordance with laws, regulations and policy requirements, entrust professional graded protection evaluation agencies to carry out regular evaluations, and complete the record-filing of educational mobile Internet applications (Apps).

Regulations on Data Security, Cyber Security and Data Privacy Protection

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to, including but not limited to: (i) gain improper entry into a computer information system of national affairs, national defense or cutting-edge science and technology; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security on December 13, 2005, and became effective on March 1, 2006, require internet service providers to keep records of certain information about their users (including but not limited to user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days.

On June 22, 2007, the Ministry of Public Security of PRC, National Administration of State Secrets Protection and other governmental authorities issued the Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), which regulates that the security protection of an information system may be graded into five. As for an information system of Grade II or above which has been put into operation, its operator or user shall, within 30 days since the date when its security protection grade is determined, complete the record-filing procedures at the local public security organ at the level of city divided into districts or above. For an information system of Grade II or above newly built, its operator or user shall, within 30 days after it is put into operation, complete the record filing procedures at the local public security organ at the level of municipality divided into districts or above.

The State Council promulgated the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》) which was promulgated on December 16, 1997 and was then amended on January 8, 2011 and became effective on January 8, 2011.The Measures stipulate that entities and individuals engaging in the international networking businesses should accept security supervision, inspection and guidance from public security administrations. They are required to provide accurate information, materials, and documents on data to public security administrations and assist in investigating and handling illegal activities conducted via international computer information networks. Internet service providers, recipients, legal persons, and other organizations utilizing international networking must complete the registration process at the public security administrations designated by the local governments within 30 days from the formal establishment of network connections.

Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) promulgated by the MIIT on December 29, 2011, effective on March 15, 2012, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of the users, unless otherwise stipulated by laws and administrative regulations. The internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. The internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority and cooperate with relevant departments in investigation and solution.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012, effective on the same day, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or illegally providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Internet information service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to others.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), effective on June 1, 2017. The Cybersecurity Law aims to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which came into force on September 1, 2013. Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate jointly released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the "**Interpretations**"), which came into effect on June 1, 2017, clarifies several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including the "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (《App違法違規收集使用個人信息行為認定方法》), which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and effective from January 1, 2021, the personal information of a natural person shall be protected by the law. An information processor shall not disclose or tamper with any personal information collected or stored thereby; and without the consent of the natural person, no personal information shall be illegally provided to any other person.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that entities and individuals carrying out data activities shall establish a data classification and grading protection system and important data catalogs to enhance the protection of important data. Processors of important data shall specify the person responsible for data security and management agencies to implement data security protection responsibilities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or suspension of relevant business or revocation of the business license. In addition, the Data Security Law of the PRC provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, a critical information infrastructure refers to an important network facilities or information systems in important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry and field, or Protection Departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operator in the respective important industry or field. The result of the determination of critical information infrastructure operator shall be informed to the operator, and notify the public security department of the State Council.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), effective from November 1, 2021. The Personal Information Protection Law of the PRC requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued and implemented the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithm shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022, provides that, among others, an application for cyber security review shall be made by an issuer who is a "network platform", "critical information infrastructure operator" or a "data processing operator" as defined therein before such issuer's securities may be listed in a foreign country if the issuer possesses personal information of more than 1 million users, and that the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine an operator's cyber products or services, data processing or potential listing in a foreign country affect or may affect national security.

On September 24, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "**Data Security Regulations**"), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the People's Republic of China and took effect on January 1, 2025. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to cyber security review in accordance with relevant laws and regulations and and do not include the article of "if a data processor's proposed listing in Hong Kong affect or may affect national security, the data processor shall apply for the cyber security review according to relevant laws and regulations" that as presented in the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which was promulgated by the CAC on November 14, 2021. Furthermore, the Data Security Regulations include, but are not limited to, the following provisions: (i) the Data Security Regulations provide specific guidelines to clarify the PIPL regarding notification, consent, and individuals' rights; (ii) the Data Security Regulations outline the requirements for establishing an important data catalog and stipulate the responsibilities of network data processors to identify and report important data; (iii) the Data Security Regulations optimize regulations for cross-border data security management, specifying conditions under which network data processors may provide personal information abroad in accordance with international treaties or agreements. The regulations clarify that data not identified or publicly disclosed as important data by relevant regions or departments need not undergo cross-border security assessments for important data; (iv) the Data Security Regulations set forth network data security protection requirements for network platform service providers, third-party product and service providers, and other relevant entities.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the SAMR jointly promulgated Administrative Provisions on Recommendation Algorithms in Internet-based Information Services (《互聯網信息服務算法推薦管理規定》) which became effective and implemented on March 1, 2022, implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, stipulates that algorithm recommendation service providers shall inform users of their provision of algorithm recommendation services in a conspicuous manner and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (i) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. The security assessment requirement also applies to any transfer of important data outside of China. In addition, on February 22, 2023, Cyberspace Administration of China promulgated Measures for the Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》), which came into effect on June 1, 2023. Pursuant to Measures for the Standard Contract for Outbound Transfer of Personal Information, personal information processor transferring personal information abroad shall conclude Standard Contract if satisfy all the following conditions: (1) the data processor who intends to transfer personal information abroad is not a critical information infrastructure operator; (2) the data processor processes personal information of less than one million individuals; (3) the data processor has cumulatively transferred abroad the personal information of less than 100,000 individuals since January 1 of the previous year; and (4) the data processor has cumulatively transferred abroad the sensitive personal information of less than 10,000 individuals since January 1 of the previous year. On March 22, 2024, the CAC promulgated the Regulations on Promoting and Regulating Cross-border Data Flow, which further clarified the implementation and connection of the existing data outbound security assessment, personal information cross-border standard contract and personal information protection certification regarding data outbound activities. The regulations, among other things, provide relaxed conditions for cross-border data flow and narrowed scope of security assessment for data outbound activities. Among them, the two types of data outbound activity conditions that should be reported for data outbound security assessment are (i) the operator of critical information infrastructure provides personal information or important data overseas and (ii) data processors other than critical information infrastructure operators provide important data overseas, or provide personal information of more than 1 million people (excluding sensitive personal information) or more than 10,000 sensitive personal information overseas since January 1 of the year.

On March 22, 2024, the CAC promulgated the Regulations on Promoting and Regulating Cross-Border Data Flow《促進和規範數據跨境流動規定》, which came into effect from the date of promulgation. The regulations provide several exemptions for enterprises from the need to conduct data security assessments, obtain personal information protection certifications, or enter into standard contracts for the export of personal information. These exemptions include, but are not limited to, situations where data processors other than operators of critical information infrastructure have provided personal information (excluding sensitive personal information) to overseas recipients for less than 100,000 individuals since January 1 of the current year. Data processors other than operators of critical information infrastructure who have provided (a) personal information (excluding sensitive personal information) to overseas recipients for more than 100,000 but less than 1,000,000 individuals, or (b) sensitive personal information for less than 10,000 individuals since January 1 of the current year, shall enter into standard contracts for the export of personal information or obtain personal information protection certifications with the overseas recipients in accordance with the law. The regulations also explicitly stipulate that data processors are not required to declare a data export security assessment for data that has not been notified or publicly released as important data by relevant departments or regions.

On December 8, 2022, the MIIT promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), which came into effect on January 1, 2023. The Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) makes detailed provisions on classified and tiered data management, data life cycle security management, data security monitoring and early warning and contingency management. It clearly stipulates that the data in the industrial and information fields can be divided into three levels: general data, important data and core data, and stipulates that the data processors in the industrial and information fields have the obligation to file with the relevant authorities their catalogs of important data and core data recognized in accordance with the identification criteria for important data and core data in industrial and information technology sector published by the MIIT.

On November 25, 2022, the CAC promulgated the Administrative Provisions on Deep Synthesis in Internet-based Information Services (《互聯網信息服務深度合成管理規定》), which was released after being approved by the Ministry of Industry and Information Technology and the Ministry of Public Security, and came into force on January 10, 2023, pursuant to which, deep synthesis service providers shall fulfill their principal responsibilities for information security, establish and improve management systems for, among other things, user registration, algorithm mechanism review, scientific and technological ethics review, information release review, data security, personal information protection, combating telecom and online fraud, and emergency response, and have safe and controllable technical support measures.

On July 10, 2023, the CAC and several governmental authorities promulgated Interim Measures for the Management of Generative Artificial Intelligence Services (《生成式人工智能服務管理暫行辦法》) which became effective on August 15, 2023, impose compliance requirements for providers of generative AI services to the general public within the territory of PRC. Generative AI service providers shall carry out pre-training, optimization training, and other training data processing activities in accordance with the law and provisions, and assume responsibility as a producer of online information content in accordance with the law and fulfill online information security obligations.

On February 14, 2025, the Cyberspace Administration of China issued the Administrative Measures for the Compliance Audit of Personal Information Protection (《個人信息保護合規審計管理辦法》), which took effect on May 1, 2025. According to the Administrative Measures for the Compliance Audit of Personal Information Protection, the term "compliance audit of personal information protection" refers to supervisory activities that review and evaluate whether the personal information processing activities of personal information processors comply with laws and administrative regulations. Personal information processors that process the personal information of more than 10 million individuals shall carry out the compliance audit of personal information protection at least every two years. Personal information processors in any of the following circumstances may be required by the Cyberspace Administration of China and other departments performing personal information protection duties (hereinafter collectively referred to as the "**Protection Departments**") to entrust a professional agency to conduct a compliance audit of their personal information processing activities: (i) Where significant risks are identified in the personal information processing activities that severely impact individual rights or lack adequate security measures; (ii) Where the personal information processing activities may infringe upon the rights and interests of a large number of individuals; (iii) In the event of a personal information security incident resulting in the leakage, tampering, loss, or destruction of personal information of more than 1 million individuals or sensitive personal information of more than 100,000 individuals.

Regulations on Publication Distribution

According to the Administrative Regulations on Publication (2024 revised) (《出版管理條例》) promulgated by the State Council, effective on January 20, 2025, publication activities include publishing, printing or reproduction, import and distribution of publications; and publications, including newspapers, periodicals, books, audio-visual products and electronic publication, shall be published by publishing units, and publishing units shall apply for and obtain a publishing license. Any publication shall not contain content prohibited by laws and administrative regulations or by the State. Any entity or individual industrial and commercial household which intends to engage in publications wholesale business or publications retail business or to engage in the publication distribution business through Internet or other information network, shall obtain the License for Operating Publication Business.

According to the Provisions on the Administration of the Publication Market (《出版物市場管理規定》) promulgated in May 31, 2016 and became effective on June 1, 2016, "distribution" includes wholesale, retail, lease, sales exhibitions and other activities. The state applies a licensing system to the wholesale and retail of publications according to the law. An entity or individual that conducts wholesale or retail activities shall conduct publication wholesale or retail activities based on the License for Operating Publication Business.

Regulations on Advertising and Internet Advertisement

The Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") was promulgated by the SCNPC on October 27, 1994 and latest amended on April 29, 2021, which stipulates that within the territory of the PRC, commercial advertising activities in which commodity operators or service providers directly or indirectly introduce the commodities or services they promote through certain media and forms shall be governed by the Advertising Law. Furthermore, advertisers, advertising operators, and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy, and compete in a fair manner in advertising business.

On February 25, 2023, the SAMR promulgated the Measures for the Administration of Internet Advertisement (《互聯網廣告管理辦法》), which took effect on May 1, 2023. According to the Measures for the Administration of Internet Advertisement, advertisements published or distributed via the Internet shall not interfere with users' normal use of the Internet. For example, advertisements published on web page pop-up windows or in other forms shall be clearly marked with a "close" sign to ensure a "Click to Close." No entity or individual may induce users to click on the contents of an advertisement through deception. The Measures for the Administration of Internet Advertisement also require Internet advertisement publishers and advertising operators to verify related supporting documents, check the contents of the advertisement and prohibits them from designing, producing, providing services or publishing any advertisement if the content and the supporting documents do not match each other or the documentary evidence thereof are insufficient.

Regulations on Intellectual Property Rights

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and became effective from January 20, 2024 and the Transitional Measures for the Implementation of the Revised Patent Law and its Implementation Rules and Relevant Examination Business Processing (《關於施行修改後的專利法及其實施細則相關審查業務處理過渡辦法》) issued by the China National Intellectual Property Administration on December 21, 2023 and implemented on January 20, 2024, invention patents are valid for 20 years, utility model patents are valid for 10 years and design patents filed no later than May 31, 2021 are valid for 10 years while design patents filed on or after June 1, 2021 are valid for 15 years, from the date of application.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and effective from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In the case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain Names

In accordance with the provisions of the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and taking effect on November 1, 2017, to establish domain name root servers and domain name root server operating organizations, domain name registration management organizations and domain registration service organizations within the territory of China, licenses from the MIIT or the telecommunications administration authority of the province, autonomous region or municipality directly under the central government shall be obtained in accordance with the relevant regulations. The domain name registration service shall be conducted following the principle of "apply first, register first". The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the MIIT on November 27, 2017 and effective on January 1, 2018 provides for the obligations of Internet information service providers and other entities to fight terrorism and maintain network security.

Copyright Registration

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and finally revised on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and implemented on September 15, 2002, and finally revised on January 30, 2013. Copyright holders enjoy a variety of personal and property rights, including the right of publication, the right of authorship, the right of reproduction, and the right of communication of information on networks.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002, the Computer Software Protection Regulations (《計算機軟件保護條例》) revised by the State Council on January 30, 2013 taking force on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of national software copyright, and the China Copyright Protection Center is recognized as the software registration agency. The China Copyright Protection Center will grant registration certificates to computer software copyright applicants who conform to the Measures for Registration of Computer Software Copyright and the Regulations on Computer Software Protection.

On May 18, 2006, the State Council promulgated the Regulations on Protection of Information Network Transmission Right (《信息網絡傳播權保護條例》), as amended on January 30, 2013, effective as of March 1, 2013. Pursuant to these regulations, an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement. The internet information service provider may be exempted from indemnification liabilities under some circumstances prescribed by law.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MIIT and National Copyright Administration (國家版權局, the "**NCA**") and took effect on May 30, 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner's notice for six months. If an internet information service provider (i) has the knowledge of an internet content provider's tortuous act of infringing upon another's copyright through internet, or (ii) fails to take measures to remove relevant contents after the receipt of the copyright owner's notice (regardless of the internet information service provider's knowledge of the copyright infringement act), and if the relevant copyright infringement act harms public interests, then the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than three times the illegal business amount; and if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), promulgated by the Supreme People's Court in December 2012 and further revised on December 29, 2020 and took effect on January 1, 2021, stipulate that internet users or internet service providers who provide works, performances or audio-video products, for which others have the right of dissemination through information networks or make these available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017 and April 23, 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Regulations on Tendering and Government Procurement

On March 14, 2014, the Ministry of Education of the PRC promulgated the Notice of the Ministry of Education on Further Improving Government Procurement (《教育部關於進一步做好政府採購工作的通知》), which requires all institutions of higher education directly under the Ministry, all public institutions directly under the Ministry are required to implement the Government Procurement Law of the PRC (《中華人民共和國政府採購法》) which was promulgated by the SCNPC on August 31, 2014, the Bid Invitation and Bidding Law of the PRC and other laws and regulations, so as to conduct procurement in accordance with the law.

Pursuant to the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》) promulgated on June 29, 2002 and recently amended on August 31, 2014 and the Government Procurement Law of the PRC and the Implementing Regulations of the Government Procurement Law of the PRC (《中華人民共和國政府採購法實施條例》) (the "**Implementing Regulations of the Government Procurement Law**") which was promulgated by the State Council on January 30, 2015, government procurement refers to the purchasing activities conducted with fiscal funds by government departments, institutions and public organizations at all levels, where the goods, construction and services concerned are in the centralized procurement catalogue complied in accordance with law or the value of the goods, construction or services exceeds the respective prescribed procurement thresholds. And the following methods shall be adopted for government procurement: public invitation, invited bidding, competitive negotiation, single-source procurement, inquiry about quotations and other methods confirmed by the department for supervision over government procurement under the State Council. Public invitation shall be the principal method of government procurement. The Bid Invitation and Bidding Law of the PRC and Implementing Regulations on the Bid Invitation and Bidding Law of the PRC shall apply to the government procurement of engineering works and the commodities and services related to engineering construction taking the form of bidding; the Government Procurement Law and the Implementing Regulations of the Government Procurement Law shall also apply to other engineering works and related engineering construction taking other procurement form.

On December 19, 2013, the MOF promulgated the Administrative Measures for the Government Procurement Process without Bidding (《政府採購非招標採購方式管理辦法》) which became effective on February 1, 2014, which provides for the non-bidding government procurement activities, including the procurement methods such as enquiry and competitive negotiation. And on July 11, 2017, the MOF promulgated the Administrative Measures for Invitations to Bid and Tenders in Government Procurement of Goods and Services (《政府採購貨物和服務招標投標管理辦法》) which became effective on October 1, 2017, which provides specific administrative measures with respect to tenders and invitations to tenders and tenders in government procurement of goods and services. In regard to government procurement items that come under local budgets, people's governments of provinces, autonomous regions and municipalities directly under the Central Government may, according to the actual situation, determine the standards for amounts for public invitation for bid at the provincial level, level of city divided into districts and county level applicable to their respective administrative areas.

According to the Bid Invitation and Bidding Law of the PRC (《中華人民共和國招標投標法》) promulgated on 30 August 1999 and implemented on 1 January 2000 by the SCNPC, and amended on 27 December 2017 and implemented on 28 December 2017 and the Implementing Regulations on the Bid Invitation and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) promulgated on 20 December 2011 and implemented on 1 February 2012 by the State Council, last amended and implemented on 2 March 2019, in respect of construction projects like large infrastructure and public utility projects that concern public interests and security and projects invested completely or partly with State-owned funds or financed by the State to be undertaken within the territory of the PRC, the surveying, design, construction and supervision of such projects as well as the purchase of key equipment and materials for such projects, must be subject to bid invitation. Bid invitation is classified into two categories: public invitation and invited bidding. Any company that, in violation of the provisions of above laws, fails to invite bids for a project subject to bid invitation, or breaks up the project into parts, or by any other means tries to dodge bid invitation shall put it right within a time limit and may be fined not less than 0.5 percent but not more than 1 percent of the contract value of the project; where a project, which completely or partly uses state-owned funds is concerned, its construction or allocation of funds may be suspended. The persons who are directly in charge and the other persons who are directly responsible shall be given sanctions in accordance with law.

Moreover, according to the Government Procurement Law, any supplier than commits one of the following acts shall be fined not less that 0.5 percent but not more than 1 percent of the total procurement value, be included in the list of those with records of misconduct and be prohibited, within one to three years, from participating in government procurement activities, the illegal gains, if any, shall be confiscated by the administrative department for industry and commerce, and if the circumstances are serious, its business license shall be revoked by the administrative department for industry and commerce; if a crime is constituted, it shall be investigated for criminal responsibility in accordance with law: (a) providing false materials in an attempt to win a bid or become the successful supplier; (b) defaming or excluding other suppliers by illegitimate means; (c) colluding, in bad faith, with the procuring entity, other suppliers or the procuring agency; (d) bribing or providing illegitimate benefits to the procuring entity or agency; (e) in the course of procurement through bid invitation, holding consultation or negotiation with the procuring entity; and (f) refusing to subject itself to supervision by the relevant department or providing false information. Where a supplier commits one of the first five acts mentioned in the preceding paragraph, its winning of or success in a bid shall be invalidated.

Regulations on Commodity Housing Tenancy

According to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, the parties to a commodity house lease shall complete the lease registration with the competent construction(real-estate) departments of the municipalities directly under the Central Government, cities and counties where the leased property is located within 30 days after the lease is executed. The competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties shall order the lease record filing to make corrections within a prescribed time limit, and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to rectify within the specified time limit.

Furthermore, under any of the following circumstances, the properties shall not be let out: (i) Illegal buildings; (ii) Buildings which do not comply with mandatory project construction standards such as safety, disaster prevention, etc; (iii) Change of nature of property use which violates the provisions; or (iv) Any other circumstances for which leasing is prohibited as stipulated by laws and regulations. Persons who violate the provisions above shall be ordered by the development (real estate) department of the People's Governments of centrally-administered municipalities, municipalities or counties to make correction within a stipulated period; where there is no illegal income, a fine of not more than RMB5,000 may be imposed; where there is an illegal income, a fine ranging from one to three times the amount of illegal income may be imposed, subject to a maximum of RMB30,000.

According to the Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will remain valid. Where the mortgaged property has been leased and the possession thereof has been transferred before the creation of mortgage, the original lease relations shall not be affected by the mortgage.

Regulations on Foreign Exchange

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular 21**"), which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") promulgated on March 30, 2015, coming effective on June 1, 2015, partially abolished on December 30, 2019 and revised on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign- invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), and latest amended on December 4, 2023, which, among other things, allows all Foreign Investment Enterprises to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the Negative List on foreign investment. However, since this circular is newly promulgated, it is unclear how the SAFE and competent banks will carry it out in practice.

Labor Protection, Social Security and Housing Provident Funds

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and effective from January 1, 1995, and amended on August 27, 2009 and December 29, 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and effective from January 1, 2008, and amended on December 28, 2012 and effective from July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and effective from July 1, 2011, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to open social insurance account and housing provident fund account within 30 days from the date of establishment, and employers are also required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

The national medical insurance program was first adopted according to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. On July 10, 2007, the State Council issued the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》), further enlarging the coverage of the basic medical insurance program, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In addition, on January 3, 2016, the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) issued by the State Council required the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalog. The Notice Regarding the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知》) (the "**Medical Insurance Coverage Notice**") jointly issued on May 12, 1999 by several authorities including, among others, the Ministry of Labour and Social Security and the Ministry of Finance, provides that a pharmaceutical product listed in the medical insurance catalog must be clinically necessary, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) be set forth in the pharmacopeia of the PRC, (2) satisfy the standards promulgated by the NMPA, and (3) be approved by the NMPA for imported pharmaceutical products.

Regulations on Taxation

Enterprise Income Tax ("EIT")

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**"), promulgated by the NPC on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》), promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and latest amended on December 6, 2024, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax ("VAT")

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例》), promulgated by the State Council on December 13, 1993 and newly amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》), promulgated by the MOF and the SAT on December 25, 1993 and latest amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "**VAT Law**"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value-added tax. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《關於廢止〈中華人民共和國營業税暫行條例〉和修改〈中華人民共和國增值税暫行條例〉的決定》) (the "**Order 691**"). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》), was promulgated on April 4, 2018 and came into effect on May 1, 2018. The VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the MOF, SAT and General Administration of Customs jointly promulgated the Announcement on Policies for Deeping the VAT Reform (《關於深化增值税改革有關政策的公告》) (the "**Notice 39**"), which came into effect on April 1, 2019. Pursuant to Notice 39, the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Regulations on the H Share Full Circulation

"Full circulation" means listing and circulating on the stock exchange of the domestic unlisted shares of an H-share listed company, including domestic unlisted shares held by domestic shareholders prior to overseas listing, additional domestic unlisted shares issued domestically after overseas listing and unlisted shares held by foreign shareholders. On August 10, 2023, the China Securities Regulatory Commission (the "**CSRC**") issued the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (2023 Revision) (《H股公司境內未上市股份申請"全流通"業務指引(2023修訂)》) (the "**Guidelines for the Full Circulation**").

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share company may be entrusted to file with the CSRC. Domestic companies limited by shares that have not been listed may file with the CSRC for the "Full circulation" at the time of their initial public offering and listing overseas.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited (the "**CSDC**") and the Shenzhen Stock Exchange (the "**SZSE**") jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation.

In order to fully promote the reform of H-share "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, the Guide to the Program for "Full Circulation" of H-shares of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》) was promulgated by the Shenzhen Branch of CSDC on September 20, 2024 and came into effect on September 23, 2024, which specifies the business preparation, cross-border transfer registration, overseas depository of shares and initial maintenance of domestic holding details, etc.

According to the Measures for Implementation and the Guide to the Program for Full Circulation of H-shares, shareholders who apply for H Share Full Circulation (the "**Participating Shareholders**") shall complete the cross-border transfer registration for conversion of relevant domestic unlisted shares into H Shares before dealing in the shares, i.e., CSDC as the nominal shareholder, deposits the relevant securities held by Participating Shareholders at CSDC (Hong Kong), and CSDC (Hong Kong) will then deposit the securities at HKSCC in its own name, and exercise the rights to the securities issuer through HKSCC, while HKSCC Nominees as the ultimate nominal shareholder is listed on the register of shareholders of H-share listed companies.

According to the Guide to the Program for Full Circulation of H-shares, H-share listed companies shall be authorized by Participating Shareholders to designate the only domestic securities company (the "**Domestic Securities Company**") to participate in the transaction of converted H shares. The specific procedure is as follows:

Participating Shareholders submit trading orders of the converted H Shares through the Domestic Securities Company, which transmits the orders to the Hong Kong Securities Company designated by the Domestic Securities Company through Shenzhen Securities Communications Co., Ltd.; and Hong Kong Securities Company conducts corresponding securities transactions in the Hong Kong market in accordance with the aforementioned trading orders and the rules of the Hong Kong Stock Exchange.

According to the Guide to the Program for Full Circulation of H-shares, upon the completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Participating Shareholders, will all be conducted separately.

Regulations relating to Overseas Securities Offering and Listing

The CSRC promulgated the Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. On May 16, 2023, the CSRC further promulgated the sixth guideline, which come into effect on the same date. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"), which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OVERVIEW

The history of our Group could date back to 2008, when our Company was established in the PRC. At the initiative of our founders, Mr. Wang, Ms. Ge and other initial shareholders, we started to engage in higher education digitalization. In December 2020, our Company was converted from a limited liability company into Shanghai Able Digital Science&Tech Co., Ltd., a joint stock company with limited liabilities.

Through over a decade of operations, we have developed into a reputable provider of digital teaching and learning solutions for higher education institutions in China. Leveraging our insightful understanding of the industry and expertise and capabilities, we expanded our offerings to a variety of services and products, including digital educational content and digital learning environment. According to Frost&Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

OUR MILESTONES

The following is a summary of our Group's key business development milestones:

2008	Our Company was established in the PRC.
2013	We launched the brand "*智慧樹*".
2016	We received investments from Sina and other investors.
2018	We started to participate in co-organising the higher education conference held by the Ministry of Education.
	We participated in co-organising the Industry-University Cooperation and Collaborative Education project initiated by the Ministry of Education.
2019	The number of our customer service and support centers exceeded 100, further consolidating the advantages of our localized services.
2020	We received investments from Baidu and other investors.
	The number of digital courses launched on our credit course sharing platform exceeded 10,000.
	We produced 177 courses in the first batch of national recognition of first-class undergraduate courses by the Ministry of Education.

2021	We had recorded over 100 million course enrollments on our credit course sharing platform.
	The number of customers for our services and products exceeded 1,000.
2022	Our Company received the National First Prize for Teaching Achievements awarded by the Ministry of Education.
	We launched the "Teacher Talks" public welfare series for teacher development sharing.
	We produced 108 courses in the review of national online quality courses for vocational education over the year by the Ministry of Education.
2023	We launched our knowledge graph business.
	We produced 228 courses in the second batch of national recognition of first-class undergraduate courses by the Ministry of Education.
2024	We produced 114 courses in the review of national online quality courses for vocational education over the year by the Ministry of Education.
	The knowledge graphs we have delivered in total reached 5,000.
2025	The number of digital courses launched on our credit course sharing platform exceeded 20,000.

OUR MAJOR SUBSIDIARY

Our businesses have been conducted primarily through our Company as well as its subsidiaries. Among our subsidiaries, Shanghai Zhidao has made a meaningful contribution to our results of operations during the Track Record Period. Shanghai Zhidao was established as a limited liability company under the laws of PRC on July 22, 2020 and has been our wholly-owned subsidiary since its establishment. Shanghai Zhidao is primarily engaged in providing digital educational content services and products and digital teaching and learning environment services and products. As of the Latest Practicable Date, Shanghai Zhidao was wholly owned by our Company with a registered capital of RMB20,000,000.

CORPORATE DEVELOPMENT

The following sets forth the corporate history and major shareholding changes of our Company.

Establishment and Initial Shareholding Changes

On April 7, 2008, our Company was established as a limited liability company under the laws of PRC with a registered capital of RMB2,000,000. Upon establishment, our Company was owned as to (i) 95% by Shanghai Shanying, a company owned by our founders, and (ii) 5% by Mr. Xi Puzhao, our executive Director.

After a series of shareholding changes and capital increases to mirror the shareholding structure of Shanghai Shanying, our registered capital was increased to RMB12,000,000 as of November 2010, and the table below sets forth the then shareholding structure of our Company:

Shareholder	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(approximate)*
Mr. Wang	6,000,000	50.00%
Ms. Ge	3,960,000	33.00%
YANG Qiushi (楊秋實)(1)	600,000	5.00%
XI Puzhao (襲普照)(2)	480,000	4.00%
ZHANG Bocheng (張伯成)(3)(6)	240,000	2.00%
GE Yi (葛軼)(4)	240,000	2.00%
WANG Xin (王欣)(5)(6)	240,000	2.00%
WANG Jun (王軍)(7)	240,000	2.00%
Total	**12,000,000**	**100.00%**

Notes:

(1) Mr. YANG Qiushi is an Independent Third Party. In September 2016, Mr. YANG Qiushi transferred the registered capital of our Company in the amount of RMB199,258 to Ms. YANG Xiaoli (楊曉麗) at nil consideration as Ms. YANG Xiaoli is the daughter of Mr. YANG Qiushi.

(2) Mr. XI Puzhao is our executive Director and general manager.

(3) Mr. ZHANG Bocheng is the supervisor of Shanghai Zhidao.

(4) Ms. GE Yi is the sister of Ms. Ge.

(5) Ms. WANG Xin is our executive Director and deputy general manager.

(6) Ms. WANG Xin and Mr. ZHANG Bocheng are spouses.

(7) Mr. WANG Jun is the brother of Mr. Wang.

Series Pre-A Financing

In December 2015, Jiangsu Yueda Taihe Equity Investment Fund Center (Limited Partnership) (江蘇悦達泰和股權投資基金中心(有限合夥)) ("**Yueda Taihe**") subscribed for the increased registered capital of our Company in the amount of RMB244,898 at the consideration of RMB10,000,000. For further details, see "– Pre-**[REDACTED]** Investments" below. As a result, the registered capital of our Company was increased to RMB12,244,898.

Series A Financing

In March 2016, our Company completed the series A financing through capital increases as detailed below. For further details, see "– Pre-**[REDACTED]** Investments" below. As a result, the registered capital of our Company was increased to RMB13,358,065.

Subscriber	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*
Jiangsu Datai Yueda Big Data Venture Capital Fund (Limited Partnership) (江蘇達泰悦達大數據創業投資基金(有限合夥)) ("**Datai Yueda**")	667,903	30,000,000
Xinjiang Production and Construction Group Lianchuang Equity Investment Limited Partnership (新疆生產建設兵團聯創股權投資有限合夥企業) ("**Xinjiang Lianchuang**")	222,632	10,000,000
Shanghai Yongcang Equity Investment Partnership (Limited Partnership) (上海永倉股權投資合夥企業(有限合夥)) ("**Shanghai Yongcang**")	222,632	10,000,000

Equity Transfer and Capital Increase in 2016

In September 2016, Mr. Wang transferred the registered capital of our Company in the amount of RMB133,581 to Mr. LOU Ming (婁明), an Independent Third Party, at the consideration of RMB6,000,000 ("**2016 Transfer**"). For further details, see "– Pre-**[REDACTED]** Investments" below.

In October 2016, our Shareholders resolved to increase the registered capital of our Company, including, among others, (i) RMB289,855 subscribed for by Chengmai Xinri Investment Management Center (Limited Partnership) (澄邁新日投資管理中心(有限合夥)) ("**Chengmai Xinri**") at the consideration of RMB12,000,000 ("**2016 Investment**"). For further details, see "– Pre-**[REDACTED]** Investments" below; (ii) RMB724,637 subscribed for by Shanghai Xuru and Shanghai Shuhuai, being shareholding platforms controlled by our employees, at the consideration of RMB47,530,000 in aggregate, which has been fully settled by September 2020. Such consideration was determined with reference to the consideration basis of the recent financing at the relevant time, taking into account factors including the timing of the subscriptions and the background of the shareholders; and (iii) RMB144,928 subscribed for by Shanghai Suishang, our employee incentive platform.

Series B Financing in 2016

In November 2016, we completed the series B financing through capital increase in the amount of RMB3,629,371 subscribed for by Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (金卓恒邦科技(北京)有限公司) ("**Jinzhuo Hengbang**") at the consideration of RMB350,000,000. For further details, see "– Pre-**[REDACTED]** Investments" below. As a result, the registered capital of our Company was increased to RMB18,146,856.

Series C Financing and Capital Increase in 2020

In September 2020, we completed the series C financing through capital increase in the amount of RMB2,041,404 subscribed for by Dazi County Bairuixiang Venture Capital Management Co., Ltd. (達孜縣百瑞翔創業投資管理有限責任公司) ("**Bairuixiang VC**") at a consideration of RMB235,000,000. For further details, see "– Pre-**[REDACTED]** Investments" below. At the same time, Peixian Yingcui, our employee incentive platform, subscribed for the increased registered capital of our Company of RMB95,475. As a result, the registered capital of our Company was increased to RMB20,283,735.

Equity Transfers in 2020

In 2020, the following equity transfers were initiated by our then Shareholders (the "**2020 Transfers**"). For further details, see "– Pre-**[REDACTED]** Investments" below.

Transferor	Transferee	Registered capital transferred *(RMB)*	Consideration *(RMB)*
Transfers in September 2020			
Datai Yueda	Shanghai ZhongYe ZhiYuan Venture Capital Partnership (Limited Partnership) (上海中葉至源創業投資合夥企業(有限合夥)) ("**ZhongYe ZhiYuan**")(1)	181,469	20,000,000
Datai Yueda	Guangzhou Chengheng Investment Partnership (Limited Partnership) (廣州誠亨投資合夥企業(有限合夥)) ("**Guangzhou Chengheng**")(1)	40,830	4,500,000

Transferor	Transferee	Registered capital transferred *(RMB)*	Consideration *(RMB)*
Transfers in December 2020			
XI Puzhao	Shanghai Changshi Information Technology Co., Ltd. (上海長視信息技術有限公司) ("**Shanghai Changshi**")[(1)]	11,742	1,294,117.7
	ZHU Dapeng (朱大鵬)[(2)]	52,840	5,823,529.4
	REN Yaocong (任耀琮)[(1)]	11,742	1,294,117.7
	SUN Yi (孫一)[(1)]	11,742	1,294,117.7
	FENG Jingfen (封靜芬)[(1)]	11,742	1,294,117.7
YANG Qiushi	Shanghai Changshi	6,405	705,882.4
	ZHU Dapeng[(2)]	28,821	3,176,470.6
	REN Yaocong	6,405	705,882.4
	SUN Yi	6,405	705,882.4
	FENG Jingfen	6,405	705,882.4

Notes:

(1) See "– Pre-**[REDACTED]** Investments – Information of the Pre-**[REDACTED]** Investors" below.

(2) In April 2024, all the interest directly held by Mr. ZHU Dapeng in our Company was transferred to Mr. XI Puzhao and Mr. YANG Qiushi at a total consideration of RMB6,345,618, which was determined after commercial negotiations among the parties.

After above shareholding changes and capital increases, the shareholding structure of our Company is set forth in the table below:

Shareholder	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(approximate)*
Mr. Wang	5,866,419	28.92%
Ms. Ge	3,960,000	19.52%
Jinzhuo Hengbang	3,629,371	17.89%
Bairuixiang VC	2,041,404	10.06%
Datai Yueda	445,604	2.20%
Shanghai Shuhuai	434,782	2.14%
XI Puzhao	380,192	1.87%
YANG Qiushi	346,301	1.71%

Shareholder	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(approximate)*
Chengmai Xinri	289,855	1.43%
Shanghai Xuru	289,855	1.43%
Yueda Taihe	244,898	1.21%
ZHANG Bocheng	240,000	1.18%
GE Yi	240,000	1.18%
WANG Xin	240,000	1.18%
WANG Jun	240,000	1.18%
Xinjiang Liangchuang	222,632	1.10%
Shanghai Yongcang	222,632	1.10%
YANG Xiaoli	199,258	0.98%
ZhongYe ZhiYuan	181,469	0.89%
Shanghai Suishang	144,928	0.71%
LOU Ming	133,581	0.66%
Peixian Yingcui	95,475	0.47%
ZHU Dapeng	81,661	0.40%
Guangzhou Chengheng	40,830	0.20%
Shanghai Changshi	18,147	0.09%
REN Yaocong	18,147	0.09%
SUN Yi	18,147	0.09%
FENG Jingfen	18,147	0.09%
Total	**20,283,735**	**100.00%**

Conversion into a Joint Stock Limited Company

On December 31, 2020, our Company was converted from a limited liability company into a joint stock limited company, and our Company was renamed as Shanghai Able Digital Science&Tech Co., Ltd. (上海卓越睿新數碼科技股份有限公司). Upon completion of the conversion, the share capital of our Company became RMB60,000,000 divided into 60,000,000 Shares with a nominal value of RMB1.00 each.

CAPITALIZATION OF OUR COMPANY

As of the Latest Practicable Date and immediately after the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the capitalization of our Company is set out as follows:

Shareholder	**Number of Shares**	**Percentage of shareholding as of the Latest Practicable Date** *(approximate)*	**Percentage of shareholding immediately after completion of the [REDACTED]** *(approximate)*
Mr. Wang[(1)]	14,353,020	23.92%	**[REDACTED]**%
Ms. Ge[(1)]	8,713,800	14.52%	**[REDACTED]**%
Jinzhuo Hengbang[(2)]	10,735,800	17.89%	**[REDACTED]**%
Bairuixiang VC[(2)]	6,038,520	10.06%	**[REDACTED]**%
WANG Yunning[(3)]	6,000,000	10.00%	**[REDACTED]**%
Datai Yueda[(2)]	1,318,140	2.20%	**[REDACTED]**%
Shanghai Shuhuai[(4)]	1,286,100	2.14%	**[REDACTED]**%
XI Puzhao[(5)]	1,281,060	2.14%	**[REDACTED]**%
YANG Qiushi	1,109,640	1.85%	**[REDACTED]**%
Shanghai Xuru[(6)]	857,400	1.43%	**[REDACTED]**%
Chengmai Xinri[(2)]	857,400	1.43%	**[REDACTED]**%
Yueda Taihe[(2)]	724,440	1.21%	**[REDACTED]**%
WANG Xin[(7)]	709,920	1.18%	**[REDACTED]**%
ZHANG Bocheng[(8)]	709,920	1.18%	**[REDACTED]**%
GE Yi[(9)]	709,920	1.18%	**[REDACTED]**%
WANG Jun[(10)]	709,920	1.18%	**[REDACTED]**%
Shanghai Yongcang[(2)]	658,560	1.10%	**[REDACTED]**%
Xinjiang Lianchuang[(2)]	658,560	1.10%	**[REDACTED]**%
YANG Xiaoli	589,440	0.98%	**[REDACTED]**%
ZhongYe ZhiYuan[(2)]	536,820	0.89%	**[REDACTED]**%
Shanghai Suishang[(11)]	428,700	0.71%	**[REDACTED]**%
LOU Ming[(2)]	395,160	0.66%	**[REDACTED]**%
Peixian Yingcui[(12)]	282,420	0.47%	**[REDACTED]**%
Guangzhou Chengheng[(2)]	120,780	0.20%	**[REDACTED]**%
Shanghai Changshi[(2)]	53,640	0.09%	**[REDACTED]**%
REN Yaocong[(2)]	53,640	0.09%	**[REDACTED]**%

Shareholder	Number of Shares	Percentage of shareholding as of the Latest Practicable Date *(approximate)*	Percentage of shareholding immediately after completion of the [REDACTED] *(approximate)*
SUN Yi(2)	53,640	0.09%	**[REDACTED]**%
FENG Jingfen(2)	53,640	0.09%	**[REDACTED]**%
Other Public Shareholders	3,157,900	0	**[REDACTED]**%
Total	**63,157,900**	**100%**	**100%**

Notes:

(1) Mr. Wang and Ms. Ge are spouses, and our Controlling Shareholders. Mr. Wang is our chairman of the Board and executive Director. Ms. Ge is our non-executive Director.

(2) See "– Pre-**[REDACTED]** Investments – Information about our Pre-**[REDACTED]** Investors" below.

(3) Mr. WANG Yunning is the son of Mr. Wang and Ms. Ge, and became a Shareholder of our Company in March 2024 upon acquiring 3,000,000 Shares from Mr. Wang and 3,000,000 Shares from Ms. Ge at nil consideration due to family arrangement.

(4) Shanghai Shuhuai is a limited partnership established in the PRC controlled by Mr. ZHANG Weiguo, our employee and an Independent Third Party, as the general partner holding approximately 1.77% therein. As of the Latest Practicable Date, it was owned as to approximately (i) 30.72% by REN Yaocong, 4.14% by WANG Lingling (王玲玲), 3.56% by ZHOU Yueping (周月萍), 2.56% by LU Yuan (盧源), 2.56% by ZOU Minqing (鄒敏卿), 1.54% by JIANG Zhengyi (江錚毅), 1.02% by ZHU Dapeng, each a private individual financial investor and an Independent Third Party and the consideration has been fully settled by them on a pro rata basis; and (ii) 53.89% by our employees for share incentive purpose, including, among others, (a) 5.14% by Mr. ZHANG Bocheng, a supervisor of our subsidiary, Shanghai Zhidao, (b) 1.55% by Mr. XI Puzhao, our executive Director and general manager, (c) 5.16% by Mr. WANG Jian, our Supervisor, (d) 18.43% by Ms. CAO Rui, our chief financial officer and secretary of the Board, (e) 6.35% by Ms. WANG Xin, our executive Director, and (f) 17.25% by the remaining 14 employees of our Group, each an Independent Third Party holding less than one-third of the interests therein, further details of which are set out in "Statutory and General Information – Employee Incentive Scheme" in this document.

(5) Mr. XI Puzhao is our executive Director and general manager.

(6) Shanghai Xuru is a limited partnership established in the PRC controlled by Mr. ZHANG Weiguo, our employee and an Independent Third Party, as the general partner holding approximately 0.36% therein. As of the Latest Practicable Date, it was owned as to approximately (i) 17.32% by RUAN Yili (阮藝力), 17.32% by TANG Xiaomin (唐曉敏), 17.14% by ZHANG Jingyi (張靜怡), 10.71% by LU Yuan, each a private individual financial investor and an Independent Third Party and the consideration has been fully settled by them on a pro rata basis; and (ii) 37.50% by our employees and employee shareholding platforms for share incentive purpose, including, among others, 0.54% by Ms. WANG Xin, our executive Director and 36.96% by the remaining employees of our Group, each an Independent Third Party holding less than one-third of the interests therein, further details of which are set out in "Statutory and General Information – Employee Incentive Scheme" in this document.

(7) Ms. WANG Xin is our executive Director and deputy general manager.

(8) Mr. ZHANG Bocheng is the supervisor of our subsidiary, Shanghai Zhidao and the spouse of Ms. WANG Xin.

(9) Ms. GE Yi is the sister of Ms. Ge.

(10) Mr. WANG Jun is the brother of Mr. Wang.

(11) Shanghai Suishang was established in the PRC as a limited partnership on September 23, 2016. As of the Latest Practicable Date, it was controlled by Mr. ZHANG Weiguo, our employee and an Independent Third Party, as the general partner holding approximately 0.15% therein, and the remaining interest of Shanghai Suishang was owned by 27 limited partners, including 4.61% by Mr. WANG Jian, our Supervisor, 6.14% by Ms. CAO Rui, 2.56% by Ms. WANG Xin, 2.07% by Mr. WANG Jun, the brother of Mr. Wang and 84.46% by the remaining 23 employees of our Group, each an Independent Third Party holding less than one-third of the interests therein.

(12) Peixian Yingcui are our employee incentive platforms. As of the Latest Practicable Date, it was controlled by Ms. WANG Xin, our executive Director and deputy general manager, as the general partner holding approximately 0.50% therein, and the remaining 99.50% interest was owned by Ms. CAO Rui, our chief financial officer and Board secretary. See "Statutory and General Information – Employee Incentive Scheme" for further details.

(13) Percentage figures included in this table have been subject to rounding. Accordingly, figures shown as totals in this table may not be an arithmetic aggregation of the figures preceding them.

PREVIOUS A-SHARE LISTING ATTEMPT

We had historically explored the opportunity of establishing a capital market platform in the A-share market in the PRC. In January 2021, we entered into a pre-listing guidance agreement with a qualified sponsor for A-share listing. We terminated such guidance agreement in April 2024 during the course of our preparation for the **[REDACTED]** as we believe that the **[REDACTED]** will be beneficial to us in view of the well-established market reputation of the Stock Exchange allowing us enhanced corporate image and more flexibility in exploring financing opportunities in the international market. Since the execution of the guidance agreement and up to the Latest Practicable Date, our Company had not submitted any A-share listing application to the CSRC and had not received any comments or inquiries by the CSRC (including its local offices). To the best of our Directors' knowledge and belief, our Directors are not aware of any other matters relating to the previous A-Share listing attempt mentioned above that are required to be brought to the attention of the investors. The Sole Sponsor is of the view that there is no other matter in relation to the previous A-share listing attempt that should be brought to the attention of the Stock Exchange and the investors.

PRE-[REDACTED] INVESTMENTS

Overview

We concluded several rounds of Pre-**[REDACTED]** Investments, details of which are set out below:

	Series Pre-A Financing	Series A Financing	2016 Transfer	2016 Investment	Series B Financing	Series C Financing	2020 Transfers
Date of agreement	May 14, 2015	July 2, 2015	June 30, 2015	October 25, 2016	October 12, 2016	September 16, 2020	August 30 2020 and November 10, 2020
Date of settlement of consideration	May 20, 2015	October 21, 2015	April 20, 2016	July 13, 2020	November 22, 2016	September 28, 2020	December 15, 2020
Amount of registered capital subscribed for (in RMB)	244,898	1,113,167	133,581	289,855	3,629,371	2,041,404	294,887
Consideration (in RMB)	10,000,000	50,000,000	6,000,000	12,000,000	350,000,000	235,000,000	32,500,000
Basis of determination of the consideration	The consideration for the Pre-**[REDACTED]** Investments was determined based on arm's length negotiations between the relevant parties after taking into consideration various factors including but not limited to, the timing of the investments, the industry where our Company operates, whether special rights would be granted, and the prospects of our business.						
Cost per Share (in RMB)(1)	13.8	15.2	15.2	14.0	32.6	38.9	37.3
Discount to the [REDACTED] (%)(2)	**[REDACTED]**						
Use of proceeds from the Pre-[REDACTED] Investments	As the 2016 Transfer and 2020 Transfers were effected by way of transfer by our then Shareholders, no proceeds were received by our Company. The proceeds raised from other Pre-**[REDACTED]** Investments have been used for our Company's R&D, marketing and daily operations. As of the Latest Practicable Date, we had fully utilized the net proceeds from the Pre-**[REDACTED]** Investments.						
Strategic Benefits from Pre-[REDACTED] Investments	Our Directors were of the view that our Company could benefit from the Pre-**[REDACTED]** Investors' knowledge and experience and where applicable, the additional capital provided by the Pre-**[REDACTED]** Investments, and could take advantage of their industry resources and networks, while broadening our shareholder base. And their commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company's performance, strength and prospects.						

Notes:

(1) The cost per Share was adjusted with reference to the conversion of our Company from a limited liability company to a joint stock limited liability company in December 2020.

(2) Calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]**).

Special Rights of the Pre-[REDACTED] Investors

In connection with the Pre-**[REDACTED]** Investments, Datai Yueda, Yueda Taihe, Shanghai Yongcang, Xinjiang Lianchuang, Jinzhuo Hengbang, Bairuixiang VC, ZhongYe ZhiYuan and Guangzhou Chengheng had been granted certain special rights, including, among others, redemption right, price adjustment right, liquidation preference right, right of first refusal, anti-dilution right, most favorable treatment, tag-along right and information right. The redemption right, price adjustment right and liquidation preference right granted by our Company have been terminated before September 30, 2020, and the remaining special rights have ceased to be effective and been terminated on the day prior to submission of the initial **[REDACTED]** application of our Company to the Stock Exchange.

No special right has been granted to other Pre-**[REDACTED]** Investors.

Information about our Pre-[REDACTED] Investors

Set out below is a description of our Pre-**[REDACTED]** Investors. To the best of our knowledge, save as disclosed below, each of the following Pre-**[REDACTED]** Investors and their respective beneficial owners is an Independent Third Party.

Sina

Jinzhuo Hengbang is a limited liability company established in the PRC. As of the Latest Practicable Date, Jinzhuo Hengbang was ultimately controlled by Sina Corporation through contractual arrangements, a leading online media company serving China and the global Chinese communities.

Baidu

Bairuixiang VC is a limited liability company established in the PRC. As of the Latest Practicable Date, it was wholly owned by Beijing Baidu Netcom Science Technology Co., Ltd. (北京百度網訊科技有限公司), which was controlled by Baidu, Inc., a company listed on Nasdaq (stock symbol: BIDU) and the Stock Exchange (stock code: 9888), a leading AI company with a strong Internet foundation.

Delta

Each of Datai Yueda and Yueda Taihe is a limited partnership established in the PRC, and a private equity fund managed by Jiangsu Delta Capital Investment Management Co., Ltd. (江蘇達泰股權投資基金管理有限公司) ("**Jiangsu Delta**") as the general partner. As of the Latest Practicable Date, Jiangsu Delta was ultimately controlled by Suzhou Delta Capital Management Co., Ltd. (蘇州達泰創業投資管理有限公司) ("**Delta Capital**"), a fund platform in China focusing on early growth and growth equity investments, which was controlled by Mr. LI Quansheng (李泉生), our Supervisor. Each of the limited partners of Datai Yueda and Yueda Taihe is an Independent Third Party holding less than one-third of the interests therein.

NewMargin Ventures

Xinjiang Lianchuang is a limited partnership established in the PRC, which is a private equity fund managed by Xinjiang Production and Construction Corps Lianchuang Equity Investment Management Co., Ltd. (新疆生產建設兵團聯創股權投資管理有限公司) as the general partner, a company controlled by NewMargin Ventures Capital Management Co., Ltd. (上海聯創永鈞股權投資管理有限公司) ("**NewMargin Ventures**").

Shanghai Yongcang is a limited partnership established in the PRC, which is a private equity fund managed by NewMargin Ventures as the general partner.

NewMargin Ventures is a private equity company in China, which is controlled by Mr. HAN Yuze (韓宇澤), our Supervisor, and has an investment focus on green, low carbon sectors including new energy, new material, medical and advanced manufacturing. Each of the limited partners of Xinjiang Lianchuang and Shanghai Yongcang is an Independent Third Party holding less than one-third of the interests therein.

Chengmai Xinri

Chengmai Xinri is a limited partnership established in the PRC. As of the Latest Practicable Date, it was owned as to 50% by LIU Yunli (劉運利) as its managing partner and 50% by ZHANG Lijing (張麗靜), each an Independent Third Party and an employee of Sina Corporation.

ZhongYe ZhiYuan

ZhongYe ZhiYuan is a limited partnership established in the PRC, which is a private equity fund managed by Shanghai ZhongYe Venture Investment Management Co., Ltd. (上海中葉創業投資管理有限公司) ("**ZhongYe Ventures**"), a venture capital management firm primarily engaged in investment management. As of the Latest Practicable Date, ZhongYe Ventures is controlled by MA Hong (馬弘), an Independent Third Party. Each of the limited partners of ZhongYe ZhiYuan is an Independent Third Party holding less than one-third of the interests therein.

Other Investors

Guangzhou Chengheng is a limited partnership established in the PRC, and is primarily engaged in equity investment. As of the Latest Practicable Date, the general partner of Guangzhou Chengheng is LI Jingyu (李靜宇), an Independent Third Party. The limited partners of Guangzhou Chengheng are several individuals, each of whom is an Independent Third Party holding less than one-third of the interests therein.

Shanghai Changshi is a limited liability company established in the PRC, and is primarily engaged in provision of installation service for industrial automation equipment and computer network equipment. As of the Latest Practicable Date, Shanghai Changshi was owned as to 50% by REN Yaocong, one of our Pre-**[REDACTED]** Investors, as the single largest shareholder therein.

Each of the other investors is a private financial investor and an Independent Third Party.

Compliance with the Pre-[REDACTED] Investment Guidance

On the basis that (i) the **[REDACTED]**, being the first day of **[REDACTED]** of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-**[REDACTED]** Investments; and (ii) all special right have been terminated, the Sole Sponsor confirmed that the Pre-**[REDACTED]** Investments are in compliance with the Pre-**[REDACTED]** Investment Guidance (as defined in the Guide for New Listing Applicants issued by the Stock Exchange).

LOCK-UP PERIOD AND PUBLIC FLOAT

Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all existing Shareholders (including the Pre-**[REDACTED]** Investors) cannot dispose of any of the Shares held by them.

The **[REDACTED]** Domestic **[REDACTED]** Shares that will not be converted into H Shares, representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will not be considered as part of the public float as the Domestic **[REDACTED]** Shares will not be converted into H Shares and will not be **[REDACTED]** following the completion of the **[REDACTED]**.

Of the **[REDACTED]** H Shares to be converted from Domestic **[REDACTED]** Shares and **[REDACTED]** on the Stock Exchange following the completion of the **[REDACTED]**:

(a) **[REDACTED]** of such H Shares, representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the **[REDACTED]** as such shares are being held by Mr. Wang, Ms. Ge, Mr. XI Puzhao, Ms. WANG Xin, Mr. ZHANG Bocheng, Jinzhuo Hengbang, Datai Yueda, Yueda Taihe, Shanghai Yongcang, Xinjiang Lianchuang and Peixian Yingcui, the core connected persons of our Company;

(b) **[REDACTED]** of such H Shares, representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the **[REDACTED]** as such remaining shareholders are not core connected persons of our Company upon **[REDACTED]** nor accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company's core connected persons.

Taking into consideration of the H Shares to be issued pursuant to the **[REDACTED]**, the public float of our Company will be approximately **[REDACTED]**% upon the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

MAJOR ACQUISITIONS AND DISPOSALS

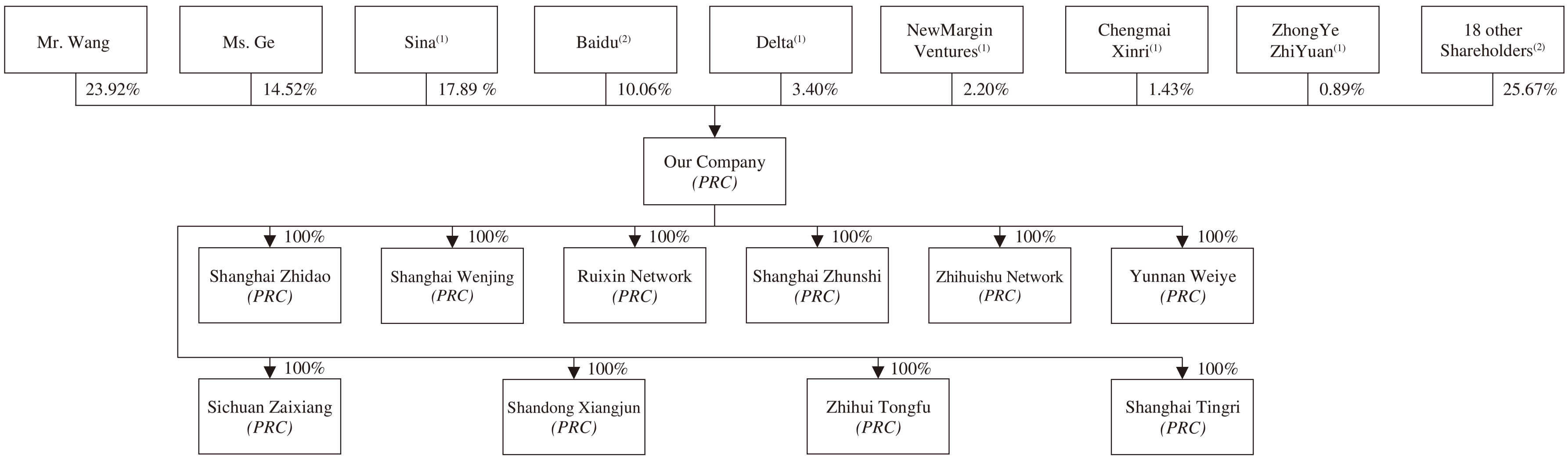
During the Track Record Period, we have not made any acquisitions, disposals or mergers that we consider to be material to us.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have obtained necessary legal approvals from the competent governmental authorities in the PRC or made necessary registration or filings with the relevant local branch of SAMR with respect to all the aforesaid capital increases and equity transfers in material aspects.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the **[REDACTED]**:

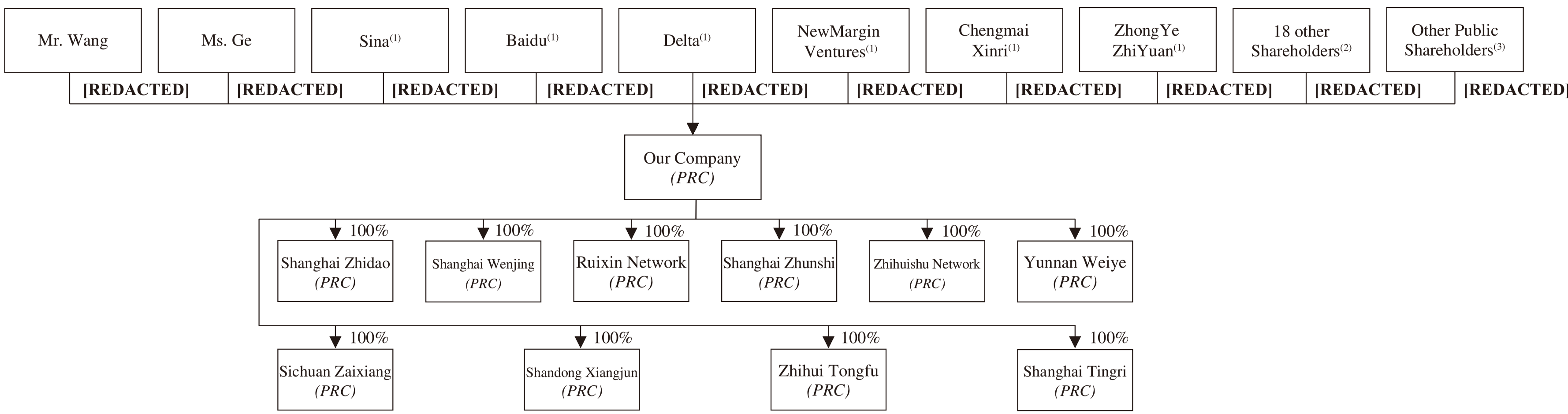


Notes:

(1) See "– Pre-**[REDACTED]** Investments – Information of the Pre-**[REDACTED]** Investors" below.

(2) The 18 other Shareholders include, Mr. WANG Yunning, Shanghai Shuhuai, Mr. XI Puzhao, Mr. YANG Qiushi, Shanghai Xuru, Ms. WANG Xin, Mr. ZHANG Bocheng, Ms. GE Yi, Mr. WANG Jun, Ms. YANG Xiaoli, Shanghai Suishang, Mr. LOU Ming, Peixian Yingcui, Guangzhou Chengheng, Shanghai Changshi, Mr. REN Yaocong, Mr. SUN Yi and Ms. FENG Jingfen. See "– Capitalization of our Company" above for details of other Shareholders.

The following chart illustrates our corporate and shareholding structure immediately after the completion of the **[REDACTED]** (assuming that the **[REDACTED]** has not been exercised):



Note:

(1)-(2) See the respective notes under the shareholding and corporate structure immediately prior to the completion of the **[REDACTED]** as set out above.

(3) The Shares held by these other public Shareholders are H Shares, which will be counted towards the public float together with H Shares held by Bairuixiang VC, WANG Yunning, Shanghai Shuhuai, YANG Qiushi, Chengmai Xinri, Shanghai Xuru, WANG Jun, GE Yi, YANG Xiaoli, ZhongYe ZhiYuan, Shanghai Suishang, LOU Ming, Guangzhou Chengheng, REN Yaocong, SUN Yi, FENG Jingfen and Shanghai Changshi upon completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised). See "Share Capital" for further details of the conversion of Domestic **[REDACTED]** Shares into H Shares.

OVERVIEW

Who We Are

We are a reputable digital teaching and learning solution provider for higher education institutions in China, committed to the development, delivery and operation of digital educational content and digital teaching and learning environment services and products for higher education institutions, providing coverage of higher education institutions, teachers and students by facilitating broad access to educational resources and enhancing the efficacy of educational outcomes. China's higher education teaching and learning digitalization market is highly fragmented. According to Frost & Sullivan, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue in 2023. Higher education institutions in China include universities and higher vocational colleges. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

Our long-standing dedication to the education sector has endowed us with insights into teaching and learning process, needs of higher education institutions and teachers, a diverse array of academic subjects, as well as application of relevant technology. These insights, combined with our focus on technology and customer service – the "dual engines" driving our progress – have enabled us to provide advanced services and products and garner customer recognition. During the Track Record Period, we had developed more than 31,000 digital courses and our services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. We had 627 digital courses that won gold awards in the first and second batch of national recognition of first-class undergraduate courses and the review of national online quality courses for vocational education by the Ministry of Education, being the most among the top five players by revenue in China's higher education teaching and learning digitalization market.

Market Opportunities

In the new era of economic and social development, the higher education sector faces a critical demand: leveraging technology to foster the creation, dissemination and accessibility of high-quality educational content. This advancement is essential to enhance the overall teaching quality across higher education institutions, thereby nurturing the talents who can contribute to scientific research innovation and drive the overall economic and social development. These demands align with the shared values of all stakeholders – the government, society, higher education institutions, teachers and students alike. There is a collective aspiration for higher education institutions to excel, cultivate talent and achieve educational parity and distinction. Higher education institutions shoulder the crucial responsibility of guiding and inspiring teachers to elevate teaching quality, while providing students with rich resources and an environment conducive to superior learning outcomes. Higher education institutions, teachers and students, as active participants and beneficiaries of this system, seek to be empowered by superior teaching and learning tools and resources, aiming to enhance the efficacy of the educational process.

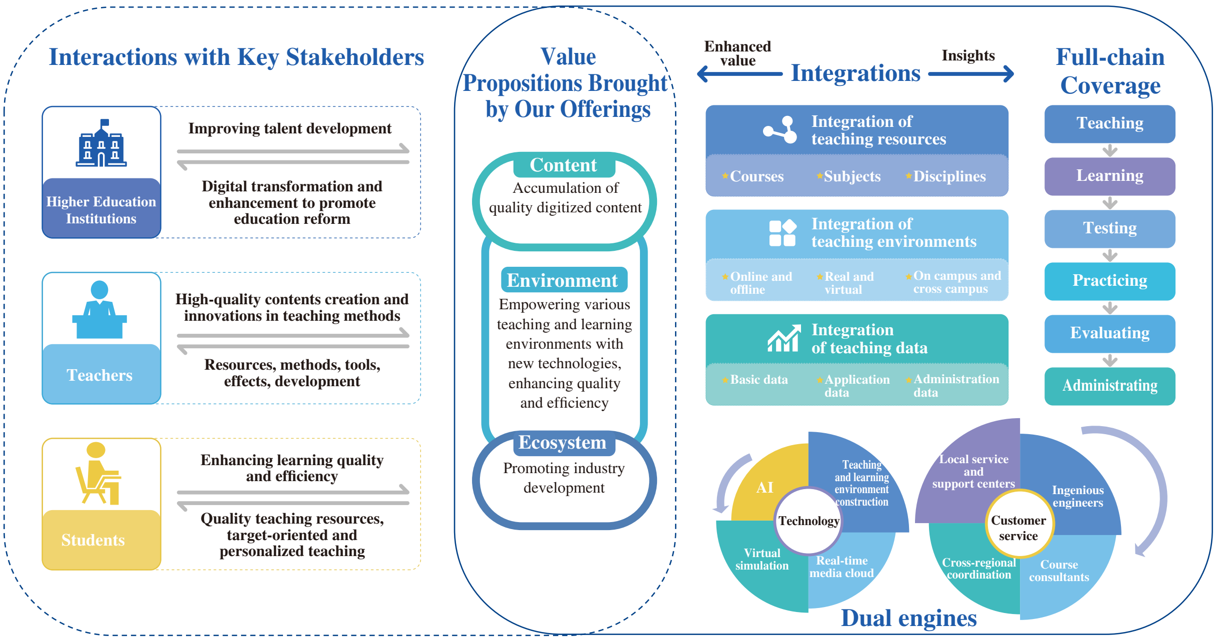
Digitalization is the key to meeting the higher education sector's needs, as it fully leverages technology to address the challenges in creating, sharing and accessing high-quality educational resources. It enables the widespread distribution of quality resources, enhances teaching efficiency and fosters innovative and practical skills in a cost-effective way. Digitalization also adapts continually for the evolving demands for talent in advanced scientific research and societal development. The governments have made significant investments in the informatization of higher education institutions. This increased focus on teaching and learning underscores the importance of digitalization in advancing educational goals.

The government's unwavering commitment to digitalization is a testament to its dedication to advancing equity and quality in higher education across China, with all stakeholders actively engaged in this transformative journey. Technological innovation and the technical revolution are propelling the construction of new digital teaching and learning infrastructures, opening doors to growth opportunities. The deployment of cutting-edge technologies like AI, virtual simulation, audio and video and data security is reshaping teaching and learning in higher education. This shift from traditional offline classroom teaching to a digitalized environment integrates online and offline experiences, establishing digital classrooms as the foundation for targeted content delivery, cloud-based connectivity and resource sharing. As new technologies emerge and iterate, they spawn new demands, services and products, fueling opportunities for expansion.

China's higher education is transitioning from informatization to digitalization, steered by advanced technologies like AI, with a focus on digitalization and intelligentization. The development of basic informatization infrastructure and the widespread application of digitalization in non-teaching environments has laid the foundation for extensive use in teaching and learning. According to Frost & Sullivan, the market size of China's higher education teaching and learning digitalization market is projected to grow from RMB19.3 billion in 2023 to RMB40.0 billion in 2028, growing at a CAGR of 15.7%. Notably, the digital educational content production subsegment is expected to grow from RMB8.7 billion in 2023 to RMB20.0 billion in 2028, at a CAGR of 18.1%.

Our Approach

Below is a diagram which illustrates our business model and how we provide value propositions to the key stakeholders in the higher education industry:



Deep Understanding of Teaching and Learning in Higher Education Institutions

We consistently empower teaching and learning process with our services and products. Our consistent delivery of quality services and products has earned us the trust from higher education institutions. Understanding the intricacies of teaching and learning, we recognized early on that digitalization was the key to meeting the core needs of these institutions. We have developed services and products specifically designed for the unique demands of higher education, resulting in valuable experience, strong services and products launches and rapid commercialization. Our continuous efforts in digitalization lead the development of the industry, working closely with institutions to achieve significant milestones. Starting in 2015, we identified content digitization as the industry's focal point and initiated digital course development. In 2020, we introduced panoramic teaching space, and by 2023, we expanded our offerings with knowledge graph development. These services and products have been commercialized successfully, cementing our market position.

China's leading higher education institutions are the leaders of education digitalization, boasting an unparalleled collection of digital educational content resources. They are the trailblazers in educational innovation, taking a proactive role in the industry's current and future direction. Our focus on top universities, higher vocational colleges and key disciplines – reflected in our significant presence among universities nominated under the "Project 985" and "Project 211" and "Double First-Class Initiative" and higher vocational schools nominated under "Double High Plan" – allows us to stay attuned to the industry's evolving needs. During the Track Record Period, our customers which are the universities nominated under the "Project 985", "Project 211" and "Double First-Class Initiative" and the higher vocational colleges nominated under the "Double High Plan" represent a substantial percentage of these leading institutions. By collaborating closely with them, we have enhanced our ability to support teachers in creating and disseminating high-quality digital educational content and have helped institutions build robust digital teaching and learning infrastructures.

Our services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. 627 of our courses earned gold awards in the first and second batch of national recognition of first-class undergraduate courses and the review of national online quality courses for vocational education by the Ministry of Education. For emerging interdisciplinary subjects, our broad expertise enables us to swiftly identify and address needs with suitable services and products.

Comprehensive Offerings Empowered by Advanced Technologies and Full-Chain Services

We deeply understand that teaching and learning in higher education institutions and talent training are systematic and their digitalization transformation requires a systematic overhaul to ensure smooth adaption and integration. Therefore the capability to offering full-chain digitalization services and products is required. In addition, the digitalization of teaching and learning interact closely to generate synergistic effect. The accumulation of high-quality educational content then drives the optimization and upgrading of environments. Digitalization of the teaching and learning environments will further expand and improve the digital infrastructure for teaching and learning in higher education institutions, which in turn will promote more high-quality educational content creation and teaching and learning environment innovation. As a result, our offering and operation of full-chain services and products create a virtuous cycle, creating more value to the industry and increasing customer loyalty and satisfaction.

Our full-chain service and product capabilities include:

Content Digitization

Content digitization is the cornerstone of digital teaching and learning. It is often the first step in our collaboration with higher education institutions, excavating new needs and opportunities. We utilize our understanding of teaching practices and subject nuances to meet the needs of teachers in leading universities and colleges. Our localized service and support centers, with our course consultants, provide support for creating quality digital educational content. Our services span from initial consultations to course syllabus design, course content development and operation and maintenance, following a highly standardized creation process. During the Track Record Period, we had developed over 31,000 digital courses and our services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education.

Our AI-enabled knowledge graph development is a pivotal tool in content digitization, aiding institutions in refining their programs and optimizing talent development. It streamlines the teaching and learning process through structured knowledge, clear objectives, data-driven learning and precise evaluation. This tool not only reduces the workload for teachers in course preparation and review, but also personalizes student learning and visualizes outcomes.

Environment Digitalization

To address the need for digital educational content delivery in teaching and learning environments and overcome challenges posed by the outdated teaching facilities in higher education institutions, we developed, AI-enabled, cloud-native and integrated LMS (learning management system) that assist higher education institutions in managing and creating simpler and more connected teaching and learning process and smart, multi-environment and multi-purpose teaching spaces that integrate software and hardware solutions, such as panoramic teaching spaces and immersive classrooms. We use our LiveCourse as the standardized platform software to connect and integrate online and offline teaching and learning environments to help teachers and students improve their teaching qualities and learning outcomes and help administrators achieve efficient, refined and integrated teaching management. It eliminates technical barriers and enables the interconnection and communication among classrooms across campuses and equips classrooms with functions such as live recording and broadcasting, remote interactive teaching, classroom monitoring, centralized control and operation and maintenance support.

Our panoramic teaching space, a key advancement, is an AI-enabled space adaptable to various teaching scenarios, enriching learning experiences and fostering interdisciplinary education. It transforms traditional classrooms into dynamic learning environments. Integrated with our LiveCourse software, it allows teachers to create and deliver courses within any connected smart classroom, online or offline. Our services and products enhance the dissemination and accessibility of digital educational content, providing digital teaching environments to customer preferences, thus improving content quality and usability. Unlike some of our competitors who focus on either educational content digitization or learning and teaching environment digitalization, our integrated new digital infrastructure benefits from synergies and customer retention through this comprehensive approach. It also empowers universities and teachers to collect and analyze teaching data, applying insights to further refine their educational strategies.

Dedicated Customer Service and Support Center Network

We are proud of our expansive customer service and support center network, a reflection of our dedication to customer satisfaction and service excellence. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities, covering substantially all provinces, municipal cities and autonomous regions in China. They serve multiple functions, include discovering opportunities, understanding customers' needs, delivering services and products and providing after sale services, ensuring that we are always accessible and responsive to our customers' needs. Our extensive network allows us to not only reach potential customers, but also nurture enduring partnerships with them.

Robust Technology Development and Application Capability

Drawing on our knowledge of education and technological expertise, we have developed a services and products portfolio that meets the diverse and evolving demands of our customers. Our technologies include our AI capability platform with algorithm built for higher education industry and a knowledge graph automatic construction platform that generates and links knowledge points from various educational materials. In addition to the above, we also enhance the teaching and learning experience with immersive technologies and actionable feedbacks gained from teaching quality evaluation tools using natural language processing, knowledge graphs and computer vision. This set of approaches ensures we stay at the forefront of educational technology and application research, delivering competitive and cutting-edge solutions.

Education Ecosystem Development

We are deeply committed to fostering the growth and innovation of higher education. We believe that digital education can transcend the limitations of time and space, granting broader access to quality educational resources and personalized learning experiences. In pursuit of this, we have initiated a range of projects to support institutions, teachers and students. Our efforts include offering credit course sharing platform, backing industry-university-research collaborations and organizing teacher seminars. These initiatives aim not just to share educational resources and insight but also to encourage collaboration and exchange among institutions and teachers, especially in central and western regions, thereby enhancing the overall higher education landscape. See "– Our commitment to higher education."

Our revenue increased from RMB400.1 million in 2022 to RMB848.2 million in 2024, at a CAGR of 45.6%. Our gross profit increased from RMB176.5 million in 2022 to RMB525.2 million in 2024, at a CAGR of 72.5%.

OUR STRENGTHS

We believe that the following strengths set us apart from our peers and allow us to capitalize on the market opportunities to ensure sustained development.

Reputable Digital Teaching and Learning Solution Provider for Higher Education Institutions in China

We are a reputable digital teaching and learning solution provider for higher education institutions in China. We established full-chain service and product capabilities based on our advanced technology capabilities and solid operational support to assist higher education institutions in building their new digital infrastructure and achieve high-quality educational content sharing. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

Favorable government policies in China have led to and will continue to support the sustainable growth of the teaching and learning digitalization industry for higher education institutions. According to Frost & Sullivan, as of 2023, the market size of China's higher education teaching and learning digitalization market was RMB19.3 billion and is expected to reach RMB40.0 billion by 2028, with a CAGR of 15.7% from 2023 to 2028. As one of the first movers and reputable players of China's higher education teaching and learning digitalization market, we have gained insights into customer needs, a large customer base and influenced stakeholders' value system through our continual and deep involvement.

As such, we built streamlined services procedures and design products on standardized function modules, giving the flexibility for rapid scaling while meeting specific needs of each customer. During the Track Record Period, we had developed more than 31,000 digital courses, and our services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. We established a credit course sharing platform in order to provide teachers and students with quality educational content and efficient cross-institutions learning experience. Our credit course sharing platform has been recognized as one of the leading platforms in China. Through such platform, we have established cooperative relationships with nearly 2,600 higher education institutions (including their branches) and recorded more than 214.7 million courses enrollment. In addition, in the first and second batch of national recognition of first-class undergraduate courses and the review of national online quality courses for vocational education by the Ministry of Education, we had 627 courses that won gold awards. We have also won many awards and recognitions for the quality and function of our services and products, such as the National First Prize for Teaching Achievements in 2023 by the Ministry of Education.

Our market position has resulted in strong operational capabilities that serve to continually strengthen our industry leadership as well as to further capitalize on the growth potential of China's higher education teaching and learning digitalization market.

Robust Services and Products Development Capabilities and Excellent Customer Service with Strong Recognition

Leveraging our understanding of the industry, we have shown our robust services and products development capabilities. We have continuously invested in research and development and had established an in-house research and development team with 410 members as of the Latest Practicable Date. We have developed a portfolio of scalable services and products covering the full value chain of higher education teaching and learning digitalization that satisfies the diverse needs of our customers. Supported by our sensitivity to the application of advanced technology to education and our ability to understand and anticipate our customers' needs, we have been able to develop new services and products through our R&D accumulation and position them in the market. Historically, we have successfully introduced many services and products that fill the gaps in the industry. We are one of the first companies to provide digital course content, knowledge graph and panoramic teaching space services and products for higher education institutions in China.

Customer service that complements our services and products is a key part of our offering. It is a vital way for us to attract customers, understand their needs and deliver quality services and products. We have established an extensive network of customer support and service centers. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities. Our locally operated and cross-functional customer service and support centers are primarily established to ensure timely support and assistance to customers within their geographical coverage area, and are responsible for giving teachers advice on course development from various perspectives, from the course design to the current policy trends in the education field. They also assist teachers in using our services and products for better outcomes and support their reliable performance. In addition, they participate in cross-functional teamwork in gathering feedback on higher education institutions' and teachers' needs in practice and cooperating with R&D team to address customer pain points so as to introduce new services and products fulfilling those needs. On top of our commercial offerings, we also support and organize various teacher development activities, such as events and workshops for teachers to exchange views and be trained with experts in various fields to share their insights in order to support teachers' career development and better facilitate the improvement of teaching in higher education institutions.

Our robust services and products development capabilities and customer service, together, have earned us recognitions from our customers. Many of our customers purchased and paid for multiple services and products from us. In 2022, 2023 and 2024, the number of Overlapping Customers were 291, 346 and 449, with a rising average revenue per Overlapping Customer of RMB711,504.1, RMB1,018,652.0 and RMB1,102,294.3, respectively.

Strong Technology Application and Rapid Services and Products Iteration Capabilities Satisfy the Diverse Needs of Customers in Different Scenarios

With our experience and R&D capabilities in applying advanced technologies and insights gained from our long-term cooperation with our customers, we have become one of the few companies in the industry that can leverage advanced technologies to enable a wide range of application scenarios, including both digital educational content and learning and teaching environment. As a technology-driven company, we have a firm and long-term belief in technology. Our research and development expenses amounted to RMB98.1 million, RMB101.1 million and RMB126.9 million in 2022, 2023 and 2024, accounting for 24.5%, 15.5% and 15.0% of our revenue, respectively. As of the Latest Practicable Date, we obtained eight invention patent authorizations, five utility model authorizations, 446 software copyrights. We invested in the research and development of new services and products applying new technologies to meet the evolving market demand. For example, we have built a new kind of digital resource infrastructure consisting of credit course sharing platform, virtual simulation experiments and course knowledge graphs for higher education institutions through our AI and knowledge graph capabilities. In addition, we also applied new technologies to expand teaching scenarios including online teaching, cross school/cross campus teaching and experiment simulation teaching.

Moreover, we are one of the companies in the industry who can grasp the latest technologies that appear in the market and carry out application research and development to form services and products that meet the common needs of a large number of customers and obtain wide market recognition, achieving rapid commercialization success. We also maintain competitiveness of our services and products through our research and development efforts. For example, in digital educational content services and products, we reacted promptly to the evolving needs of our customers and the emergence of AI technologies, and launched knowledge graph development in 2023 leveraging our profound experience accumulated from digital course development. In digital teaching and learning environment services and products, we introduced panoramic teaching space in 2020 on top of immersive classroom to improve and enrich the teaching and learning process for the future of education,

Customer Base of Leading Higher Education Institutions Empowering Customer Group Expansion and Enhancing Customer Loyalty

We have been focusing on leading higher education institutions under the "Double First-Class Initiative" and the "Double High Plan", who excel in research capabilities, discipline building and faculty strength and have achieved rapid penetration among them. In 2022, 2023 and 2024, we had 212, 234 and 240 customers which are universities nominated under "Project 985", "Project 211" and the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan", respectively, cumulatively accounting for 79.4% of the universities nominated under the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan" as of December 31, 2024. According to Frost & Sullivan, the average total expenditure on higher education informatization for universities within the "Double First-Class Initiative" reached RMB33.4 million in 2021 being the latest publicly available data published in 2023, which was about three to four times that of other universities. Similarly, the average total expenditure on higher education informatization for vocational colleges within the "Double High Plan" reached RMB15.8 million in 2021 being the latest publicly available data published in 2023, approximately two to three times that of other vocational colleges. We managed to deepen our cooperation with such customers, reflected by their increasing average spending with us and high revenue growth rate during the Track Record Period. "See – Our Services and Products." Due to our insights into our customers' demands through our close collaboration with such customers, we have constantly been one of the first players to spot industry trends, develop market benchmark products and introduce those products to a wider range of higher education institutions.

Experienced Management Team, Learning Organization Culture and Long Term Dedication to Higher Education Market

Our success depends largely on our experienced management team. Our founder, controlling shareholder and chairman of the Board, has long been focused on the education industry and cutting-edge product design. He has extensive knowledge of the industry and deeply understands the direction of higher education's digital transformation in China. In the last decade, he has guided us to take advantage of market opportunities and become a leader in the industry. Our management team has a combination of education, Internet and technology backgrounds and is very passionate and committed to education. Our executive directors have an average of more than 15 years of experience. Our organization is open-minded, efficiency-oriented, and has a learning organizational culture which encourages our employees to expand their knowledge and skills, explore opportunities and overcome obstacles on the way. We continue to receive robust support from our strategic investors, such as Sina and Baidu, who made strategic investments as early as 2016 and during the pandemic in 2020, respectively showing their deep recognition of our industry insights, development strategies and our unwavering commitment to advancing higher education in China.

In our long-term dedicated pursuit of advancing China's higher education through digitalization, the government, universities teachers and we, as builders and promoters, each play a pivotal role. The government, as the architect and facilitator, universities as implementors, teachers as practitioners and we as innovators, together create a unified vision. Our collaborative efforts have fostered mutual trust, a stable value chain and positive outcomes in digitalization practices. We are dedicated to pushing the boundaries of educational technology and fostering an open, intelligent education ecosystem. Utilizing our capabilities in employing latest technologies such as AI and cloud computing in our services and products, we develop solutions that elevate education quality and efficiency. Our collaboration with partners and customers aims to co-create value and navigate the challenges of digital transformation. Committed to empowering higher education institutions, teachers and students, we drive industry progress, securing our competitive edge and industry position. We can continually meet the evolving needs brought forth by digitalization, balancing social and economic value while pursuing sustainable growth.

OUR STRATEGIES

We plan to pursue the following strategies to capitalize on industry opportunities, further consolidate our market position and contribute to ongoing industry value.

Continue to Focus on Strategic Customers and Expand Our Business Customer Service and Support Center Network

We will keep solidating our collaborative relationships with our strategic customers which are the universities nominated under the "Project 985", "Project 211" and "Double First-Class Initiative" and the higher vocational colleges nominated under the "Double High Plan", further enhance capability of our customer service and support network. Specifically, we will expand the coverage of the network of our customer service and support centers and improve the service quality of such centers. We will further optimize the coverage radius of our customer service and support centers to more campuses and disciplines in higher education institutions and higher vocational schools in different regions. We plan to establish new customer service and support centers in cities where existing centers are situated, as well as in cities that are currently not within the coverage of the network of our customer service and support centers to shorten the gap between our services and products and customers to be more accessible and responsive. Through the extended network of our customer service and support centers, we aim to quickly grasp the needs of potential customers, help them improve their digital competence and develop them to become our customers.

Continuing the Iteration and Upgrading of Existing Services and Products and Development of New Products

The overall improvement of the quality of education in China and the acceleration of digitalization are leading to an increasing demand for digitalization services and products among higher education institutions. The creation, redefinition and merging of majors on an annual basis result in requirements for new educational content, teaching methods as well as other new ancillary demands. Since introduction of education reform measures, there has been an increasing demand for the informatization of education in higher education institutions across the country.

We plan to seize the opportunities for scientific and technological development presented by new AI technologies. We plan to upgrade our existing services and products portfolio and develop a knowledge-based and AI-driven infrastructure to drive the expansion of our business. We will focus on researching on latest and advanced technologies such as AI, VR and other latest technologies. In addition, we endeavor to build and expand our research and development team by recruiting and cultivating new talents, particularly in positions such as AI data analysts, front-end development engineers, algorithm engineers, software architects and 3D modeling engineers. Through the enhanced research and development capabilities, we intend to adopt more advanced technologies to our services and products to support the development of our services and products and their iterations and improve the quality of our services and products for better customer experience. At the same time, leveraging our knowledge and insights into the digitization of education in China and our first-hand feedback from teachers and higher education institutions, we will also use our enhanced research and development capabilities to develop new services and products in the next three to five years, strengthen the development and construction of new forms of teaching resources in vertical subject areas, reinforce AI-focused infrastructure and applications products and strengthen the development for subject-wide knowledge graphs as a reserve for our long-term growth.

Enhancing the Strategical Layout of Our Knowledge Graph Development Centers

Our knowledge graph business gained wide recognition among our customers and grew rapidly since its launch in 2023. As of December 31, 2024, we delivered more than 5,800 knowledge graphs across various subjects including engineering, medicine, science, agriculture and others. To better support the rapid growth of knowledge graph development and facilitate efficient and centralized management and delivery, we plan to set knowledge graph development centers to enhance our capabilities and efficiency in terms of development, production and delivery of knowledge graphs. We will strategically select the locations for these knowledge graph development centers, taking into account factors such as average level of employee expenses, amount of employees available and the mix of talent pool in the region. We plan to recruit employees for these centers based on various factors including relevant experience and educational backgrounds. Specifically, we intend to focus on recruiting talents with backgrounds in science, engineering and medicine to maximize their abilities in knowledge graph development. These development centers will be the expert delivery units of knowledge graphs and attract and retain talents to grow with the company in the long run.

Continue to Recruit, Develop and Retain Talents

We plan to retain talents by offering competitive remuneration, diversified and clear career development opportunities, systematic learning and teaching methodologies and continual training. We will follow the overall business plan of the region and build a team with operational competency and capability to meet customers' technical and service requirements, to better serve the customers more efficiently.

OUR SERVICES AND PRODUCTS

As a provider of digital teaching and learning solutions for higher education, we offer various services and products to help higher education institutions throughout China enhance the quality and efficiency of their teaching and learning processes through digitalization. Since our inception, we have been dedicated to designing and building our services and products to meet the evolving needs of teachers and students, offering digital educational content and digital learning environment services and products. In 2022, 2023 and 2024, we had 1,174, 1,422 and 1,738 customers for our services and products, respectively.

The digitalization for the higher education teaching and learning encompasses both educational content digitization and teaching and learning environment digitalization. We are capable of addressing the multifaceted needs of higher education institutions in such aspects. Our services and products for educational content digitization and teaching and learning environment digitalization are intricately linked with each other, enabling creation of quality digital educational content development, interactive and immersive online and offline teaching and learning environment, as well as the effective management of education resources and learning activities. We seek to bring a coherent and seamless digital teaching and learning experience for both teachers and students.

The following table sets forth some key performance indicators of our business during the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
Number of customers	1,174	1,422	1,738
Average revenue per customer[(1)] *(RMB)*	340,809.9	459,187.1	488,031.1
Number of Overlapping Customers	291	346	449
Average revenue per Overlapping Customer[(2)] *(RMB)*	711,504.1	1,018,652.0	1,102,294.3
Revenue contributed by Overlapping Customers *(RMB in thousand)*	207,047.7	352,453.6	494,930.2
Number of Key Account Customers	245	344	449
Average revenue per Key Account Customer[(3)] *(RMB)*	1,126,061.2	1,456,650.2	1,503,205.8
Revenue contributed by Key Account Customers *(RMB in thousand)*	275,885.0	501,087.7	674,939.4

Notes:

(1) The average revenue per customer is calculated as total revenue in the year divided by the number of customers served in the same year.

(2) The average revenue per Overlapping Customer is calculated as total revenue generated from the Overlapping Customers in the year divided by the number of Overlapping Customers served in the same year.

(3) The average revenue per Key Account Customer is calculated as the total revenue generated from the Key Account Customers in the year divided by the number of Key Account Customers served in the same year.

Some of our business performance indicators experienced decrease between 2021 and 2022, primarily because the pandemic disrupted our business operations, offline communications and services and products delivery. However, we remained dedicated to enhancing the competitiveness of our offerings and customer service capabilities, allowing us to quickly respond to the changing market needs post pandemic. Since the start of 2023, we successfully launched knowledge graph development and further enhanced our customer service and support which enabled us to reach more potential customers and provide them with better services and consequently achieved significant growth that year.

Our sustainable business growth is driven by our efforts to acquiring new customers and maintaining business relationships with existing customers. Our efforts to attract and engage customers had resulted an increase in new customers from 395 new customers in 2022 and 542 in 2023 and further increased to 697 in 2024. Our repeating customers (namely customers who have purchased our services and products in the previous year) increased from 779 in 2022 to 880 in 2023 and further increased to 1,041 in 2024. During the Track Record Period, our customer retention rates reached 71.9% in 2022, 75.0% in 2023 and 73.2% in 2024, respectively. Our efforts in maintaining business relationship with customers have been also demonstrated by their consistent demand for our service and products. In 2022, 2023 and 2024, the average number of transaction per customer for our digital educational content services and products had reached 4.3, 5.0 and 5.8, while the average number of transaction per customer for our digital teaching and learning environment services and products remained steady at from 1.7 in 2022, 2023 and 2024, respectively.

We prioritize our Key Account Customers who demonstrate a higher willingness to invest in our services and products, and contribute a higher economic value on average. During the Track Record Period, our Key Account customers accounted for 20.9%, 24.2% and 25.8% of the total number of customers in 2022, 2023 and 2024, respectively, and contributed 69.0%, 76.7% and 79.6% of the total revenue in 2022, 2023 and 2024, respectively. During the Track Record Period, our Key Account Customer retention rates reached 92.2% in 2022, 95.9% in 2023 and 89.0% in 2024.

In digitalization, some institutions are significantly ahead of other domestic higher education institutions, and play an important role in driving and promoting the acceptance of digitalization in other higher education institutions. We focus on the pioneers and leaders in China's teaching and learning digitalization in higher education, demonstrating the willingness to proactively adopt the latest digitized teaching and learning services and products. In 2022, 2023 and 2024, we had 212, 234 and 240 customers which are the universities nominated under the "Project 985", "Project 211" and "Double First-Class Initiative" and the higher vocational colleges nominated under the "Double High Plan", respectively, cumulatively accounting for 79.4% of the universities nominated under the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan" as of December 31, 2024. We managed to strengthen our cooperation with such customers reflected by their increasing average spending with us. In 2022, 2023 and 2024, the revenue contributed by the customers which are the universities nominated under the "Project 985", "Project 211" and "Double First-Class Initiative" and the higher vocational colleges nominated under the "Double High Plan"amounted to RMB117.4 million, RMB203.9 million and RMB248.4 million, respectively, contributing 29.3%, 31.2% and 29.3% of the total revenue in the respective years with the revenue per such customer reached RMB553,686.4, RMB871,239.4 and RMB1,035,208.1, respectively. The retention rate for the abovementioned customers had reached 89.6% in 2022, 89.6% in 2023 and 86.8% in 2024. We intend to further consolidate the customer base to more effectively penetrate the relevant regional markets where they are located.

The evolving demands of higher education institutions for digitalization highlight a pronounced preference for solution providers capable of comprehensively addressing their challenges throughout their digital transformation. Our broad array of offerings, augmented by the synergies between our digital educational content and digital teaching and learning environment businesses, positions us to offer more cohesive solutions, thereby enhancing cross-selling opportunities. In 2022, 2023 and 2024, we had 112, 313 and 579 customers who purchased multiple types of digital educational content services and products and 9, 23 and 15 customers who purchased both types of digital teaching and learning environment services and products, respectively. In 2022, 2023 and 2024, we had 291, 346 and 449 Overlapping Customers, with a rising average revenue per Overlapping Customer of RMB711,504.1, RMB1,018,652.0 and RMB1,102,294.3, respectively. The upward trend in the number of Overlapping Customers and the average revenue per Overlapping Customer underscores our capacity for maintaining sustainable growth.

Digital Educational Content Services and Products

In response to the digitalization wave among higher education institutions, over several years we have developed a combination of services and products dedicated to digital educational content to help our customers create engaging and effective digital educational content such as digital courses, knowledge graphs and virtual simulation courses. These services can help convert traditional educational content into digital forms, create immersive and realistic virtual environments and build semantic networks that represent the knowledge structure of a domain or discipline.

We offer flexible options for our digital educational content services and products to meet higher education institutions' evolving needs. We started with digital course development, assisting our customers with converting their traditional educational content into digital forms. Through close collaboration with our customers and the continual adaption of leading technologies, we launched virtual simulation development in 2020 and our knowledge graph development in 2023 to assist our customers with delivering more interactive, engaging and personalized learning experiences for their students. Our digital educational content services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education. According to Frost & Sullivan, we ranked first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

Our digital educational content services and products provide teachers and students with the following benefits in addition to being an alternative to traditional educational content:

- ***Enhanced Accessibility:*** Digital educational content is easier to distribute to a wider range of students, regardless of their location or schedule. It can also overcome the limitations of time and space, by giving students more freedom, convenience and multi-access options. Regarding time, students have the flexibility to decide whether to prepare in advance or to consolidate their learning after class. Increased accessibility can foster educational equality and diversity and empower more students to achieve their academic and professional goals;

- ***Continual Improvement and Up-To-Date Content:*** Digital educational content can be easily updated and improved, ensuring that educational content remains current and relevant and preventing students and teachers from acquiring outdated and inaccurate information; and

- ***Interactive and Engaging Experience:*** By using digital technologies, teachers can present the educational content in a more engaging way, such as using virtual simulations, knowledge graphs and multimedia. These can also give students more realistic and immersive experiences in learning, such as performing experiments, practicing skills or exploring scenarios. Moreover, digitizing the educational content can support more technology-based real-time discussions and collaboration among students and teachers. For example, teachers can use digital platforms to modify or add digital educational content. Moreover, digital educational content can be enriched with multimedia elements, such as images, videos, animations or interactive quizzes, to enhance the learning experience and engagement.

Digital Course

Overview

Teachers and students face a variety of challenges in the traditional course educational content delivery process, primarily including: (i) lack of flexibility and limited access; (ii) tendency for passive learning with lecture-based teaching resulting in students not actively engaging in the course materials; and (iii) a one-size-fits-all teaching approach.

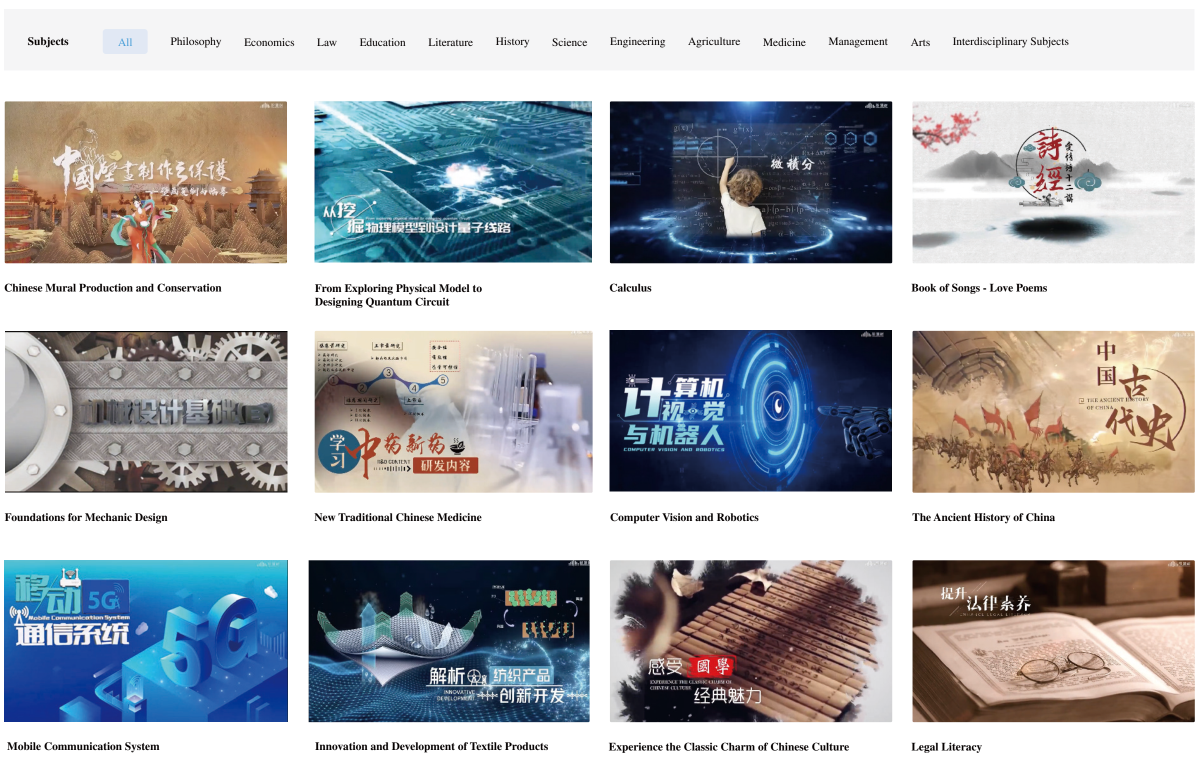
Our digital course development focuses on the digital transformation of higher education institution curricula, catering to the specific needs of teachers. By leveraging years of experience in digital teaching and learning solutions for the higher education institutions, we offer digital course development to assist our customers with the process of transforming their traditional in-classroom lecturing practice via building interactive and engaging digital educational content to meet their teaching requirements. We have set certain quality control rules and procedures encompassing the entire digitization process, including the design and formulation of syllabi for digital courses, scriptwriting, video recording and editing and review. By streamlining this process, we ensure a smooth transition from conventional teaching methods to digital teaching methods that enhance the teaching and learning experience for both teachers and students.

We experienced rapid expansion in digital course development service during the Track Record Period. In 2022, 2023 and 2024, we had 950, 1,147 and 1,298 customers for our digital course development services and delivered 7,914, 11,167 and 12,304 digital courses during the same periods, respectively. We had 627 digital courses that won gold awards in the first and second batch of national recognition of first-class undergraduate courses and the review of national online quality courses for vocational education by the Ministry of Education, being the most among the top five players by revenue in China's higher education teaching and learning digitalization market.

Features of Our Digital Course

Our digital courses are usually developed as video files and could be delivered through private cloud drive or onsite physical hard-drive transmission. They are designed to be operated on various systems of higher education institutions and accessed by students and teachers of the relevant higher education institutions. Specifically, these digital courses are also configured to be compatible with online environments for wider access. We communicated with customers at the initial stage of each project to understand the technical specifications of their systems and ensure that the delivered digital courses match their systems requirements. Our digital courses are embedded with interactive functions such as quizzes and discussion forum functions and enable teacher and student to review and track their learning progresses. They can be also shared publicly through our credit course sharing platform upon request by our customers to collect more feedbacks and gain recognition from a wider audience. See "– Our Commitment to Higher Education"

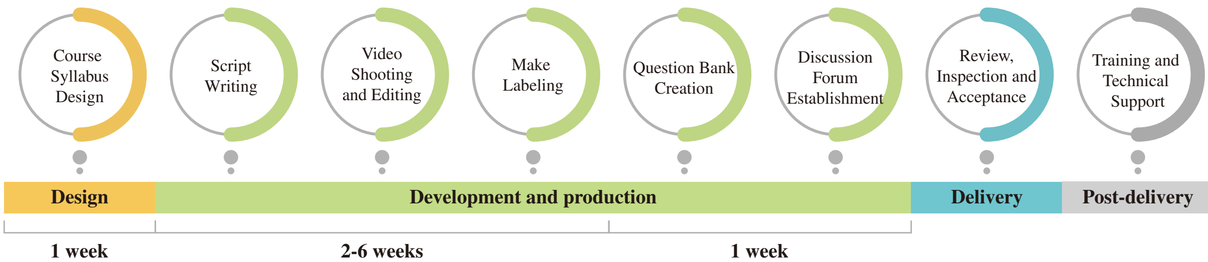
Set forth below are some representative pictures of certain digital courses we delivered during the Track Record Period:



Our Standard Delivery Process

Through our deep involvement in the higher education sector over many years, we have formed a solid understanding of the diverse and unique needs across various higher education institutions and their disciplines and subjects. Accordingly, we have formed a delivery process ensuring the efficient provision of customized services. This delivery process is underpinned by our standardized approach, industry knowledge and customer service capability and executed by our dedicated customer service and support center staff.

Adopting a standardized approach, the entire digital course development process may take four to eight weeks. The flowchart below illustrates the standard process and typical time frame required for relevant procedures involved in the development process of our digital course development service:



After initial communication via our sales, we form a project development team consisting of client managers, course consultants and video engineers. The team members with different roles collaborate throughout the services and products delivery process to ensure the best customer experience. In addition, we note that there is no statutory license requirements for the course consultants who help teachers design the digital courses prescribed by the PRC laws and regulations. Adopting a standardized approach, the entire digital course development process, involving the following key steps:

i. Course Syllabus Design: Our course consultants design and formulate course syllabus after close communications on campus with teachers to understand their needs, thereby retaining the essence of their course content. Our effective syllabus digitization process is underpinned by a strong in-house team of course consultants, which differentiates us from our peers. They help teachers to restructure their courses and complete an overall design, clearly position their courses, clarify the course objectives, background, features and content, as well as its audience and scope;

ii. Course Content Development: After receiving approval from the teachers, our project development teams then work closely with them to develop the full digital course content. This involves the following steps:

- Script writing: Our course consultants write concise and clear scripts for each lesson based on syllabus which include main contents, learning objectives, teaching methodology and assessment criteria and submit to teachers' review.

- Video shooting and editing: We arrange professional video engineers and equipment to shoot the videos with teachers for each lesson at a suitable location, such as the teacher's office, classroom, or studio nearby. The video engineers ensure the optimal quality, lighting, sound and camera angles of the video. They also edit the videos to improve the visual and audio effects, and add subtitles and other features. Under our assistance, teachers can insert interactive elements such as quizzes, or surveys into the videos to increase the engagement and attention of learners.

- Question bank creation and discussion forum establishment: Under our assistance, teachers can create question banks to assess their students' understanding and grasp of the course content. The questions are aligned with the learning objectives and cover different levels of difficulty and complexity. They also include references to the relevant course content. Under our assistance, teachers can establish chapter discussion forums of courses to facilitate communication and interaction among the students and the teacher. The discussion forums provide an opportunity for teachers to understand their students' progress, provide guidance and address any issues or concerns; and

iii. Review, Inspection and Acceptance: Upon completion of final editing, we submit our work for customers' final review, inspection and acceptance. We also conduct quality assurance tests to ensure that the course content meets the technical standards and requirements of the customers' systems.

Knowledge Graph

Overview

In 2021, we started research and development for knowledge graph development. Following two years of investment, we successfully commercialized and launched knowledge graph development to meet both the evolving demand from our customers and the emergence of AI technologies in 2023. Traditional educational methods and content are often linear, making it difficult for students to achieve an overall grasp and in-depth understanding of the course. Pursuant to our customers' requirement of better educational content and more effective teaching methods, we develop data structures for designated subjects and disciplines. These data structures integrate existing information and resources into interconnected and visualized networks which clearly present hierarchical structures, interrelationships and logical connections between knowledge points. These data structures facilitate the understanding of complex relationships and dependencies among various knowledge points, help optimize the design of educational content and ensure dynamic updates of resources and knowledge, enabling personalized and autonomous learning with improved effectiveness.

During the knowledge graph mapping process, we employ various AI techniques, such as natural language processing, optical character recognition and document structuring algorithms. These techniques help us to extract, link, expand and classify the concepts or entities from natural language texts and other data sources, and to identify the relations between them based on their features, correlation and similarity.

The development of knowledge graphs is an advanced step in the digitization of educational content, as it enriches and enhances the digital courses with more structured and interconnected information. Many of our knowledge graph development customers are also digital course development customers, who have benefited from the synergies between the two services. In 2024, there were 553 overlapping customers for both digital course development and knowledge graph development. In 2023 and 2024, we delivered more than 1,200 and 4,600 knowledge graphs across various subjects including engineering, pharmacy, science and agriculture, among others, respectively.

Features of Our Knowledge Graph

Students and teachers have different needs that are not wholly compatible with the traditional form of course teaching. Knowledge graphs can serve as powerful tools that enable our customers to create and customize individual subjects according to their needs and goals. They also help our customers organize and present elements of their courses and subjects and design and offer more unique and specialized courses and subjects that can attract and benefit students. We use AI technology in the knowledge graph development process to create various connections between knowledge points. Our knowledge graphs are developed and delivered as plug-in programmes/web files and could be delivered through either cloud deployment or offline transmission. They can be operated on various systems and accessed by students and teachers of the relevant higher education institutions. Specifically, these knowledge graphs are also configured to be compatible with online environments for wider access. We communicated with customers at the initial stage of each project to understand the technical specifications of their systems and their teaching standards and ensure that the delivered knowledge graphs match their systems requirements and teaching and learning needs. Teachers and students are both offered open pathways with many resources in teaching and learning. This process includes the following key features:

i. Knowledge Modules Instead of Unit-Based Courses: Knowledge graphs divide the educational content into different knowledge modules, each of which is an independent concept, skill or experience, rather than a traditional course or chapter. Knowledge modules can be flexibly combined and ordered in accordance with the learning objectives, providing diverse teaching and learning paths and modes;

ii. Non-Fragmented, Systematic, Structured and Visualized Integration: Knowledge graphs establish semantic associations between knowledge modules, forming a complete, orderly and logical knowledge system, avoiding fragmented teaching and learning. Knowledge graphs also visualize the levels, structures and connections of knowledge, helping students grasp the whole and details of knowledge and enhancing the depth and breadth of learning;

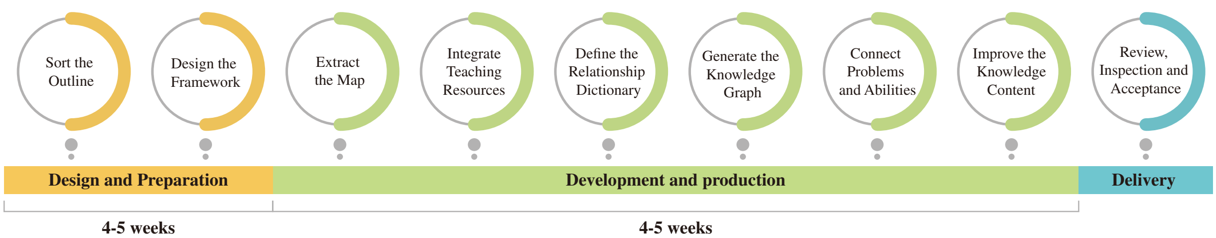
iii. Breaking the Boundaries of Courses: Knowledge graphs not only establish knowledge connections within the same course, but also cross the boundaries between courses, realizing the integration and innovation of knowledge. Knowledge graphs broaden the modes and angles of thinking and learning;

iv. Starting From the Whole of a Course, Building an Integrated and Autonomous Knowledge Body: A knowledge graph takes a course as a whole and constructs a knowledge body according to the core objectives and characteristics of the course that covers various aspects such as basic, professional and practical knowledge. Knowledge graphs also set different learning strategies and evaluation methods according to the needs and characteristics of different courses, achieving personalization and optimization of the courses; and

v. Open Knowledge System, Continual and Dynamic Growth, Forming a Talent Cultivation Highland: Knowledge graphs are open, dynamic and adaptive knowledge systems, where teachers can adjust and expand knowledge modules and relationships. Knowledge graphs can also interconnect and be shared with other knowledge graphs, forming a larger knowledge network enhancing the value and influence of knowledge.

Development and Delivery Process

We use the "Four-dimensional" model to develop knowledge graphs. The core of higher education is to foster students' thinking skills. Besides learning basic theories, students need to enhance their problem-solving abilities with knowledge. Thus, the knowledge graph has four dimensions: (a) objective layer, which defines clear objectives and specific abilities; (b) problem system layer, which contains classic and high-value problems of various types and difficulties; (c) basic knowledge layer, which covers all knowledge points and their relations and domains; (d) teaching resource layer, which provides rich and structured resources for each knowledge point. The development of knowledge graphs for school-specific courses is a complex process that requires systematic and standardized recommendations and guidance. Teachers need to use a "visible" method to analyze, present, link, share and improve their courses. Adopting a standardized approach, the entire knowledge graph development process may take eight to ten weeks. The flowchart below illustrates the standard project process and typical time frame required for relevant procedures involved in the development process of our knowledge graph development service:



The entire project process involves the following eight key steps:

i. Sort the Outline: We collect relevant materials, use our internal search engine to match resources and discuss with course team to propose knowledge graph goals;

ii. Design the Framework: We determine the teaching logic, design the framework and list and describe the themes and sub-themes;

iii. Extract the Map: We discuss with teachers to unify the knowledge points and skill points, construct a tree-shaped mind map and mark the content types to the knowledge points;

iv. Integrate Teaching Resources: We check and analyze the existing resources, perform structural decomposition and optical character recognition text conversion and mark and associate the knowledge points with the resources;

v. Define the Relationship Dictionary: We summarize the three basic relationships of order, inclusion and relevance and set up special relationships for the course knowledge based on the educational content;

vi. Generate the Knowledge Graph: We set and place the knowledge points on the graph canvas, connect the knowledge points with the relationship line and generate a complete knowledge system;

vii. Connect Problems and Abilities: We confirm the professional training objectives, arrange the ability objectives and build the ability graph, classify the problems and build the problem graph and establish the connection of abilities, problems, knowledge and resources;

viii. Improve the Knowledge Content: We use our internal search engine and manual collection to update and supplement the knowledge points and their relevant application cases and improve and iterate the knowledge point portraits; and

ix. Review, Inspection and Acceptance: Upon completion, we submit our work for customers' final review, inspection and acceptance. We also conduct quality assurance tests to ensure that the knowledge graph meets the technical standards and requirements of the customers' systems.

Case Study – University A

Background

With the development of digital education, knowledge graphs have gained popularity in transforming traditional teaching methods. As part of this trend, a leading national research university with a strong focus on maths, mechanical engineering, chemistry and geological engineering located in northeast China, initiated a new course project based on knowledge graphs, aiming to promote the reform of medical education and explore the transition from conventional classroom teaching to digital, intelligent and personalized teaching. One of the first courses to be constructed was pathology, a core subject in medical education that connects basic and clinical medicine for medical students. It covers the diseases of human body systems and requires students to master both theoretical and practical knowledge. The educational content of pathology is rich and complex, involving many knowledge points that are not clearly connected. This poses challenges for students' logical and abstract thinking skills. Moreover, pathology emphasizes the dynamic nature of disease changes, which demands high observation and analytical skills from students. Moreover, some teaching difficulties exist in pathology, such as the abstract nature of microscopic changes and the reliance on memory-based learning. These may affect students' learning interest and performance. Therefore, teachers need to use various teaching methods and tools to motivate students and enhance their learning outcomes.

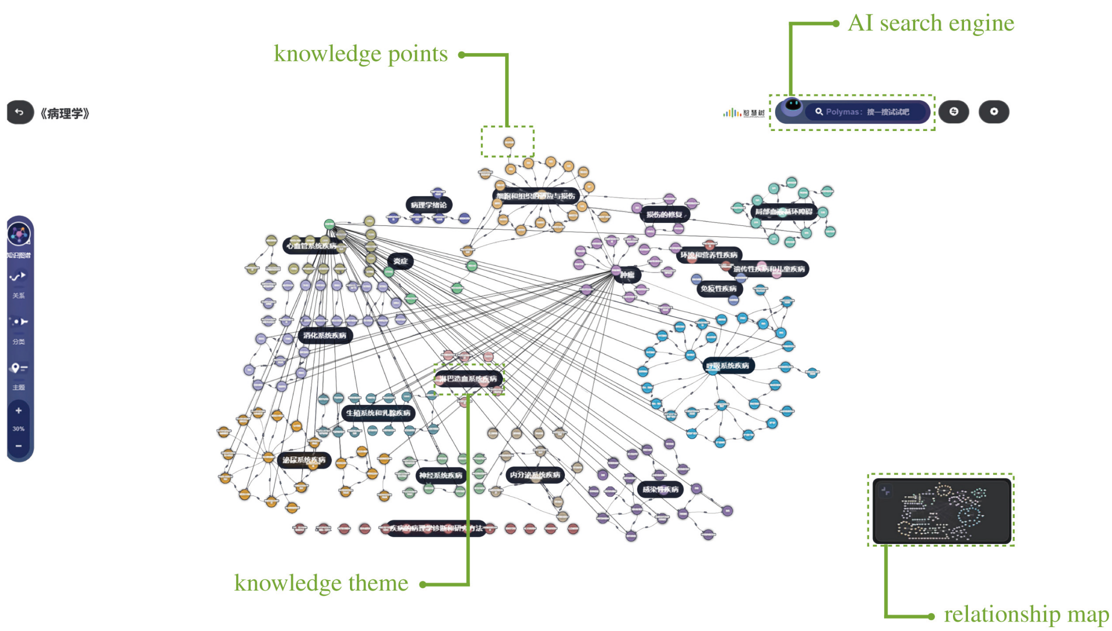
Solutions

Our knowledge graph development team assisted University A with systematically sorting 237 knowledge points and building 302 relationships, connecting the knowledge points, integrating pathological sections and other resources and constructing a "theory-practice integration" course knowledge system to improve comprehension of the material.

In addition to building the knowledge graph, we also constructed a problem graph with 110 problems, a capability graph with three capabilities and linked knowledge, problems and capabilities together. We integrated teaching methods such as problem-based learning (PBL) and case-based learning

(CBL) and introduced many clinical medicine cases. In the problem graph, we lay out three levels in the thinking paths for guiding students to solve practical problems, namely the holistic level, the conceptual level and the methodological level. Each knowledge point matches the corresponding cognitive objectives, totaling 319, and through the effective connection of knowledge point, problem, capability and cognitive objective, we can more comprehensively examine the students' mastery of knowledge points, and lay a solid foundation for future medical practice.

The following pictures demonstrate multiple modules of the Pathology course:



Knowledge Graph

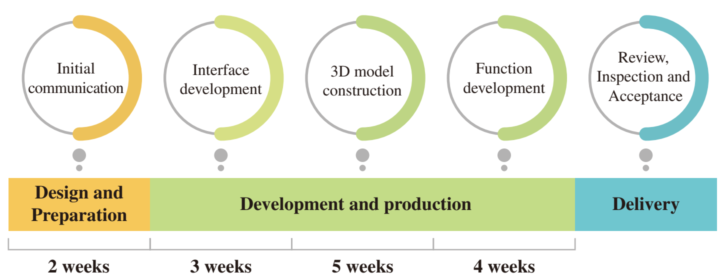
Capability Graph

Virtual Simulation

Our virtual simulation development uses technologies such as virtual reality and augmented reality to assist our customers with creating more immersive, focused, imaginative, interactive and effective educational content. It can be used across a wide range of subjects including history, literature, engineering, law and medicine, offering interactive Web/PC-based active motion presentations and VR, AR and MR simulations. Students can obtain virtual experimental environments by loading the images, simulate the process of industrial project developments and conduct preliminary research and problem-solving as required and teachers can complete experimental teaching. It can not only realize simulated practical training under risky or infrequent conditions, but also reduce the cost of experimental environment construction and enrich the experience of experimental training operations.

In 2022, 2023 and 2024, we had 113, 120 and 119 customers for virtual simulation development services and delivered 259, 234 and 201 virtual simulation courses in 2022, 2023 and 2024, respectively.

Our virtual simulation development services are delivered on a project basis to meet our customers' specific course needs. Adopting a standardized approach, the entire virtual simulation development process may take approximately 14 weeks. The flowchart below illustrates the standard project process and typical time frame required for relevant procedures involved in the development process of our virtual simulation development service:



The development process involves the following five key steps:

i. *Initial communication:* We communicate with teachers regarding the scope of educational content and complete course design and development plan design of the virtual simulation teaching resources. We developed a systematic and rigorous process with the following key steps: (i) analyze the overall needs of course development and talent development; (ii) select realistic, relevant and complementary topics and scenarios for virtual simulation; (iii) design the experimental training process and assessment; (iv) design the data recording and reporting system; (v) validate and refine the design plan; and (vi) produce the required scripts and development plans to serve the subsequent teaching resource development;

ii. *Interface development:* We design the interactive interfaces of virtual simulation teaching resources in accordance with course design plan for teachers. We follow teaching requirements to create interactive interfaces that match the features of virtual simulation teaching resources and therefore improve their appeal, immersion and interactivity. We combine the course resource content with visual effects and interaction design and develop interactive interfaces of the entire experimental training system;

iii. *3D model construction:* We then complete the construction of the 3D scene content for virtual simulation teaching resources to conform with course design plans. We use 3D modeling to create realistic or virtual scenarios and objects for experiments and training. Depending on the nature of the educational content, we may use either real-world materials or constructed virtual 3D scenarios and objects;

iv. *Function development:* We develop the system functions based on functional requirements in course design plans by integrating interactive interfaces and 3D modeling content. We also record operational data and connect it with course operation platform. We then complete the interactive function development and operation platform data docking of experimental training systems; and

v. *Review, Inspection and Acceptance:* Upon completion, we submit our work for customers' final review, inspection and acceptance. We also conduct quality assurance tests to ensure that the virtual simulation development services meet the technical standards and requirements of the customers' systems.

Features of Our Virtual Simulation Courses

Our virtual simulation courses are developed and delivered as software delivered online usually by sharing links to our customers which could direct users to the virtual simulation courses that we upload. They can be operated on various systems and accessed by students and teachers of the relevant higher education institutions. Specifically, these virtual simulation courses are also configured to be compatible with online environments for wider access. We communicated with customers at the initial stage of each project to understand the technical specifications of their systems and ensure that the delivered virtual simulation courses match their systems requirements. Our virtual simulation courses contain various forms of contents such as Web/PC-based active motion presentations and VR, AR and MR simulations to create more realistic and engaging teaching environments.

Case Study – University D

Background

Teaching of the awareness, design and operation of 750kV high voltage substation is often challenging due to a number of factors, including the safety risk of onsite teaching, the gap between theoretical knowledge and practical application, limited professional skills of students and limitation of teaching method. These factors make it difficult for students to acquire the knowledge and skills related to the design and operation of electrical engineering systems.

University D is a university nominated under the "Project 211" and "Double First-Class Initiative," specializing on engineering, agriculture, medicine and management. The university seeks technological solutions to address the aforementioned challenges in the teaching of the awareness, design and operation of 750kV high voltage substation.

Solutions

Using the 750kV hub substation in Qinghai Province's power and energy backbone network as a design prototype and leveraging advanced virtual reality technology, we offer a course that provides an in-depth understanding of the design and operation of 750kV high voltage substations. The course offers a comprehensive and immersive learning experience that covers various aspects of substation engineering. Students will engage with modules that include design specifications, electrical equipment identification, main wiring modes, primary electrical design, and electrical safety and reversing operations. This innovative approach ensures that learners can bridge the gap between theoretical knowledge and practical application, all within a safe and controlled virtual environment. Specifically, the course offers the following key features:

- *Design Specification of Substation:* The course covers the technical standards and design methods for substation design, including area planning, electrical primary and secondary engineering and civil engineering;

- *Electrical Equipment of Substation:* The course provides detailed information on the typical primary equipment in substations, such as transformers, busbars, GIS, surge arresters and current transformers, among others. It includes training on recognizing electrical equipment by appearance, understanding their functions, and identifying their symbols;

- *Main Wiring Mode of Substation:* The course offers comprehensive training on common main wiring modes of substations. It includes practical exercises for reading, recognizing and designing main wiring, and covers the usage scenarios of half circuit breaker;

- *Primary Electrical Design of Substation:* The course details the substation design process, including short circuit current calculation, system main wiring determination, electrical equipment selection, and equipment layout; and

- *Electrical Five Precautions and Reversing Operation:* The course covers the rules and principles of the electrical five precautions, the basic principles and operation specifications of reversing operations in the power system, and detailed methods and steps for reversing operations of equipment and maintenance and repair.

Through this virtual simulation course, students are able to gain a comprehensive understanding of substation electrical equipment and main wiring, design the overall substation system, and perform onsite operations effectively.

Pricing and Fee Model

We charge our digital educational content services and products by project with reference to certain price ranges, which were designed primarily to take into consideration the amount and complexity of work and time involved in the product development and delivery process and may be subject to change based on market condition. The following table illustrates the approximate price ranges of our major digital educational content services and products:

Service and product type	Approximate price ranges	Billing arrangement
Digital Course	RMB10,000 – RMB100,000 per course	We typically require a certain percentage of the total contractual amount to be paid by our customers as prepayment and the outstanding balance to be paid upon delivery, inspection and acceptance of our services and products.
Knowledge Graph	RMB100,000 – RMB150,000 per course/set	
Virtual Simulation	RMB100,000 – RMB300,000 per course/experiment	

IP Ownership and Quality Control Measures

Our digital educational content services and products are produced based on the propriety educational content provided and owned by our customers. As the customers are responsible for the accuracy and authenticity of the content, we are not liable for misrepresentation of facts or knowledge within the digital educational content services and products, as advised by our PRC Legal Advisor. As a result, all intellectual property rights attached to the digital courses are owned by our customers. We designate course consultants for our digital educational content development projects. These course consultants would work closely with our customers to ensure the structures of the digital courses are properly designed and the educational contents are accurately converted into digital form in accordance with our customers' requirements. Upon completion of the development process, we conduct initial internal review on the work products to ensure there are no quality defects such as blurry audio and video and mismatched subtitles. We share the work products with customers for test run and review to ensure there are no misrepresentation of facts/knowledge or any items may subject them to potential liabilities within such digital courses. Thereafter, we revise the courses based on our customers' feedback, to fix any inaccuracies of the content and quality deficiencies, for our customers' final inspection and acceptance. Upon acceptance, we require customers to fill in and sign acceptance forms confirming the digital courses meet their technical and quality requirements and has been duly delivered.

Digital Teaching and Learning Environment Services and Products

An increasing number of higher education institutions are seeking digital teaching and learning environment services and products that enable the creation of effective and integrated digital settings, both online and offline. These digital teaching and learning environments are crucial for the efficient management of teaching and learning resources, the delivery of digital educational content and the enhancement of interactions between teachers and students. Our suite of digital teaching and learning environment services and products, which includes cloud-based LMS (learning management system) and digital classrooms, is designed to help higher education institutions achieve these goals.

Cloud LMS

Overview

We offer self-developed, AI-enabled, cloud-native and integrated LMS for higher education institutions to assist them with managing and creating simpler and better connected teaching and learning processes, allowing them to connect their on-campus teaching facilities and enabling their administrators to monitor teaching quality and learning outcomes and optimize operation efficiency and resource allocation. It carries both management application system with functions such as student and personnel management and teaching application system with functions including teaching resource construction.

Our Cloud LMS is largely standard and deployed on the public cloud, allowing customers to conveniently access, subscribe and upgrade the versions as required. Upon receiving a request from a customer, we also offer customized on-site services so as to meet personalized demands for functions and data storage and management. Our Cloud LMS is designed to be easily accessible by users through web portals and mobile apps, via both PC and mobile devices, depending on the specific application scenarios involved. The creation and ongoing refinement of such websites and mobile apps is undertaken by in-house research and development team, and we have leveraged our internal capabilities and technological acumen to ensure that these platforms meet teaching demands from our customers.

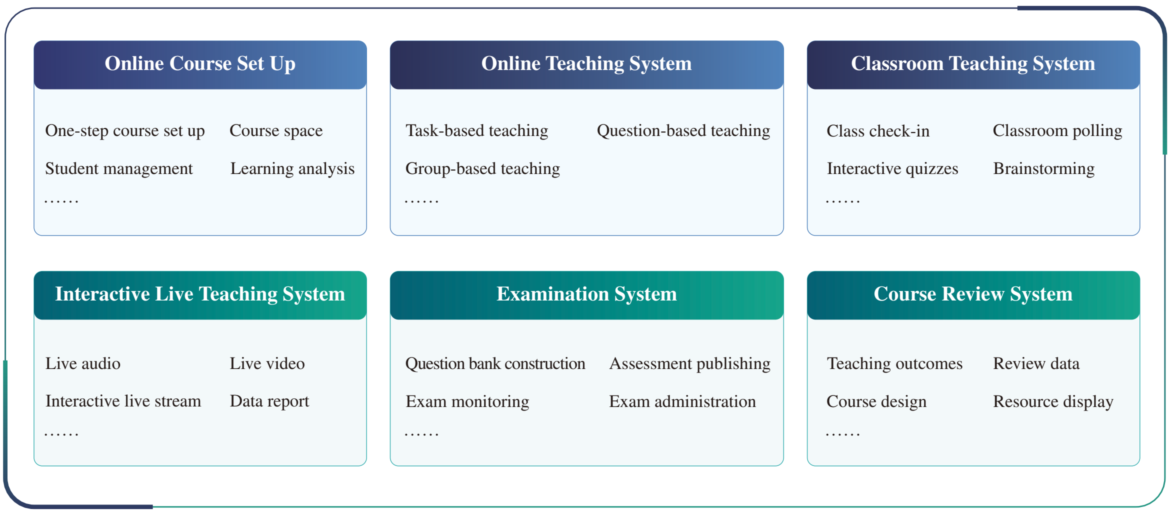
In 2022, 2023 and 2024, 477, 516 and 676 customers subscribed for our Cloud LMS, respectively.

Key functions

Through our profound understanding of the higher education industry, we develop our Cloud LMS based on functional module basis covering major needs from our customers. For example, by using our course review, classroom teaching and examination systems, teachers can create and deliver high-quality courses that align with the learning objectives and standards of the relevant higher education institutions. They can also save time and effort by reusing and modifying existing courses, rather than starting from scratch every time. By using our online course set up and teaching systems, our customers can deliver an engaging learning experience for students across different locations at one time. They can also leverage the data and analytics from these systems to monitor and improve the learning outcomes and satisfaction of students and teachers.

The following graph illustrates key function modules of our Cloud LMS:

Teaching Platform



Pricing and Fee Model

For standard Cloud LMS, we typically charge our customers on a subscription basis, with subscription fees ranging from approximately RMB50,000 – RMB200,000 per annum depending on the number of function modules subscribed. Unless otherwise agreed in agreements, we typically require a certain percentage of the total contractual amount as prepayment. For customized development, we usually charge customers on a project basis, taking into consideration the costs incurred and types of functions required. We typically require a certain percentage of the contractual amount to be paid as prepayment and the balance shall be paid upon completion of the agreement, unless otherwise agreed in the agreement. We also charge fees payable on an annual subscription basis for customized Cloud LMS.

Digital Classroom

Overview

In tandem with the digitization trend in educational content, we also offer digital classroom development to assist higher education institutions with designing and building digital classrooms. Our services and products encompass a comprehensive delivery process from consultation and design, determining technologies, hardware and software required, to training and delivery, ensuring seamless and hassle-free experiences for our customer. We embed technologies on hardware such as digital podiums, audio devices and panoramic screens procured from our suppliers to offer more immersive and engaging learning experiences for their students. In addition, we offer our self-developed LiveCourse software to enable device integration to assist our customers and teachers with managing those environments.

In 2022, 2023 and 2024, we had 24, 45 and 34 customers for digital classroom development, respectively.

In 2022, 2023 and 2024, we delivered 6, 15 and 5 immersive classrooms and 3, 16 and 12 panoramic teaching spaces and had nil, 5 and 12 customer subscribed for our LiveCourse during the same periods, respectively.

Our digital classroom development are delivered through a systematic and professional process that ensures the quality and satisfaction of our customers. Our delivery team comprises experts in hardware installation, software integration and user training. The delivery process may take 9 weeks to 14 weeks and consists of the following key steps:

i. Consultation and Design (up to 3 weeks): We begin our delivery process with a site survey, where we visit the customers premises. We design solutions that meet customers' requirements and expectations. We tailor the selection, configuration and combination of smart devices to create an optimal teaching and learning environment for each classroom. We also propose the software solutions to integrate with the hardware devices and enhance the teaching and learning experience. Depending on the customer's preferences and needs, we can either install our own softwares or adapt to the existing software system of the customer and ensure its compatibility and functionality with the hardware devices. We present our solution to the customer in a detailed proposal and quotation, and request feedback and suggestions for improvement;

ii. Deployment (up to 7 weeks): We then proceed to install hardware devices and systems and integrate them with existing software systems or our softwares. We would ensure the hardware devices are securely installed and function well with software systems;

iii. Testing and Debugging (up to 3 weeks): We also conduct testing and debugging to ensure smooth operation and functionality of the smart teaching and learning spaces to ensure that the smart teaching spaces are fully functional and ready for use before handing them over to customers; and

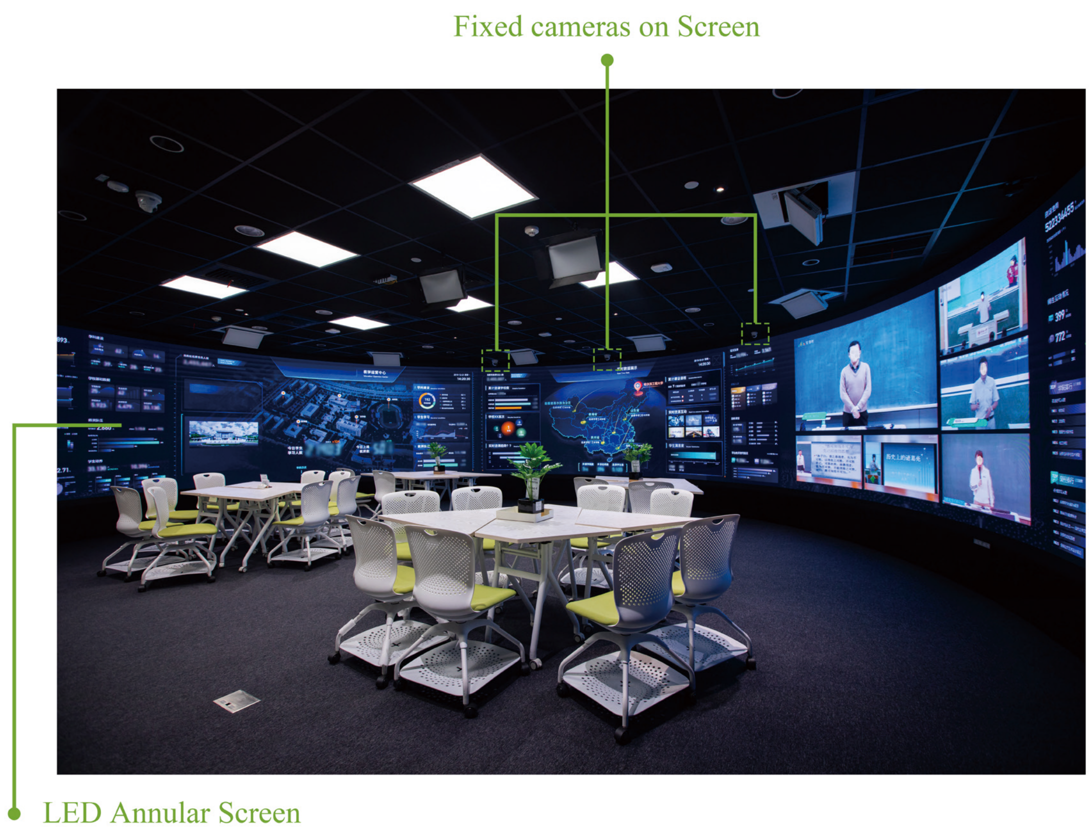
iv. Training and Delivery (up to 4 weeks): Finally, we provide user training and guidance on how to use and maintain the smart teaching spaces, as well as offer after-sales service and technical support. Our delivery process aims to provide a seamless and hassle-free experience for our customers and help them achieve their educational goals and vision.

Immersive Classroom

This is a high-end version of classroom with advanced video recording devices. Our own real-time audio and video media cloud technology ensures real-time and efficient teaching, improving teaching and learning outcomes. Our immersive classroom is empowered with functions such as live broadcasting, online interactions and demonstrations and live monitoring.

Panoramic Teaching Space

Our panoramic teaching space is a flexible and interactive online-offline teaching and learning platform that supports various subjects and professional training. It allows teachers to create and share blended courses with students who can access them from anywhere using mobile or personal devices, or by connecting to other online teaching space, for real-time interaction and feedback. It also uses several self-developed technologies to provide an engaging and interactive learning experience. Among them, (a) metaverse space technology enhances the educational content and methods by creating scenarios, analyzing with AI and recognizing postures and gestures, etc., beyond the limits of conventional teaching; (b) panoramic space operation and management technology ensures smooth teaching operations; (c) panoramic teaching interactive technology makes teaching more interesting and fun through multiple teaching modes, whiteboard writing synchronization and other resource broadcast control. Our panoramic teaching space aims to improve and enrich the teaching and learning process for the future of education. The graph below illustrates a typical setup of a panoramic teaching space:



LiveCourse Software

Our self-developed LiveCourse software integrates digital hardware and establishes a platform system featuring various functions for administrators and teachers of our customers to connect digital classrooms in different campus locations and provides further value-adding services including digital classroom tools and AI-enabled teaching analytics tools. Through our built-in digital classroom tools such as dual-screen management, discussion rooms and interactive live broadcasting, teachers may initiate a live broadcast in the classroom at any time, teach their courses remotely and interact with students in multiple classrooms located in different campuses. Through our AI-guided recording, if requested by our customers it can realize functions such as automatic classroom recording, audio and text transcription, summary extraction, topic slicing, knowledge point extraction and teaching behavior analysis. During the recording and broadcasting process, AI-enabled devices can recognize the teacher's movements in order to automatically adjust video layouts, and support manual intervention and online editing. At the same time, the LiveCourse software can translate classroom speech into transcripts and supports online editing and downloading. Finally, after each class, the LiveCourse software through AI-enabled teaching analytics tools will push a classroom operation data report and recommendations to teachers and administrator for more efficient teaching resources management and allocation.

Key Features

We transform traditional classrooms into digital classrooms, connecting multiple functions and features of the complex education process, enabling interaction among administrators, teachers and students. It offers digital and intelligent tools, empowering education administrators to continuously monitor and effectively manage the entire teaching and course development process. It includes the following key features:

- ***Seamless integration:*** Our self-developed softwares work effortlessly with existing digital classrooms, offering the features and user satisfaction of digital learning. Teachers can easily integrate these softwares into their existing LMS and access all the functionalities and data from one place.

- ***Collaborative learning:*** Digital classrooms foster collaborative learning environments in which students can interact with their peers and teachers through various communication tools such as text chatting, video and audio. Teachers can take attendance, run polls and brainstorm, creating a sense of community and engagement among students.

- ***Flexibility in teaching:*** Teachers can utilize a range of multimedia resources and content, adapting their teaching methods to suit the topic and the students' learning preferences. For example, our live recording system is equipped with AI tools which can segment the live recording according to course materials and produce searchable and editable lecture scripts. Teachers can further edit course materials to ensure each student learns in the most effective way, meeting their specific learning needs;

- ***Data-driven insights:*** Digital classrooms connected by our LiveCourse software can track and analyze teaching quality, providing administrators with valuable data to tailor their management strategies. In addition, our LiveCourse software has a built-in class inspection and supervision which integrates functions including resource management, live broadcast access, recording and on-demand, data collection, operations and maintenance services. Administrators can randomly inspect any classroom to understand the teaching and learning status of teachers and students in real time.

Pricing and Fee Model

We offer digital classroom development to customers in accordance with their specific needs and charge them on a project basis. We adopt a cost-based approach, taking into consideration types of hardware, the size of classrooms and types of function for immersive classrooms and panoramic teaching spaces. We charge an annual subscription fee for our LiveCourse software. The cost is based on the number of classrooms. The following table illustrates the approximate price ranges for each digital classroom service and product:

Service and product type	Approximate price ranges	Billing arrangement
Immersive Classroom	RMB800,000 – RMB1,000,000 per classroom	We typically require certain percentage of the total contractual amount to be paid by our customers as prepayment and the outstanding balance to be paid upon delivery, inspection and acceptance.
Panoramic Teaching Space	RMB2,000,000 – RMB4,000,000 per classroom	
LiveCourse Software	RMB100,000 – RMB400,000 per year	

Case Study – University B

Background

University B is a prestigious music conservatory in Southwestern China, with multiple campus locations and a wide range of disciplines and specialties. It pursues technological solutions to overcome challenges created by the scattered and distant locations of its campus to create a more engaging and immersive teaching environment.

Solution

We provided University B with digital classroom products including a customized panoramic teaching space integrated with University B's existing platform. The panoramic teaching space enabled smooth communication and collaboration among teachers and students across different campuses and institutions, as well as interactive and immersive learning experiences through virtual reality. For example, in subjects such as music, dance and art, the panoramic teaching space can recreate environments beyond classroom walls, it presents different scenarios directly in the classroom setting, such as daily learning, stage performance, recitals and customized training. The panoramic teaching space features static and dynamic backgrounds that highlight the characteristics of each distinct environment, bringing a sense of realism and immersion to the classroom. The following picture demonstrates one of the functions of the panoramic teaching space.

Live scene

Case Study – University C

Background

University C, one of the colleges undertaking application-oriented undergraduate construction under the "13th Five-Year Plan" for the Integrated Development of Industries and Education ("十三五"產教融合發展工程規劃項目), operates four campuses within the same province. In order to address the challenge of managing teaching across multiple campuses, lowering teachers' time consumption and ensuring its teaching quality, it sought solutions in order to connect its regular classrooms and intellectualize its regular classrooms.

Solution

We helped University C upgrade 144 classrooms into digital and intelligent classrooms and connect them to the LiveCourse software platform. The platform enables automatic recording, live teaching, AI data analysis and data collection of classroom courses. It also allows for interactive teaching tools, automatic transcription, summary extraction and course resource creation. The platform also provides online supervision and patrolling, reviewing and evaluation functions for school administrators.

OUR COMMITMENT TO HIGHER EDUCATION

We believe that digitalized education can break the barriers of time and space and enable more people to access high-quality and personalized learning opportunities. To this end, we have launched a series of initiatives and projects to support higher education institution, teachers and students in various aspects, such as running credit course sharing platform, holding teacher development activities and sponsoring industry-university-research collaboration projects.

Credit Course Sharing Platform

Via our in-house research and development team and IT department, we established a comprehensive and independent credit course sharing platform in order to promote the equalization of educational resources and facilitate the sharing of high-quality higher education resources. To provide quality educational content and teaching and learning experience for teachers and students across China, our credit course sharing platform not only allows our customers to share digital courses developed by us but also externally produced digital educational content by all verified higher education institutions and teachers. Our credit course sharing platform has been recognized as one of the leading platforms in China. Through our credit course sharing platform, we have established cooperative relationships with nearly 2,600 higher education institutions (including their branches) and recorded more than 214.7 million courses enrollment. We are committed to helping higher education institutions achieve cross-school course sharing and mutual recognition of credits through advanced digital education technology and quality educational resources. To facilitate studying and learning activities by teachers and students, we provide them with a wide range of courses and complementary services.

Pursuant to the relevant laws and regulations of the PRC, we, as the credit course sharing platform operator, shall be liable if any courses or materials uploaded onto the credit course sharing platform contains content in violation of applicable laws and regulations. As advised by our PRC Legal Advisor, should there be any content on our platform violate applicable PRC laws and regulations, we shall take immediate action to remove such content.

As advised by our PRC Legal Advisor, under the Cyber Security Law (《網絡安全法》), the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》) and other applicable laws and regulations in China, we are strictly prohibited from disseminating illegal information. This includes content that threatens national security, divulges state secrets, or incites ethnic hatred. We must also prevent harmful information and manage content diligently, taking immediate action against prohibited content and reporting to relevant authorities. As advised by our PRC Legal Advisor, if we fail to comply with these provisions, we may face actions by the relevant competent authorities in accordance with laws and administrative regulations. This may include orders for rectification, warnings, confiscation of illegal income, and fines ranging from RMB100,000 to RMB500,000. We may also face business suspension, website closure, or revocation of business permits. Directly responsible individuals within our organization may be fined between RMB10,000 and RMB100,000. It is crucial for us to adhere to these regulations to avoid severe penalties and ensure the lawful operation of our network information content service platforms.

To ensure compliance of the digital content on our credit course sharing platform with applicable laws and regulations of the PRC, we have designed and adopted a set of internal control policies:

- *Content review mechanism:* Relevant content undergoes a review process to comply with relevant laws and regulations. In addition, we have implemented a feedback mechanism to investigate any issue identified and make necessary corrections in a timely manner; and

- *Regular Monitoring:* We conduct regular and continuous monitoring of digital content on the credit course sharing platform in order to detect and correct any potential violation of laws and regulations in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we have not been subject to any material administrative penalties due to the violation of the relevant PRC laws and regulations in respect of the operation of our credit course sharing platform.

To ensure the quality of the educational content and learning experience on our credit course sharing platform, we have put in place a thorough quality review system, which consists of three procedures: an automated review to check the technical standards, a manual review to check the content quality and proper intellectual property authorization and a regulatory review to check legal compliance matters.

In 2013, the Ministry of Education initiated the "MOOCs Go West" (慕課西部行) public welfare education initiative, with an aim of promoting the sharing of educational resources and supporting the development of higher education in the central and western regions of China. In response, we leveraged our credit course sharing platform in order to facilitate in-depth sharing of educational resources. In addition, we also actively explored the integration of technological innovation and education. We adopted smart teaching platforms in order to provide comprehensive technical support to higher education institutions in the western region in helping them improve the quality and level of teaching. During the implementation processes, we assisted higher education institutions in the eastern and western regions of China to establish close ties and cooperation mechanisms. Through online and offline exchanges and discussions, institutions in the eastern and western regions of China jointly determine educational content, establish joint teaching teams and carry out the preparation and implementation of teaching activities.

By undertaking this far-reaching educational project, we not only aimed to promote the equalization of educational resources and facilitate the sharing of high-quality higher education resources, but also promoted cooperation and exchanges between higher education institutions in the central and western regions of China, contributing to the improvement of the overall higher education system.

Teacher Development Activities

We offer various teacher development activities to assist teachers in enhancing their teaching skills and advancing their professional growth. These activities comprise:

- ***Conducting value adding activities through our customer service and support centers:*** We conduct value-adding activities through our customer service and support centers to demonstrate and promote the value of digitalization. These activities include sharing success stories, best practices and testimonials from our customers and partners and launching campaigns.

- ***Organizing events and workshops:*** We regularly organize events and workshops at which teachers can exchange views and learn from experts. Through these events and workshops, we aim to build a community of practice and foster a culture of excellence and innovation among teachers.

- ***Training program:*** We provide online training sessions for higher education teachers to improve their digital teaching skills. The training covers various topics. We co-host these training with experts in various fields to share their insights and benefit other teachers. The trainings can be watched on demand on our website and app.

- ***Offering consultancy for first-class course applications:*** We offer free consultancy for teachers who want to apply for national recognition. We assist teachers in preparing their course materials, meeting the application criteria and presenting their course features and achievements. Through this service, we help teachers showcase their digital courses and gain recognition and support from the government and the public.

- ***Collaborative research projects:*** We provide resources and guidance for teachers who wish to conduct research on digital education topics, such as digital pedagogy, instructional design and student engagement. Through these projects, we encourage teachers to explore new ideas, methods and practices in digital education and share their findings and experiences with the broader academic community.

Industry-University Research Collaboration Project

One of our strategic goals is to foster industry-university-research collaboration and support the innovation and development of higher education in China. We sponsor various industry-university-research collaboration projects, including: (i) teaching and curriculum reform projects, (ii) faculty training projects, (iii) construction of practical training bases, (iv) innovation and entrepreneurship educations projects and (v) new engineering and medicine subject reform projects. Through these projects, we aim to: facilitate academic insight, share best practice and develop joint standards and exchange norms for education digitalization; leverage our technological expertise and rich experience in education digitalization to provide solutions for the digital transformation and upgrading of higher education institutions; promote the application and dissemination of education digitalization; cultivate talent and foster innovation in education digitalization; and organizing training programs; and enhance our brand image. By sponsoring industry-university-research collaboration projects, we not only fulfill our social responsibility and contribute to the public good, but also create additional value for our customers.

SALES AND MARKETING

We promote and sell all our services and products through our network of dedicated customer service and support centers. They are organized by geographic region in order to stay close to our customer and facilitate a higher level of understanding of customers' varying needs. During the Track Record Period, all of our revenue was derived from sales in China. In addition, our market team is responsible for growing awareness of our brand, services and products. It plays an important role in our success in expanding our customer base. During the Track Record Period, we market our services and products through our sales force and a number of free traffic sources.

We typically provide customers with warranties on our products and services, thereby enhancing their experience with us. See "– Our Customers – Agreements with Customers." Under warranty clauses, we generally provide one-to three-year warranty covering general technical queries, bug fixes and multiple amendments on the educational content for each project for our digital educational content services and products. When assessing whether a request is covered under warranty, we typically take into account the factors including the contract terms and workload of the request, etc. In 2022, 2023 and 2024, we recorded warranty expenses of RMB0.6 million, RMB0.9 million and RMB0.7 million, respectively. However, for major syllabus updates involving substantial additions or revisions to our digital educational content services and products, we typically enter into new contracts and charge customers as new projects on a on a case by-case basis.

Our Dedicated Customer Service and Support Center Network

We take immense pride in our extensive nationwide customer service and support center network, which stands as a testament to our unwavering commitment to customer-centric values and the guarantee of customer satisfaction. This network is strategically widespread, ensuring that we are always within reach of our customers, ready to serve their needs with the utmost dedication and efficiency. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities, covering substantially all provinces, municipal cities and autonomous regions in China. 69.5% of higher education institutions in China are located in those 95 cities. We tend to situate our customer service and support center within our network in areas with a high concentration of higher education institutions. Below is a map showing the distribution of our customer service and support centers:

Some of our customer service and support centers are operated on properties leased by us. The rest are located in designated office spaces within the campus of our key customers, facilitating the communications between us and teachers of such institutions. These on-campus office spaces are provided by our customers free of charge solely for the operation of our customer service and support centers. We undertake preparation work at these on-campus offices, including office equipment purchase and installation as well as staff deployment, to ensure timely support and assistance to customers within their geographical coverage area. Such arrangements are considered to be mutually beneficial as proximities to our customers would enable us to swiftly and effectively respond to their requests during project delivery process. As a result, our customers typically are willing to offer us such a space and do not require us to enter into formal lease agreements with them. As of the Latest Practicable Date, the average operating period of these on-campus offices provided by our customers as customer service and support centers had been more than five years. During the Track Record Period and up to the Latest Practicable Date, there were no relocations or cessation of operations of customer service and support centers due to disputes arising from the above-mentioned arrangements.

Our customer service and support centers are staffed by a diverse team of professionals, each specializing in their respective roles to provide a smooth service experience. Sales are on hand to offer pre-sale consultancy and negotiate commercial terms, ensuring that our customers' requirements are met. Course consultants are available to present our product portfolio and devise tailored solution plans that align with specific educational objectives. Video engineers are responsible for course video shooting and editing. Regional managers oversee the entire delivery process, ensuring that our services and products are implemented seamlessly. Additionally, technical support staff are always ready to address and resolve any IT-related issues, ensuring that our systems run smoothly and without interruption.

The functionality of each customer service and support center is multifaceted, encompassing opportunity discovery, product promotion and sale and management of customer relationships. We are dedicated to gathering production process feedback, which is instrumental to the refining of our offerings. Furthermore, our customer service and support centers are equipped to provide prompt communication and timely after-sale service, ensuring that any pre-purchase, project delivery and post-purchase queries or customer service and support concerns are resolved promptly and to our customers' complete satisfaction. Through this robust network, we not only reach out to potential customers, but also forge lasting relationships with them.

Anti-Kickback Measures

An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of our marketing and sales process. Our anti-kickback measures and initiatives include the following:

Zero tolerance. Our employee handbooks contain provisions prohibiting bribery and kickbacks, and any breaches of them may lead to serious penalties on the sales team member in question. We would immediately terminate the employment with any employee who is found to be involved in any bribery or kickback incidents.

Reporting mechanism. We have implemented a reporting mechanism under which our employees may report instances of bribery or kickbacks directly to us.

Bidding

The majority of our customers are public higher education institutions and services and products are usually secured and contracted by way of open tender. In accordance with the Bid Invitation and Bidding Law of the PRC (中華人民共和國招標投標法), the bid invitation and bid submission activities for projects required by law are to be subject to bid invitation. See "Regulatory Overview – Regulations on Tendering and Government Procurement". Our dedicated customer service and support centers network establishes close relationships with our customers and keeps track of relevant websites to identify projects suitable for us to participate in the bidding. In determining whether to submit a bid, we will conduct an assessment, taking into account of various factors including, but not limited to, scope of work involved, expertise and qualifications required and prior experience. If we decide to participate in a bid or negotiation of a project, we will conduct an assessment to decide an acceptable price. See "– Our Services and Products – Digital Educational Content Services and Products – Pricing and Fee Model."

The following table sets forth our tendering results during the Track Record Period:

	Year Ended December 31,		
	2022	**2023**	**2024**
Number of tenders submitted	1,176	1,776	1,836
Number of projects awarded	737	1,187	1,326
Success rate	62.7%	66.8%	72.2%

Our regional salesforce teams collaborate with our head office in preparing and reviewing tender documents. We review: (i) the technical requirements and rewards of the potential projects; and (ii) the qualification requirements set out in the tender documents.

Impact of the Pandemic

Our customer engagement, service and product delivery and deployment and customer services and support had been negatively influenced by the Covid-19 pandemic, especially the pandemic control measures such as travel restrictions and social distancing. As a result, Our offline visits to customers had reduced from offline visits from 111.3 thousand times in 2021 to 69.5 thousand times in 2022.

As offline visits are integral to various stages of our business operations, it had imposed certain operational challenges for our business. For example, in terms of customer engagement, reduced offline visits to our customers have led to fewer face-to-face interactions, making it more difficult to understand their needs and demonstrate the highlights of our services and products. In terms of delivery and deployment, the lack of physical presence disrupts our processes, requiring customer inputs and cooperation, and consequently, providing on-site support has become challenging. Additionally, in terms of customer support and services, the lack of physical visits make it harder for us to obtain meaningful customer feedback, provide after-sale services and maintain customer relationships. As a result, the number of our digital courses delivered to customers had decreased from 8,908 courses in 2021 to 7,914 courses in 2022. For the impact of the pandemic for our financial performance, see "Financial Information – Impact of Covid-19 Pandemic."

OUR CUSTOMERS

Our customers are primarily higher education institutions including (i) universities, (ii) colleges and (iii) vocational schools. We are committed to delivering an exceptional level of customer service to our customers. Our customer service and support centers manage queries and demands regarding our services and products. Our customers can make queries and file complaints via various channels, such as email and telephone.

In 2022, 2023 and 2024, revenue from our top five customers in each year or period of the Track Record Period in aggregate accounted for 6.5%, 7.1% and 5.0% of our total revenue for the respective periods, and revenue from our largest customer in each year or period of the Track Record Period accounted for 1.4%, 2.6% and 1.2% of our total revenue for the respective periods. We have no reliance issue with respect to any single customer during the Track Record Period.

As of the Latest Practicable Date and during the Track Record Period, none of our Directors, their respective close associates or any of our shareholders (which to the knowledge of our Directors own more than 5% of our issued share capital) had any interest in any of our top five customers in each year or period during the Track Record Period.

Agreements with Customers

Set forth below is a summary of key terms with our customers:

Deliverables	A brief description of the products and services to be rendered is generally set out in the agreements.
Fees and pricing	The pricing of our services and products is based on the type of services and products to be rendered. See "– Our Services and Products – Digital Educational Content Services and Products – Pricing and Fee Model" and "– Our Services and Products – Digital Teaching and Learning Environment Services and Products – Pricing and Fee Model."
Payment	We typically settle payments with our customers via telegraphic transfer.
Credit term	Our customers are typically required to settle the payment within six months upon the acceptance of services and products.

Customer support and training and after-sales services	We typically provide customers with subsequent technical support and training after the sale of our services and products during the mutually agreed terms. We also offer after-sales services via online channels, offline response groups and 24 hour emergency service hotline responding to various queries and requests from our customers and maintain customer satisfaction.
Warranty	• *Digital educational content services and products:* we generally provide one-to three-year warranty covering general technical queries, bug fixes and multiple amendments on the educational content for each project including minor updates during the warranty period. • *Immersive Classroom and Panoramic Teaching Space:* we generally provide one-to five-years warranty covering repairs and parts replacements of quality defects. • *Cloud LMS and LiveCourse Software:* we generally provide warranty for our Cloud LMS and LiveCourse software during the subscription period covering system debugging and module function updates.
Confidentiality	Each party to the agreements shall treat all trade and technological secrets made known to it by the other party in the strictest confidence during and after the contract terms.
Termination	We may engage in negotiations with our customers to effect the termination of the agreement when a Force Majeure event occurs. Our customers are entitled to terminate the agreements if we fail to fulfil a timely delivery.

During the Track Record Period, we did not experience any material breach of subscription agreements with our customers and any material services and products return from our customers.

We endeavor to grow alongside our customers' success. In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain dedicated customer service and support centers to provide advice to customers on how to best utilize our services and products, improve the user experiences of our services and products and share our industry know-how and insights with them. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities, covering substantially all provinces, municipal cities and autonomous regions in China. 69.5% of higher education institutions in China are located in those 95 cities. The customer service and support centers are also responsible for addressing complaints and concerns from our customers and providing solutions to mitigate any unsatisfactory experience. We had not experienced any material customer complaint during the Track Record Period.

OUR SUPPLIERS

Our top suppliers are primarily cloud services provider, video and audio hardware suppliers and information technology services providers. In 2022, 2023 and 2024, purchases from our top five suppliers in each year or period of the Track Record Period in aggregate accounted for 50.8%, 37.3% and 32.2% of our total purchases for the respective periods, and purchases from our largest supplier in each year or period of the Track Record Period accounted for 35.6%, 21.7% and 16.3% of our total purchases for the respective periods. All of these suppliers are located in China.

We have standardized procedures for selecting and vetting suppliers. We prefer suppliers that are well-established reliable corporates. We evaluate potential suppliers with our selection procedures. If they pass those procedures, we add them to our list of qualified suppliers. We ultimately engage suppliers from our list of qualified suppliers. We will select suitable suppliers based on our business needs at different stages and for different services and products. We will also evaluate the price and quality provided by our current suppliers, compare them with alternatives in the market and make adjustments on the selection of suppliers accordingly.

Agreements with Suppliers

Set forth below is a summary of key terms with our suppliers:

Deliverables	A brief description of the products and services to be rendered is generally set out in the agreements.
Fees, pricing and delivery	The type of services and products, price and delivery schedule with suppliers are determined on project-by-project basis for hardware and video editing suppliers. Prices for our cloud services take reference to fee schedules set out in the relevant service agreements.
Payment	We generally settle payments with our suppliers after receiving invoices or notifications from suppliers.
Credit term	Our service suppliers and hardware suppliers generally offer us a credit term of 30 days upon notification and 60 days after invoice date, respectively; for digital content editing suppliers, we generally make payment upon the receipt of payment from end customers.
Termination	We are generally entitled to terminate the agreements if our suppliers breach the agreements.

As of the Latest Practicable Date and during the Track Record Period, none of our Directors, their respective close associates or any of our shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our top five suppliers in each year or period during the Track Record Period.

The table below sets out the details of our top five suppliers in each year or period of the Track Record Period:

For the Year Ended December 31, 2022

Rank	Supplier	Products/ services provided by the supplier	Year of commencement of business relationship	Credit terms	Purchase amounts *(RMB in thousands)*	Percentage of total purchases
1	Supplier A[(1)]	Cloud service	2017	30 days upon notification	19,049.9	35.6%
2	Supplier B[(2)]	Digital content editing	2020	Upon the receipt of the payment from end customers	3,836.8	7.2%
3	Supplier C[(3)]	Hardware	2021	60 days after invoice date	1,941.4	3.6%
4	Supplier D[(4)]	Hardware	2020	20 days after invoice date	1,387.6	2.6%
5	Supplier E[(5)]	Hardware	2017	60 days after invoice date	947.5	1.8%
Total					**27,163.2**	**50.8%**

Notes:

(1) Supplier A, a global cloud service company providing internet and related services based in Hangzhou, China.

(2) Supplier B, a software and information technology service provider based in Shandong Province, China.

(3) Supplier C, a hardware company based in Shanghai, China, specializing in customized LED screens manufacturing and related services.

(4) Supplier D, an electronic products wholesaler in Shanghai, China.

(5) Supplier E, an electronic products wholesaler based in Shanghai, China.

For the Year Ended December 31, 2023

Rank	Supplier	Products/ services provided by the supplier	Year of commencement of business relationship	Credit terms	Purchase amounts	Percentage of total purchases
					(RMB in thousands)	
1	Supplier A	Cloud service	2017	30 days upon notification	14,294.8	21.7%
2	Supplier C	Hardware	2021	60 days after invoice date	3,601.9	5.5%
3	Supplier F[(1)]	Hardware and installation	2022	60 days after invoice date	2,951.7	4.5%
4	Supplier G[(2)]	Digital content editing	2022	15 days after invoice date	1,925.7	2.9%
5	Supplier E	Hardware	2017	30 to 60 days	1,804.8	2.7%
Total					**24,578.9**	**37.3%**

Notes:

(1) Supplier F, an architectural decoration and furniture installation company based in Shanghai, China.

(2) Supplier G, a software and information technology service provider based in Henan Province, China.

For the Year Ended December 31, 2024

Rank	Supplier	Products/ services provided by the supplier	Year of commencement of business relationship	Credit terms	Purchase amounts	Percentage of total purchases
					(RMB in thousands)	
1	Supplier A	Cloud service	2017	30 days upon notification	12,586.4	16.3%
2	Supplier C	Hardware	2021	60 days after invoice date	5,370.8	7.0%
3	Supplier H[(1)]	Hardware and installation	2023	60 days after invoice date	2,909.5	3.8%
4	Supplier F	Hardware and installation	2022	60 days after invoice date	2,050.8	2.7%
5	Supplier I[(2)]	Cloud service	2022	30 days upon billing date	1,984.4	2.6%
Total					**24,901.9**	**32.2%**

Notes:

(1) Supplier H, an architectural decoration and furniture installation company based in Shanghai, China.

(2) Supplier I, a global cloud service company based in Beijing, China, providing the software and information technology service.

OUR TECHNOLOGY, RESEARCH AND DEVELOPMENT

Technology is the backbone of our services and products, which has been continuously developed and maintained by our in-house research and development team.

Technology Driven. Our strong technology capabilities drive the growth of our business. With our experience in AI technology application for higher education industry digitalization, we are able to develop new services and products applying AI technologies, such as knowledge graph development, to address pain points in various teaching and learning scenarios and continuously enrich our technology matrix and build modularized applications.

Solution Development. With insights in the higher education industry, we are dedicated to strengthening our core capabilities and making the most of the production process experience for the further development of our solution matrix. This allows us to develop and deliver quality customized solutions in a swift manner and meet the fundamental needs of our customers, together with improving the learning experience of end users.

Launch and Iteration. Our services and products are easily scalable. By serving an increasing number of higher education institutions and continuously conducting research on AI technology applications, we are able to more accurately understand the varying demands across diverse subjects and disciplines within these institutions. As a result, we can efficiently improve and optimize our technology, as well as update and upgrade our services and products, accordingly.

As of the Latest Practicable Date, our research and development team had 410 members. In particular, the head of our research and development team has over 15 years of experience in software engineering and AI research and development. Our research and development expenses amounted for RMB98.1 million, RMB101.1 million and RMB126.9 million in 2022, 2023 and 2024, accounting for 24.5%, 15.5% and 15.0% of our revenue, respectively.

We conduct in-house research and development activities for core AI technologies and applications, computation and application capabilities for our digital educational content services and products and digital teaching and learning environment services and products. In parallel, we collaborate with digital hardware suppliers for our digital classroom services. Our research and development efforts primarily focus on improving our existing solutions, designing new solutions for our customers and optimizing and enhancing our technological infrastructure. To achieve these goals, we primarily rely on and will continue to optimize our core technologies, namely, AI and big data analytics capabilities.

Our In-House Research and Development Efforts

Our in-house research and development team is designated to three specific fields including (i) digital educational content, (ii) digital teaching and learning environment and (iii) AI-enabled education long-term research and development.

Our R&D talents cooperate closely primarily via both the bottom-up product-pulling approach and the top-down technology-pushing approach. Under the bottom-up product pulling approach, our R&D teams at major business lines propose market solutions strategies based on customers' needs. In response, our in-house research and development team devise deployment of technologies and their applications. Under the technology-pushing approach, we conduct research and development activities along with technology advancement in the higher education industry, thereby promoting the continual innovation and development of new services and products. During the Track Record Period, we have successfully delivered cutting-edge AI solutions that enhance the quality and efficiency of higher education. For example, the AI course evaluation system built in our LiveCourse can help our customers review teaching outcomes. Another product is the AI professional graph building assistant utilized in our knowledge graph development, which can summarize, extract and generalize the main concepts and facts from the documents and adopts domain-specific methods to construct, extract and discover the semantic and logical relations among the knowledge points.

Our R&D efforts start with identifying the technology development needs for underlying services and products. Subsequently, our research and development team specifies the research targets and performance specifications, launches research plans with milestone targets and conducts research activities. Upon the completion of a research project, we start project review and compose the plan for further application and promotion. Throughout the full development cycle of our services and products, our R&D team engages in regular meetings to keep the relevant information and progress in research projects in sync with the business needs from our potential customers and the overall market.

Foundational Technologies

To stay at the forefront of the education digitalization industry and to achieve long-term growth and success, our R&D team composing of the basic platform development team and the AI development team developed the following core foundational technologies to support the development of various services and products lines:

AI Capability Platform – Our AI capability platform possesses service capabilities for natural language algorithms, computer vision algorithms and large model algorithm and supports one-click remote deployment of models, A/B testing of different models and internal quality check before model launch. In addition, it is empowered with the abilities including assembling and combining algorithm services according to business needs, batch processing, priority control and traffic control, unified management and cost control optimization for GPU resources.

AI Document Analysis Platform – Our AI document analysis platform is equipped with optical character recognition and structuring capabilities for textbooks, papers, training programs and syllabi. In addition, it also has title recognition capability and document key frame recognition capability.

Knowledge Graph Automatic Construction Platform – Our knowledge graph automatic construction platform utilized in our knowledge graph development business can generate knowledge points and their relations from various documents, for example, academic papers. It uses structured processing techniques to summarize, extract and generalize the main concepts and facts from the documents and adopts domain-specific methods to construct, extract and discover the semantic and logical relations among the knowledge points. In addition, it can also fill in the details of the knowledge points and link them to the relevant teaching materials for reference and learning.

Knowledge Base Platform – Our knowledge base platform can store and retrieve knowledge from various types of databases, such as relational, vector and ES databases. It can also automatically process natural language prompts enabling users to access the knowledge they need without having to write complex query statements.

Intelligent Question Answering Framework – Developed catering higher education's specific needs, our intelligent question answering framework enables users to create and customize their own question-answering strategies based on their business scenarios. It also offers pre-built strategies for various domains such as search and recommendation, as well as content channels.

Automated Operation and Maintenance Platform – Using technologies such as performance optimization, narrow-band high-definition, elastic scaling and online problem diagnosis, our automated operation and maintenance maximizes the utilization of hardware resources and ensures the stability of the system.

Security Technology – We adopted a cluster of security technologies including encryption algorithms, security protocols, data protection mechanisms and network security solutions to ensure the platform and data are safe from unauthorized access and malicious attacks.

Technology-enabled Capabilities

Teaching and Learning Experience Enhancements

We employ various technologies that enable realistic and immersive interactions to improve teaching and learning experience. For example, we use cloud rendering technology and scene-based simulation algorithm to create virtual simulation experiments that mimic the real-world scenarios. We also adopted naked-eye 3D, digital human, handwriting input, gesture recognition and spatial-based audio in our panoramic teaching spaces to help engage students in a multi-sensory way.

Classroom Teaching Quality Evaluation

To enhance the quality of teaching, we applied various techniques such as natural language processing and computer vision to (i) segment, summarize and analyze the teaching behavior from course video and extract the knowledge point; (ii) help the teachers and administrators to monitor the students' attendance during the course; and (iii) generate course reports for teachers' and administrators' reference to review teaching outcomes.

Learning Outcome Assessment

We developed intelligent question bank products which include automatic identification of same and similar questions, intelligent auto-generating test paper based on two-way detail table pattern-recognition using vector database, natural language processing and genetic algorithm and large model algorithm technologies. Based on the intelligent question bank products, we also achieved automatic evaluation, feedback and the learning path planning of knowledge points for students.

SEASONALITY

Our results of operations are exposed to seasonal fluctuations. We operate in China's higher education teaching and learning digitalization market, and our customers primarily consist of higher education institutions. Our customers, which primarily consist of higher education institutions in China, generally finalize their annual procurement schedules and budgets for digital teaching and learning solutions during the first quarter of the year, while companies operating in China's higher education teaching and learning digitalization market, such as us, generally communicate with these higher education institutions about their demands, participate in relevant project bidding, as well as deliver their services and products in the remaining periods of the year. Such seasonal fluctuation is in line with the market. We believe this pattern is likely to continue in the foreseeable future.

COMPETITION

China's higher education teaching and learning digitalization market is highly fragmented. According to Frost & Sullivan, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue in 2023. The market size of China's higher education teaching and learning digitalization market has grown from RMB11.1 billion in 2019 to RMB19.3 billion in 2023, with a CAGR of 14.8%. We compete with numerous domestic companies, including those with extensive marketing and sales networks, strong industry experience and extensive technology development resources. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

We believe that our business model is distinctive and our services and products encompass the entire higher education digitization value chain. We face competition in certain aspects of our business. We compete with other digital hardware manufacturers that develop and offer classroom supplies, and develop educational content for customers. We may also in the future face competition from new entrants that will increase the level of competition. For example, more established technology companies that possess substantial financial resources, sophisticated technological capabilities and broad distribution channels may develop services and products that directly compete with ours.

We believe that our ability to compete effectively depends on many factors, including the breadth and depth of our offerings, our pricing competitiveness, our technological capabilities, quality control of our offerings, our partnership with third parties, our promotional efforts and the strength and reputation of our brand.

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness. Our intellectual property rights primarily consist of trademarks, copyrights, patents and domain names. As of the Latest Practicable Date, we had 125 registered trademarks, 446 software copyrights, 13 patents and 42 domain names in China. See "Appendix VI – Statutory and General Information – B. Further Information about Our Business – Intellectual Property Rights." We protect our intellectual property rights by requiring protection of unpatented proprietary information and technology to be included in employment agreements we enter into.

In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of internal policies to establish robust management over our intellectual property rights; (ii) assign relevant teams to carry out our daily work regarding our intellectual property; (iii) setting intellectual property rights registration schedule annually and reporting the relevant progress at fixed intervals; and (iv) engaging professional intellectual property service providers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business. See "Risk Factors – Risks relating to our Business and Industry – We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations."

PRIVACY AND DATA SECURITY

The protection of privacy and data security is one of our highest priorities. We have designed a series of strict data security policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with all applicable laws and regulations, optimize data governance and protect the benefits of our customers, employees and other third parties. Our policies include data management, operational and maintenance procedures and business system access controls. See "Regulatory Overview."

We carry out scenario-based management to address the threats and risks of data availability, integrity and confidentiality. We strictly limit and monitor our employees' access to user data by implementing a robust internal authentication and authorization system. This aims to ensure confidential and important data can only be accessed through computers for authorized use and only authorized staff can access those computers. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes, and they are required to verify authorization upon every access attempt. We provide data privacy training to authorized employees and require them to report to us promptly on any potential data leakage.

Data Usage and Storage

We mainly collect and store data relating to background information about users of our services and products, which primarily includes teachers' and students' identification data such as name, student/faculty ID, major, university and department information as well as student learning data under Cloud LMS and credit course sharing platform. Such users' information is collected with prior consent in accordance with applicable laws and regulations. We have adopted a standard data usage and privacy policy, which is provided on our website and apps of our Cloud LMS services and products and websites and apps of our credit course sharing platform. Specifically, we undertake to manage and use the user data in accordance with applicable laws and make reasonable efforts to prevent the unauthorized access to, breach of or loss of personal information. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any claims by users or penalties from regulatory authorities regarding unauthorized use of, or leakage of, personal information, which had caused a material and adverse effect on our business, financial condition or results of operations.

We collect and store the customer' underlying knowledge contents for our digital educational content services and products and credit course sharing platform. Confidentiality clauses are typically included in contracts between us and customers with respect to our digital educational content services and products. Both parties undertake to keep confidential any commercially valuable documents and information obtained during the discussions, signing, and execution of these contracts, which are proprietary to the other party and not obtainable from public sources. On the credit course sharing platform, we may disclose certain public courses and courseware in accordance with consent letters signed by teachers. We have internal policies requiring the teachers' consent letters to be obtained for such disclosure.

Data Sharing and Transfer

We do not share or transfer information and data processed by us to any person, unless with prior explicit consent. Without consent from our users, we are prohibited from disclosing users' data to any third party, unless such disclosure is mandated by a court or administrative order. We have adopted robust internal rules and procedures designed to prevent illegal and/or unauthorized transmission of data.

Data Protection

We recognize the importance of life-cycle data management, from data entry to data destruction. We employ various technologies to protect the data with which we are entrusted. For example, we store user data in encrypted format by adopting sensitive application programming interface parameters. We generally de-identify and encrypt confidential personal information and take other technological measures to ensure the secure processing, transmission and usage of data. We will minimize our employees' access to such information and closely monitor their access frequency. We also adopt a combination of full backup and incremental backup to ensure that the data we collect is well maintained. We use distributed storage of data with multiple data replicas to strengthen security. In particular, we established internal sensitive data classification and grading. As of the Latest Practicable Date and during the Track Record Period, we did not experience any incidents of data leakage.

Data Security Awareness

We also enter into confidentiality agreements with our employees. The confidentiality agreements provide that, among other things, our employees are legally obligated not to share, distribute or sell confidential information to any party, including other employees who otherwise have no access to such information. Our employees are also legally obligated to return all confidential materials in their possession upon cessation or termination of their employment, and will remain obligated to maintain confidentiality of such materials thereafter. Our employees may be subject to penalty if they breach their confidentiality obligations or otherwise commit misconduct resulting in a leakage of confidential information.

Cybersecurity Risk Management

We operate robust application and infrastructure security controls, which are designed to prevent, identify and respond to information security threats. We have adopted a standard operational procedure to address any potential hacking or data leakage incidents. We closely monitor the flow of user data on our terminals and will create alerts in a timely manner when any abnormality is detected. We engage third-party cybersecurity companies to identify weaknesses in our system and evaluate its security. We have designated specific personnel responsible for data security, deployed tools to monitor network attacks, conducted regular system vulnerability scans and developed emergency response plans for information security incidents. If an issue is identified, we will take prompt actions to adjust or upgrade our system and mitigate any potential problems that may undermine the security of our system.

As advised by our PRC Data Compliance Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the applicable laws and regulations relating to user data privacy and security in all material respects on the basis that (i) we have established internal policies and procedures with designated responsible personnel in accordance with the applicable laws and regulations relating to user data privacy and security, and (ii) we have not been subject to any claims by users or penalties from regulatory authorities regarding unauthorized use of, or leakage of, personal information, which had caused a material and adverse effect on our business, financial condition or results of operations.

PROPERTIES

Our corporate headquarters are located in Shanghai, China. As of the Latest Practicable Date, we did not own any properties but leased 46 properties with a total gross floor area of approximately 18,118.6 square meters for our office premises.

As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Leased Properties

Our leases generally have a term ranging from two to five years. We will generally consider renewing the leases upon their expiry based on their business performance.

As of the Latest Practicable Date, lessors of eight leased properties (with an aggregate GFA of approximately 1,609.5 sq.m., representing approximately 8.9% of our total leased GFA) did not provide valid title certificates or authorization for leasing. We believe that the reasons that the lessors failed to provide us with the relevant title certificates are beyond our control. As advised by our PRC Legal Advisor, if the lessors do not have the requisite rights to lease these buildings, we may be required to vacate these leased buildings and relocate our operational sites. As advised by our PRC Legal Advisor, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, we, as the lessee, will not be subject to any administrative punishment or penalties by competent authorities in this regard. We are actively communicating with our lessors to obtain the valid title certificates. In the unlikely event that we are required to relocate due to such title defects, we believe we will be able to timely find qualified alternative properties for relocation under comparable terms without incurring substantial additional costs.

As of the Latest Practicable Date, nine of our leased properties (with an aggregate GFA of approximately 8,806.0 sq.m., representing approximately 48.6% of our total leased GFA) and two leased properties located on allocated land (with an aggregate GFA of approximately 269.6 sq.m., representing approximately 1.5% of our total leased GFA), were used for purposes inconsistent with their respective designated use. We primarily use such leased properties as office premises. As advised by our PRC Legal Advisor, it is primarily the lessor's responsibility to ensure the actual use of properties is consistent with the designated use, and to the extent necessary, to complete the relevant "change of registration" procedures with the competent authorities to register the changed use of properties, and the risk of the lessee being subject to any material administrative penalties because of the lessors' failure to complete such procedures is relatively remote. However, there is a risk that we may not be able to continue to use such properties if requested by the competent authorities. In the unlikely event that we are required to relocate as required by competent authorities, we believe we will be able to timely find qualified alternative properties for relocation under comparable terms without incurring substantial additional costs.

As of the Latest Practicable Date, 46 lease agreements had not been registered with relevant authorities, primarily due to the difficulty of obtaining cooperation from the lessors. Registration of lease agreements requires the lessors' cooperation, including submitting their identity documentations and building title certificates to the relevant authorities. We will coordinate with lessors to complete the registration for all of our lease agreements and require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures. As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these lease agreements. The aggregate amount of maximum fine will be approximately RMB0.5 million, which our Directors believe will not have any material adverse impact on our business operations.

Having considered that (i) as advised by our PRC Legal Advisor, the risk of us being subject to material administrative penalties for the lessors' failure to obtain title certificates or to ensure the actual property use is consistent with designated use is remote; (ii) we did not receive any administrative penalties, challenges to our right to occupy or use the leased properties, or request for us to vacate such leased properties for the aforementioned incidents during the Track Record Period and up to the Latest Practicable Date, (iii) in the unlikely event of relocation, we believe we will be able to timely find qualified alternative properties for relocation under comparable terms without incurring substantial additional costs, and (iv) the aggregate amount of maximum fine for non-registration of leased properties will not have any material adverse impact on our business operations, our Directors believe that the abovementioned incident does not constitute material non-compliance of our Group, and will not, individually or in the aggregate, materially affect our business and results of operation. For risks relating to our leased properties, see "Risk Factors – Risks Relating to our Business and Industry – Our rights to use some of our leased properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition."

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman insurance, insurance policies covering damages to our network infrastructures or information technology systems, or any insurance policies for our properties. According to our PRC Legal Advisor, save as disclosed in "Employees – Social Insurance and Housing Provident Funds", during the Track Record Period, we have maintained all legally mandatory insurance policies in relation to our businesses in the manner currently conducted in compliance with the relevant applicable PRC laws and regulations in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we had not made or been subject to any material insurance claims in relation to our business. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may be inadequate to protect us from the liabilities we may incur."

EMPLOYEES

As of December 31, 2024, we had a total of 2,490 full-time employees. The table below sets forth the number of employees by business function as of December 31, 2024:

Function	Number	Percentage
Services and products operations	996	40.0%
Research and development	386	15.5%
Sales and customer service	1,042	41.8%
Managerial and support	66	2.7%
Total	**2,490**	**100.0%**

We place great emphasis on attracting, retaining, training and developing qualified employees. We recruited our employees primarily through job fair on-site recruiting and posting advertisements on recruitment and employment agencies' websites during the Track Record Period.

As part of our retention strategy, we offer competitive remuneration packages to our employees, including salary, allowances and performance-based compensations. We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions that an employee may receive.

We place strong emphasis on providing training for our employees to enhance their understanding of our industry and workplace safety standards, their professional skills and comprehensive performance. We design and offer different training programs for employees. We enter into standard labor contracts with our employees and standard confidentiality and non-compete agreements with key personnel in certain positions. We believe that we generally maintain a good working relationship with our employees, and we did not experience any labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period, which may have a material adverse effect on our business operation and financial conditions.

Social Insurance and Housing Provident Funds

According to laws and regulations in China, we are required to participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance, employment injury insurance, unemployment insurance and housing provident funds through a PRC government-mandated benefit contribution plan.

We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our staff. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund contributions in with respect to certain employees as required by relevant PRC laws and regulations, primarily because (i) we hired an extensive team of employees located across a large number of cities in China and our labor force was mobile, which made it impracticable for us to make contributions in time for such employees; (ii) the applicable PRC laws and regulations governing social insurance and housing provident funds are intricate and vary by region, which added complexity to our compliance efforts; and (iii) certain employees were not willing to bear the costs associated with social insurance and housing provident funds.

The aggregate shortfall of social insurance payments and housing provident fund contributions in 2022, 2023 and 2024 amounted to approximately RMB3.1 million, RMB3.8 million and RMB1.4 million, respectively. According to the Social Insurance Law, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Additionally, according to the Regulation on the Administration of Housing Provident Fund, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall results in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

During the Track Record Period, since some of our employees, for example, those located in cities where we did not have subsidiaries prefer their social insurance and housing provident funds to be paid at their respective resident places for convenience of utilizing such benefits locally and there may only be limited number of employees in one city, we engaged a third-party agent to pay social insurance and housing provident funds for them. As of the Latest Practicable Date, we had ceased such abovementioned arrangements.

Our Directors believe that the incidents above would not have a material adverse effect on our business, financial condition and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date, (i) we did not receive any notification from the relevant authorities requiring us to pay for the shortfalls with respect to social insurance and housing provident funds, nor did we receive any employee complaint concerning their payment of social insurance and housing provident funds; (ii) we were not subject to any administrative penalties with respect to the payment of social insurance and housing provident funds, and we have obtained certain confirmation issued by the relevant authorities confirming that no administrative penalty was imposed on us in this regard and (iii) We maintained close communication with relevant authorities on a regular basis so as to understand their requirements and the interpretation of relevant rules and regulations in relation to social insurance and housing provident funds, and would make contributions with respect to the above-mentioned matters in accordance with their specific guidance in a timely manner. In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing 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) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears. Based on the foregoing, our PRC legal advisor is of the view that the risk we would be required to pay all the historical shortfalls, or be subject to material administrative penalties by the competent authorities regarding our contribution to the social insurance and housing provident funds during the Track Record Period is remote, provided that there are no material adverse changes in the current regulatory policies and environment and no employee complaints occur.

We have reviewed our practice and adopted or plan to adopt remedial measures, including:

- We have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures.

- We will continuously review and monitor the reporting and contributions relating to the social insurance and housing provident funds and we will consult our PRC Legal Advisor for advice on relevant laws and regulations in China to keep us abreast of relevant regulatory developments.

Going forward, we will continue to implement the above measures to ensure we are in compliance with the social insurance and housing provident fund contributions requirements under the relevant laws and regulations and undertake to make timely payments for the outstanding amount and overdue charges under our own accounts as soon as requested by relevant authorities.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group does not operate any production facilities and thus no significant health, work safety, social and environmental risks are involved.

ESG Governance

Led by the Board, we are committed to integrating ESG considerations into our business operations for sustainable growth and better business resilience in response to the transition to a low-carbon economy. A well-developed ESG governance structure lays a solid foundation for our long-term development and the creation of sustainable value for our key stakeholders. The Board has the overall and collective responsibility for the oversight of ESG issues, including, but not limited to, ESG strategy and management approach, ESG policy and practice, ESG-related risk and opportunity management and review of progress made against metrics and targets to manage material ESG-related risks (including climate-related risks), with an emphasis on alignment with the Group's future development and positioning.

Delegated by the Board, an ESG working group consisting of the chief financial officer and senior management from the legal department and operations department, has been established to drive the planning and implementation of the Group's ESG-related matters. The ESG working group members possess knowledge in the management of ESG matters, such as employment and labor practices, occupational health and safety, product responsibility and business ethics. The ESG working group is responsible for advising and providing relevant information at least twice a year for the Board's discussion on ESG-related matters, including the development, implementation and review of the ESG framework, management approach, strategy and initiatives of our Group, as well as the identification, assessment, prioritization and management of material ESG-related risks and opportunities (including, but not limited to, climate-related risks and ESG risks along the supply chain, as well as ESG-related risks and opportunities in our Group's strategy or decision-making on major transactions).

Identification and Management of ESG-related Risks and Opportunities

The ESG working group is responsible for identifying, evaluating, prioritizing and managing material ESG-related risks and opportunities. Corresponding measures have been formulated and implemented to mitigate material ESG-related risks and capture potential ESG-related opportunities. The ESG working group submits an ESG risk and opportunity assessment report to the Board. The Board reviews the effectiveness of the ESG risk management process and provides guidance when necessary and retains ultimate responsibility for oversight of the Group's risk management activities.

ESG Policy

We are committed to incorporating ESG factors into our business decision-making process. As such, we have established a group-level ESG policy complemented by a set of measures and initiatives to guide our actions and measures to strengthen our sustainability efforts.

Environment

Our environmental policy outlines our green practices and measures (as far as practicable), with a focus on emission reduction, waste reduction, resource conservation, protection of environmental and natural resources, as well as addressing climate change.

- **Air emissions management:** We are continuously exploring measures to minimize air emissions from our business operations, including, but not limited to, ensuring the proper maintenance of company vehicles and considering the adoption of electric vehicles.

- **Energy and greenhouse gas ("GHG") emissions management:** To manage our energy consumption and reduce GHG emissions, we have implemented relevant policies and adopted a series of energy saving measures. This includes the adoption of energy efficient equipment and an LED lighting system, the use of natural light and requiring employees to turn off lights and electrical equipment before leaving, etc. We will also consider the possibility of replacing our current vehicles with electric vehicles in the future.

- **Water consumption:** To conserve water resources, we have implemented relevant policies and adopted a series of water saving measures, including timely repairing and dripping taps, adopting water equipment that meets water efficiency label requirements and monitoring water consumption. We also remind our employees to minimize water consumption through internal communications channels.

- **Waste management and use of resources:** Due to the nature of our business, our operations have no significant impact on the environment and natural resources. Nevertheless, we strive to minimize our impact by ensuring that waste is properly handled and disposed of. To minimize waste generation, we have implemented relevant policies and measures such as promoting recycling by implementing waste sorting, implementing double-sided printing to reduce paper consumption and reminding our employees to minimize waste generation through internal communications channels.

With reference to our historical environmental performance, our expected business operation scale and the expected measures to be implemented in the future, we have set targets to support the national "30·60" carbon peak and neutrality targets, as well as international standards such as the Paris Agreement, with the time frame of our targets established with reference to such national and international standards. We have established our GHG scope 1 and 2 emissions intensity (tCO_2e/m^2 gross floor area) and energy consumption intensity (MWh/m^2 gross floor area) reduction targets of 18% and 25% respectively for 2030, using 2021 as baseline year. To achieve these targets, we will adopt measures including but not limited to adopting more energy-efficient equipment, prioritising the purchase of electric cars when purchasing vehicles and encouraging energy-efficient employee behavior at the workplace.

Environmental metrics

The table below sets forth the key environmental metrics of our business operations[(1)(2)]:

		For the year ended December 31,		
	Unit	**2022**	**2023**	**2024**
Energy consumption				
Total	MWh	340.49	396.25	495.57
(i) Purchased electricity	MWh	292.08	367.57	482.94
(ii) Unleaded petrol	MWh	48.41	28.68	12.63
Intensity	MWh/m^2 gross floor area	0.07	0.06	0.07
GHG emissions[(3)]				
Total (Scopes 1 and 2)	tCO_2e	192.34	232.63	298.33
(i) Direct emissions (Scope 1)	tCO_2e	14.14	8.38	3.69
(ii) Energy indirect emissions (Scope 2)	tCO_2e	178.20	224.26	294.64
Total (Scopes 1 and 2) intensity	tCO_2e/m^2 gross floor area	0.04	0.03	0.04

Notes:

1. The relevant values in the metrics are estimated numbers calculated based on the available data collected from our Group's major operating locations.

2. Totals may not be the exact sum of numbers stated here due to rounding.

3. The calculation of GHG emissions made reference to the GHG Protocol published by the World Business Council for Sustainable Development and the World Resources Institute. Scope 1 (Direct) emissions cover GHG emissions directly produced by business owned or controlled by the Group, while Scope 2 (Indirect) emissions cover GHG emissions of indirect energy resulting from purchased electricity consumed by our operations.

Social

We are committed to fostering a caring workplace culture that upholds diversity, equal opportunities, health and safety and employee well-being. Our social policy has generally outlined our socially responsible practices and measures.

- **Employment and labor practice:** We aim to build an inclusive and diverse workplace. We uphold principles of equal opportunity, diversity and inclusiveness in all aspects of employment, including compensation, recruitment, promotion, benefit and welfare. We respect labor rights, and we strictly prohibit the recruitment and use of child labor.

  We are committed to continually investing in our workforce. To this end, we actively provide internal and external training to equip our employees with professional knowledge, skills and competence. In addition, we strive to strengthen employee engagement by regularly arranging leisure activities for our employees and maintaining two-way communication with our employees to increase their job satisfaction.

- **Occupational health and safety:** Maintaining a healthy and safe workplace remains our Group's top priority. We strive to safeguard employees' health and safety across all levels of business operations by establishing and implementing health and safety policies and measures. Additionally, we have established a system of recording and handling accidents, which specifies that employees should notify their department head and that accidents should be handled according to the procedures specified by the applicable laws and regulations. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance or material accidents in our Group in relation to occupational health and safety.

- **Supply chain management:** We have established a supply chain ESG risk management policy and a supplier code of conduct, which lay out our sustainability expectations, including, but not limited to, employment practices, health and safety and environmental protection. Our new supplier selection and regular supplier evaluation criteria include ESG considerations, including, but not limited to, environmental management, fair labor practices and ethical business practices. On-site inspections will be conducted when necessary to ensure our sustainability expectations are met.

To advance our efforts on providing environmentally friendly services, we have established relevant green procurement policies and implemented measures, including, but not limited to, prioritizing products with higher energy efficiency, as well as encouraging our suppliers to adopt environmentally friendly products and services.

- **Product responsibility:** We are committed to delivering high-quality and safe products and services for our customers. As such, we have established measures to ensure the quality of our services, including, but not limited to, specifying our quality-related requirements in our policies and guidelines for educational content on our credit course sharing platform, as well as the procedures for content quality reviews.

  To ensure customer satisfaction, we have put in place procedures for handling customer complaints. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints. To safeguard customer privacy, we have established privacy policies that cover data and privacy requirements. We have also established preventive and protection measures, including user access restrictions to customer information.

  We have established relevant policies as a guide for our employees to ensure the authenticity and reliability of our promotional materials, which undergo thorough review before publication to ensure compliance and prevent false or misleading information.

- **Business ethics:** We uphold high standards of business ethics, and strictly prohibit bribery, extortion, fraud, money laundering and any other unethical practices. We have established preventive measures, including, but not limited to, anti-corruption for the Board and our employees, as well as implementing whistle-blowing channels for employees to report any potential misconduct that violates our ethical standards. The Board is responsible for the oversight of these preventive measures and whistle-blowing procedures.

  Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material non-compliance with any laws or regulations concerning bribery, corruption, extortion, fraud and money laundering.

Social Metrics

The table below sets forth key social metrics of the business operations of our Group as of December 31, 2024:

Workforce

	Number
By gender	
Male	1,199
Female	1,291
By function	
Services and products operations	996
Research and development	386
Sales and customer service	1,042
Managerial and support	66
By age group	
At or below 30	1,339
Between 31 and 50	1,141
At or above 51	10

Employee health and safety

Our Group did not record any material work-related fatalities and injuries during the Track Record Period and up to the Latest Practicable Date.

LICENSES, APPROVALS AND PERMITS

We are required to obtain relevant licenses, permits, approvals and certificates for our business. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our principal business operations in the PRC. Furthermore, such licenses and permits remained valid as of the Latest Practicable Date and our Group had not experienced any material difficulty in obtaining and/or renewing such licenses, approvals and permits.

Set forth below is a list of material permits, licenses and filings held by us as of the Latest Practicable Date:

License/Filings	Holder	Expiration date
License for Operating Publication Business (出版物經營許可證)	the Company	March 31, 2026
Certification for record-filing of information system security level-based protection (信息系統安全等級保護備案證明)	the Company	n/a

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting and internal control. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each of our subsidiaries and functional departments.

Legal and Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing the form of contracts we enter into with our customers and suppliers.

We continuously improve our internal policies according to changes in laws, regulations and industry standards and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conduct in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We continually review, collect suggestions for improvement from our employees and update the employee code of conduct.

Financial Reporting Risk Management

We have in place a set of policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management and budget management. We also have procedures in place to implement internal audit, and our financial department reviews our management accounts, and our internal control department reviews our internal control procedures.

Internal Control

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of internal control policies. Our internal control team is responsible for (i) establishing internal risk control system, (ii) providing advice on risk management practice and (iii) implementing internal control policies.

AWARDS AND ACHIEVEMENTS

We have received various honors and awards in recognition of, among others, our innovation and services and products. The following table sets forth our major awards during the Track Record Period:

Year	Award/recognition	Awarding authority
2024	CMMI V3.0 for Development, Maturity Level 3	CMMI Institute Partner
2023	AAA Grade Quality Service Integrity Unit Certificate	The National Enterprise Credit Information Publicity System, www.ecebid.org.cn and Beijing Huayuan Zhixin Credit Management Ltd. (北京華源知信信用管理有限公司)
2023	Member Unit Certificate of Shanghai Educational Equipment Industry Association	Shanghai Educational Equipment Industry Association
2023	Member Unit Certificate of China Educational Equipment Industry Association	China Educational Equipment Industry Association
2023	National First Prize for Teaching Achievements	Ministry of Education of the PRC
2022	Shanghai High-Tech Enterprise Certificate	Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration

OVERVIEW

Our Board of Directors consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. WANG Hui (王暉)	52	Chairman of the Board and executive Director	April 2008	September 2015	Providing leadership and governance of the Board, responsible for the overall business strategies and management of the Group	Spouse of Ms. Ge
Mr. XI Puzhao (襲普照)	56	Executive Director and general manager	April 2008	April 2008	Responsible for assisting the Chairman with the governance of the Board and the business strategy management of the Group	None
Ms. WANG Xin (王欣)	49	Executive Director and deputy general manager	April 2008	October 2016	Responsible for assisting the Chairman with the governance of the Board and the business management of the Group	None
Ms. GE Xin (葛新)	53	Non-executive Director	April 2008	September 2015	Providing professional advice to the Board	Spouse of Mr. Wang
Mr. JIN Xingshen (金省深)	34	Non-executive Director	December 2020	December 2020	Providing professional advice to the Board	None

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. WANG Ying (王穎)	47	Non-executive Director	June 2022	June 2022	Providing professional advice to the Board	None
Mr. YAU Ka Chi (邱家賜)	67	Independent non-executive Director	April 2024	April 2024	Providing independent opinion and judgment to the Board	None
Prof. LIU Ningrong (劉寧榮)	61	Independent non-executive Director	April 2024	April 2024	Providing independent opinion and judgment to the Board	None
Prof. MA Xufei (馬旭飛)	52	Independent non-executive Director	April 2024	April 2024	Providing independent opinion and judgment to the Board	None

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group.

The following table sets out information in respect of the Supervisors.

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. LI Quansheng (李泉生)	62	Chairman of the Supervisory Committee	September 2015	September 2020	Overseeing the operations and financial activities of the Group	None
Mr. HAN Yuze (韓宇澤)	60	Supervisor	October 2016	October 2016	Overseeing the operations and financial activities of the Group	None
Mr. WANG Jian (王健)	54	Supervisor	April 2008	December 2020	Overseeing the operations and financial activities of the Group	None

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position	Time of joining our Group	Date of appointment as a senior management	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. WANG Hui (王暉)	52	Chairman of the Board and executive Director	April 2008	April 2008	Providing leadership and governance of the Board, responsible for the overall business strategy and management of the Group	Spouse of Ms. Ge
Mr. XI Puzhao (襲普照)	56	Executive Director and general manager	April 2008	April 2008	Responsible for the assisting the Chairman with the governance of the Board and the business strategy management of the Group	None
Ms. WANG Xin (王欣)	49	Executive Director and deputy general manager	April 2008	April 2008	Responsible for the assisting the Chairman with the governance of the Board and the business management of the Group	None
Ms. CAO Rui (曹睿)	39	Chief financial officer, the secretary of the Board and joint company secretary	August 2020	August 2020	Responsible for financial management and assisting the Chairman with the implementation of the business strategy and management of the Group	None

DIRECTORS

Executive Directors

Mr. WANG Hui (王暉), aged 52, is our chairman of the Board and an executive Director. Mr. Wang served as a chief executive officer responsible for strategy designing of our Company from April 2008 to August 2015. He was appointed as a Director in September 2015 and re-designated as an executive Director of our Company in April 2024.

Mr. Wang has extensive experience in the informatization and digitalization for the education industry. Prior to founding our Group, Mr. Wang co-established Shanghai Shanying in March 2003, a company primarily engaged in development, production and sales of voice teaching equipment. Mr. Wang served as a chief executive officer of Shanghai Shanying from March 2003 to March 2008.

Mr. Wang obtained his master's degree in business administration from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in the PRC in September 2010.

Mr. XI Puzhao (襲普照), aged 56, is an executive Director and a general manager of our Company. He was appointed as a Director in April 2008 and re-designated as an executive Director of our Company in April 2024. He has been the general manager responsible for daily management of our Company since April 2008. Mr. Xi currently holds directorship at several subsidiaries within our Group.

Mr. Xi served as the deputy general manager of Shanghai Shanying from March 2003 to March 2008 before joining our Group.

Mr. Xi obtained his bachelor's degree in computer science and engineering from Beihang University (北京航空航天大學) in the PRC in July 1992.

Ms. WANG Xin (王欣), aged 49, is an executive Director and has been the deputy general manager of our Company since April 2008. Ms. Wang was appointed as a Director in October 2016 and re-designated as an executive Director of our Company in April 2024.

Prior to joining our Group, from March 2003 to March 2008, Ms. Wang served as the financial manager of Shanghai Shanying.

Ms. Wang obtained a junior college diploma in accounting from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 1996.

Non-executive Directors

Ms. GE Xin (葛新), aged 53, is a non-executive Director. She was appointed as a Director in September 2015 and re-designated as a non-executive Director of our Company in April 2024.

Ms. Ge has over 21 years of experience in the education industry. In March 2018, Ms. Ge founded Shanghai Knowledge Digital Technology Co., Ltd. (上海知到知識數字科技有限公司), a digital corporate management solution provider, and has since then been serving as its executive director. Ms. Ge served as a management director responsible for overall operation of our Company from April 2008 to August 2015. From March 2003 to March 2008, she served as a management director of Shanghai Shanying.

Ms. Ge obtained a master's degree in business administration from Harbin Engineering University (哈爾濱工程大學) in July 2001 and an executive master's degree in business administration from The Hong Kong University of Science and Technology in Hong Kong in June 2012.

Mr. JIN Xingshen (金省深), aged 34, is a non-executive Director of our Company. He was appointed as a Director in December 2020 and re-designated as a non-executive Director of our Company in April 2024.

Mr. Jin has been an investment manager of Jinzhuo Hengbang, a subsidiary of Sina Corporation, since July 2019. From January 2017 to June 2019, he served as the senior auditor in Deloitte Touche Tohmatsu Accounting Certified Public Accountants LLP Beijing Branch.

Mr. Jin obtained his bachelor's degree in finance from Dongbei University of Finance and Economics (東北財經大學) in the PRC in July 2013. He obtained his master's degree in professional accounting from University of Adelaide in Australia in December 2014. Mr. Jin obtained his master's degree in finance from Royal Melbourne Institute of Technology in Australia in July 2016.

Ms. WANG Ying (王穎), aged 47, is a non-executive Director of the Company. She was appointed as a Director in June 2022 and re-designated as a non-executive Director of our Company in April 2024.

Ms. Wang worked in Sohu.com Limited (a company listed on the NASDAQ with stock code: SOHU) from February 2006 to January 2021, with her last position as the senior vice president of the commercial platform division of Beijing Sogou Technology Development Co., Ltd. (北京搜狗科技發展有限公司), a then subsidiary of Sohu.com Limited. Ms. Wang has been working at Baidu, Inc. (a company listed on the NASDAQ and Hong Kong Stock Exchange under the stock code of BIDU and 9888, respectively) since January 2021 with her current position as the vice president.

Ms. Wang obtained her bachelor's degree in project management from University of Science and Technology Beijing (北京科技大學) in the PRC in July 1999 and completed the executive master of business administration programme at CEIBS in the PRC.

Independent non-executive Directors

Mr. YAU Ka Chi (邱家賜), aged 67, is an independent non-executive Director of the Company.

Mr. Yau has extensive experience in areas including accounting and audit, initial public offering, merger and acquisition as well as management consulting. From August 1992 to September 2015, Mr. Yau worked at Ernst & Young with his last position as an audit partner.

Mr. Yau has been an independent non-executive director of China Power International Development Limited (中國電力國際發展有限公司) (a company listed on the Stock Exchange, stock code: 2380) since December 2016. He also served as an independent non-executive director of HBM Holdings Limited (和鉑醫藥控股有限公司) (a company listed on the Stock Exchange, stock code: 2142) from June 2021 to June 2024, an independent non-executive director of Yihai International Holding Ltd. (頤海國際控股有限公司) (a company listed on the Stock Exchange, stock code: 1579) from June 2016 to March 2024, an independent non-executive director of BetterLife Holding Limited (百得利控股有限公司) (a company listed on the Stock Exchange, stock code: 6909) from December 2020 to October 2023 and an independent non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (a company listed on the Stock Exchange, stock code: 2319) from October 2016 to December 2021.

Mr. Yau obtained a professional diploma in company secretaryship and administration from The Hong Kong Polytechnic University. Mr. Yau has been an associate member of Hong Kong Institute of Certified Public Accountants since November 1992.

Prof. LIU Ningrong (劉寧榮), aged 61, is an independent non-executive Director of our Company.

Prof. Liu currently is the Associate Vice-President (GBA Development) at The University of Hong Kong (HKU). He is also the founding Director of HKU Institute for China Business. He joined HKU in 2000 and served in various positions, including Assistant Director of HKU Journalism and Media Studies Centre, and Deputy Director of HKU School of Professional and Continuing Education (HKU SPACE).

Prof. Liu obtained his master's degree in Arts from Indiana University in the U.S. in February 1995 and doctorate degree in Education from University of Bristol in the United Kingdom in January 2007.

Prof. MA Xufei (馬旭飛), aged 52, is an independent non-executive Director of our Company.

Prof. Ma is an associate dean at the Faculty of Business Administration and a tenured full professor at the Department of Management of The Chinese University of Hong Kong (CUHK). He has been a professor in various universities since 2007, and served as a tenured full professor of the Shenzhen Institute of Economics and Management and the Shenzhen International Graduate School of Tsinghua University ("**Tsinghua**"), the vice chair of the Department of Innovation, Entrepreneurship, and Strategy at the School of Economics and Management of Tsinghua, a professor at City University of Hong Kong, the director of CUHK's Center for Entrepreneurship from 2016 to 2018, the director of CUHK's Center for International Business Studies in 2018, a tenured associate professor from 2013 to 2018 and an assistant professor at CUHK from 2007 to 2013.

Prof. Ma served as an independent director of Western Trust Co., Ltd. (西部信託有限公司) from 2015 to 2022, an independent director of Tubatu Group Co., Ltd. (土巴兔集團股份有限公司) from 2020 to 2022, and an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) (a company listed on the Stock Exchange, stock code: 1599) from December 2019 to June 2025, and has served as an independent non-executive director of Changzhou Bioregen Biomedical Co., Ltd. (常州百瑞吉生物醫藥股份有限公司) since June 2023 and an independent director of Sunshine Global Circuits Co., Ltd. (深圳明陽電路科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300739) since December 2024. From April 2023 to March 2024, he served as an independent non-executive director of CLSA Premium Limited, a company listed on the Stock Exchange (stock code: 6877).

Prof. Ma obtained his bachelor's degree in industrial foreign trade from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1995, a master's degree in business administration from University of Saskatchewan in Canada in May 2003 and a doctorate degree in philosophy from National University of Singapore in Singapore in July 2007. Mr. Ma obtained the certificate of independent director of listed companies from the Shenzhen Stock Exchange in August 2021.

SUPERVISORS

Mr. LI Quansheng (李泉生), aged 62, is the chairman of the Supervisory Committee and a Supervisor. Mr. Li served as our Director from September 2015 to September 2020.

Mr. Li has nearly 19 years of experience in equity investment and corporate management. He founded Delta Capital in 2010 and has since been serving as the managing partner. He served as a director and the general manager of Delta Venture Investment Management (Suzhou) Co., Ltd. (三角洲創業投資管理(蘇州)有限公司) from October 2007 to February 2010. Prior to that, Mr. Li served as an executive president of Shanghai Dingjia Venture Capital Management Co., Ltd. (上海鼎嘉創業投資管理有限公司) from July 2005 to July 2007.

Mr. Li obtained his bachelor's degree in internal combustion engine of automobile series from Tsinghua University (清華大學) in the PRC in July 1985 and master's degree in mechanical engineering from Shanghai University of Technology (上海工業大學) in the PRC in May 1990. Mr. Li obtained the fund qualification certificate issued by the Asset Management Association of China (中國證券投資基金業協會) in June 2017.

Mr. HAN Yuze (韓宇澤), aged 60, is our Supervisor.

Mr. Han has extensive experience in equity investment and corporate management. Mr. Han has been the founding partner, the chairman and the general manager of NewMargin Ventures since November 2012 and the managing partner of Shanghai Yongxuan Venture Capital Management Co., Ltd. (上海永宣創業投資管理有限公司) since January 2007. Mr. Han served as a director of Shanghai Emperor of Cleaning Hi-Tech Co., Ltd. (上海洗霸科技股份有限公司) (a company listed on Shanghai Stock

Exchange, stock code: 603200) from June 2012 to April 2021 and a director of Xinjiang Western Animal Husbandry Co., Ltd. (新疆西部牧業股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300106) from December 2008 to August 2023. Since April 2013, Mr. Han has been a director of Beijing Jingye Bearing Co., Ltd. (北京京冶軸承股份有限公司), a company quoted on the NEEQ until December 2019 (stock code: 833157).

Mr. Han obtained his bachelor's degree in finance from Shaanxi Institute of Finance and Economics (陝西財經學院) in the PRC in March 1999, a postgraduate dipolma in management science and engineering from Dalian University of Technology (大連理工大學) in the PRC in April 2001, an executive master's degree in business administration from The Hong Kong University of Science and Technology in Hong Kong in May 2013 and his doctorate degree in business administration from Southwest International University in the U.S. in August 2003. He is now pursuing the doctorate program in business administration at China Europe International Business School (Switzerland) in the PRC.

Mr. WANG Jian (王健), aged 54, is a Supervisor. Mr. Wang currently holds directorship at several subsidiaries within our Group. Mr. Wang joined our Company in April 2008 and currently serves as the vice president of our Company.

Prior to joining our Group, from March 2003 to March 2008, Mr. Wang served as the manager of production department and the head of R&D department of Shanghai Shanying.

Mr. Wang obtained his bachelor's degree in computer science and application from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in March 1997.

Save as disclosed in this section and the section headed "Relationship with Our Controlling Shareholders" in this document, (i) none of our Directors and Supervisors had any other relationship with any Directors, Supervisors, senior management or our Controlling Shareholders as of the Latest Practicable Date; and (ii) none of our Directors and Supervisors held any directorship in any other listed companies in the three years immediately prior to the date of this document.

To the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

For details of the biographies of Mr. WANG Hui (王暉), Mr. Xi Puzhao (襲普照) and Ms. WANG Xin (王欣) see "– Directors – Executive Directors."

Ms. CAO Rui (曹睿), aged 39, has served as the chief financial officer of our Company and secretary of the Board since August 2020.

Prior to joining our Company, Ms. Cao served as the head of investment and merger and acquisition department and the head of financial management analysis department of Shanghai YOOZOO Information Technology Co., Ltd. (上海游族信息技術有限公司) which is wholly owned by YOOZOO Interactive Co., Ltd. (游族網絡股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002174) from April 2018 to July 2020. She worked at PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. Shanghai Branch (普華永道諮詢(深圳)有限公司上海分公司) with her last position as a senior manager from May 2014 to April 2018, and worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) with her last position as a senior auditor from September 2008 to April 2014.

Ms. Cao obtained her bachelor's degree in business English from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2008. She became a member (non-practicing) of the Shanghai Institute of Certified Public Accountants in December 2015.

JOINT COMPANY SECRETARIES

Ms. CAO Rui (曹睿), aged 39, is our chief financial officer and the secretary of the Board and a joint company secretary of our Company. See "– Senior Management" for her biographical details.

Ms. YEUNG Siu Wai Kitty (楊小慧), aged 41, is a joint company secretary of our Company.

Ms. Yeung is a manager of corporate services division of Tricor Services Limited, which is a member of Vistra Group. Ms. Yeung has over 15 years of experience in the corporate secretarial field. Ms. Yeung currently serves as the joint company secretary of Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司) (a company listed on the Stock Exchange, stock code: 6682).

Ms. Yeung is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yeung obtained a bachelor's degree in social science (Honours) in administration and public management from the City University of Hong Kong and a master's degree in corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong).

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. YAU Ka Chi, Prof. LIU Ningrong and Prof. MA Xufei. Mr. YAU Ka Chi, being the chairperson of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- reviewing and evaluating the work of external auditors;
- monitoring and making recommendations to internal audit work of our Company;
- reviewing and making recommendations to the financial reports of our Company;
- evaluating the effectiveness of internal control work;
- ensuring coordination between the management, internal audit department and relevant departments and external auditors; and
- performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, including two independent non-executive Directors, Prof. LIU Ningrong and Prof. MA Xufei, and one executive Director, Mr. Wang. Prof. LIU Ningrong serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing and making recommendations to the Board on the composition and number of our Board and senior management with reference to our Company's business activities, the scale of assets and shareholding structure;
- identifying individuals suitably qualified to become a member of our Board and senior management and making recommendations to our Board on the selection of individuals nominated for directorships and senior management;
- reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors;

- accessing and making recommendations to the selection of other senior management appointed by our Board; and

- performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three Directors, including two independent non-executive Directors, Prof. MA Xufei and Prof. LIU Ningrong and one executive Director, Mr. Wang. Prof. MA Xufei serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

- making recommendations to our Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, including but are not limited to, performance evaluation standards, procedures and evaluation systems;

- conducting the evaluation of the annual performance of all Directors and senior management;

- monitoring compensation payable to all Directors and senior management;

- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and

- performing other duties and responsibilities as assigned by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors (other than our independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April 2024, and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing provident fund, social insurance and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

In 2022, 2023 and 2024, the aggregate amount of remuneration paid or payable to our Directors and our Supervisors amounted to approximately RMB4.1 million, RMB4.3 million and RMB5.9 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated share-based compensation, to be accrued to our Directors and our Supervisors in 2025 to be approximately RMB3.9 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

For each of the years ended December 31, 2022, 2023 and 2024, the total emoluments for the five highest paid individuals amounted to approximately RMB8.4 million, RMB8.7 million and RMB11.5 million, respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, and industry and regional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors currently consists of three female Directors and six male Directors with a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including business administration, computer science and engineering and finance. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the **[REDACTED]**, our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the **[REDACTED]**.

SHARE INCENTIVE SCHEMES

For more information, please refer to "Appendix VI – Statutory and General Information – D. Employee Incentive Scheme."

COMPLIANCE ADVISOR

We have appointed Silver Nile Global Investments Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or **[REDACTED]** volume of its **[REDACTED]** securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the **[REDACTED]** and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang and Ms. Ge (the spouse of Mr. Wang) held in aggregate approximately 38.44% of the total issued share capital of our Company. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Wang and Ms. Ge will hold approximately **[REDACTED]**% of our total issued share capital, and therefore will remain as our Controlling Shareholders.

DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the **[REDACTED]**, taking into consideration the factors below.

Management Independence

Our Board consists of nine Directors, including three executive Directors, three non-executive Director and three independent non-executive Directors. Mr. Wang and Ms. Ge, our Controlling Shareholders, are also members of our Board.

Our Directors consider that we are capable of maintaining management independence for the following reasons:

(a) save for Mr. Wang and Ms. Ge, none of our Directors or senior management members holds directorship or senior management position in our Controlling Shareholders or their close associates;

(b) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;

(c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

(f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and the Controlling Shareholders which would support our independent management. For details, see "– Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from the Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Operational Independence

We do not rely on the Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of the Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Company's own business needs. We have our own internal control and accounting systems and an independent finance department for discharging the treasury function and independent access to third party financing. We do not expect to rely on the Controlling Shareholders and their respective close associates for financing after the **[REDACTED]** as we expect that our working capital will be funded by cash flows generated from operating activities, the cash and cash equivalent on hand and internally generated funds as well as the **[REDACTED]** from the **[REDACTED]**.

In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective associates. As of the Latest Practicable Date, we did not have any outstanding loans or guarantees provided by or granted to, nor any non-trade balances due to or due from, the Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders after the **[REDACTED]**.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Part 2 of Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and the Controlling Shareholders:

(a) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates have a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with the Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see "Directors, Supervisors and Senior Management;"

(e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(f) we have appointed Silver Nile Global Investments Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and the Controlling Shareholders, and to protect minority Shareholders' interests after the **[REDACTED]**.

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** [and the Conversion of Domestic **[REDACTED]** Shares into H Shares] and assuming the **[REDACTED]** is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

				Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
Name	**Nature of Interest**	**Description of Shares**	**Number of Shares**[1]	**Approximate percentage of shareholding in the Domestic [REDACTED] Shares/ H Shares**	**Approximate percentage in the total registered share capital of our Company**
Mr. Wang	Beneficial owner	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest of spouse[2]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Ge	Beneficial owner	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest of spouse[2]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
WANG Yunning (王韻寧)	Beneficial owner	Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
		H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (金卓恒邦科技(北京)有限公司) ("**Jinzhuo Hengbang**")	Beneficial owner[3]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Sina Technology (China) Co., Ltd. (新浪技術(中國)有限公司)	Interest in controlled corporation[3]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Sina Hong Kong Limited	Interest in controlled corporation[3]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

SUBSTANTIAL SHAREHOLDERS

				Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
Name	**Nature of Interest**	**Description of Shares**	**Number of Shares**[1]	**Approximate percentage of shareholding in the Domestic [REDACTED] Shares/ H Shares**	**Approximate percentage in the total registered share capital of our Company**
Sina Corporation	Interest in controlled corporation[3]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Charles Guowei CHAO	Interest in controlled corporation[3]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dazi County Bairuixiang Venture Capital Management Co., Ltd. (達孜縣百瑞翔創業投資管理有限責任公司) ("**Bairuixiang VC**")	Beneficial owner[4]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Beijing Baidu Netcom Science Technology Co., Ltd. (北京百度網訊科技有限公司) ("**Baidu Netcom**")	Interest in controlled corporation[4]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Baidu, Inc.	Interest in controlled corporation[4]	H Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests are long positions.

(2) Mr. Wang and Ms. Ge are spouses. Therefore, under the SFO, Mr. Wang and Ms. Ge are deemed to be interested in the Shares of our Company held by each other.

(3) As of the Latest Practicable Date, Jinzhuo Hengbang was controlled by Sina Technology (China) Co., Ltd., a company wholly-owned by Sina Hong Kong Limited, which was wholly owned by Sina Corporation, which was in turn ultimately owned as to 61.20% by Charles Guowei CHAO, and therefore each of Sina Technology (China) Co., Ltd., Sina Hong Kong Limited, Sina Corporation and Charles Guowei CHAO is deemed to be interested in the Shares held by Jinzhuo Hengbang in our Company.

(4) As of the Latest Practicable Date, Bairuixiang VC was wholly owned by Baidu Netcom, which was a consolidated affiliated entity of Baidu, Inc., and therefore each of Baidu Netcom and Baidu, Inc. is deemed to be interested in the Shares held by Bairuixiang VC in our Company.

SUBSTANTIAL SHAREHOLDERS

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VI – Statutory and General Information – Disclosure of Interest – Substantial Shareholders."

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

OUR SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the **[REDACTED]**.

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB60,000,000, comprising 60,000,000 ordinary shares of nominal value RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately following completion of the **[REDACTED]** [and Conversion of Domestic **[REDACTED]** Shares into H Shares] (assuming the **[REDACTED]** is not exercised), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
H Shares converted from Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[100.00]**

The Conversion of Domestic **[REDACTED]** Shares into H Shares will involve an aggregate of **[REDACTED]** Domestic **[REDACTED]** Shares held by 28 existing Shareholders, representing approximately **[REDACTED]**% of total issued Shares of the Company upon completion of the Conversion of Domestic **[REDACTED]** Shares into H Shares and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic **[REDACTED]** Shares into H Shares and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

Shareholders	Number of Domestic [REDACTED] Shares to be converted into H Shares	Shares immediately after the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares			
		H Shares	Approximate Percentage (%)	Domestic [REDACTED] Shares	Approximate Percentage (%)
Mr. Wang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Ge	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinzhuo Hengbang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bairuixiang VC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Datai Yueda	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Shuhuai	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Yunning	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
XI Puzhao	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YANG Qiushi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Xuru	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chengmai Xinri	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yueda Taihe	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Xin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ZHANG Bocheng	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GE Yi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yongcang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xinjiang Lianchuang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YANG Xiaoli	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ZhongYe ZhiYuan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Suishang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LOU Ming	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Peixian Yingcui	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Guangzhou Chengheng	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Changshi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
REN Yaocong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SUN Yi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FENG Jingfen	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Immediately following completion of the **[REDACTED]** and Conversion of Domestic **[REDACTED]** Shares into H Shares, assuming the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic **[REDACTED]** Shares	[REDACTED]	[REDACTED]
H Shares converted from Domestic **[REDACTED]** Shares	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the **[REDACTED]**	[REDACTED]	[REDACTED]
Total	[REDACTED]	[100.00]

DOMESTIC [REDACTED] SHARES AND H SHARES

Upon the completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares, the Shares will consist of Domestic **[REDACTED]** Shares and H Shares. Domestic **[REDACTED]** Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic **[REDACTED]** Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic **[REDACTED]** Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic **[REDACTED]** Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic **[REDACTED]** Shares are to be converted, **[REDACTED]** and **[REDACTED]** as H Shares on the Hong Kong Stock Exchange, such conversion, **[REDACTED]** and **[REDACTED]** will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share **[REDACTED]** companies shall file with the CSRC for the conversion of Domestic **[REDACTED]** Shares into H shares for **[REDACTED]** and circulation on the Hong Kong Stock Exchange. An **[REDACTED]** domestic joint stock company may file for "full circulation" when applying for an overseas initial **[REDACTED]**.

We [have filed] with the CSRC for the conversion of **[REDACTED]** Domestic **[REDACTED]** Shares into H Shares on a one-for-one basis ("**Conversion of Domestic [REDACTED] Shares into H Shares**") upon the completion of the **[REDACTED]** ("**Full Circulation Filing of the Company**") and CSRC issued the filing notice in respect of the **[REDACTED]** dated [•].

[REDACTED] Approval by the Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares to be issued pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**), and the H Shares to be converted from **[REDACTED]** Domestic **[REDACTED]** Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic **[REDACTED]** Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our **[REDACTED]** regarding relevant H Share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by **[REDACTED]** for deposit, clearance and settlement in the **[REDACTED]**.

REGISTRATION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the **[REDACTED]** will be subject to such statutory restriction on transfer within a period of one year from the **[REDACTED]**. See "History, Development and Corporate Structure – Lock-up Period and Public Float."

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix IV – Summary of the Articles of Association" in this document.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a reputable digital teaching and learning solution provider for higher education institutions in China, committed to the development, delivery and operation of digital educational content and digital teaching and learning environment services and products for higher education institutions. Our offerings cover all critical aspects from teaching, learning, practicing, testing and evaluating to administrating. We are committed to empowering higher education institutions, teachers and students by facilitating broad access to educational resources and enhancing the efficacy of educational outcomes. China's higher education teaching and learning digitalization market is highly fragmented. According to Frost & Sullivan, the top five companies accounted for an aggregate market share of 12.6% in terms of revenue in 2023. Higher education institutions in China include universities and higher vocational colleges. According to Frost & Sullivan, we ranked second in terms of revenue among all companies in China's higher education teaching and learning digitalization market with a market share of 3.4% and first in terms of revenue among all companies in China's higher education digital educational content production market with a market share of 6.2% in 2023.

Since our inception, we have been dedicated to designing and building our services and products to meet the evolving needs of teachers and students, offering digital educational content and digital learning environment services and products. The digitalization for the higher education teaching and learning encompasses both educational content digitization and teaching and learning environment digitalization. We are capable of addressing the multifaceted needs of higher education institutions in such aspects. During the Track Record Period, our extensive array of services and products spanned 12 disciplines and 92 subjects recognized by the Ministry of Education.

We recorded stable growth during the Track Record Period. In 2022, 2023 and 2024, we had 1,174, 1,422 and 1,738 customers for our services and products, respectively. In addition, in 2022, 2023 and 2024, we served 212, 234 and 240 customers which are universities nominated under "Project 985", "Project 211" and the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan" in the respective year or period, respectively. Our increasing customer base had contributed to our revenue growth, which had increased from RMB400.1 million in 2022 to RMB653.0 million in 2023 and further increased to RMB848.2 million in 2024.

BASIS OF PREPARATION

The historical financial information of our Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**").

The historical financial information have been prepared on a historical cost basis, except for the certain financial assets that are measured at fair value.

The preparation of the history financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the history financial information are disclosed in Note 4 to the Accountant's Report included in Appendix I to this Document.

In preparation of the historical financial information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by our Group consistently throughout the Track Record Period.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to be, continuously and materially affected by a number of key factors, some of which are outside of our control, including, without limitation, the following:

The Development of China's Higher Education Teaching and Learning Digitalization Market

Our business and operating results are impacted by general factors affecting China's higher education teaching and learning digitalization market, including:

- The development and penetration of digital transformation across the higher education institutions in China;

- The development of cloud computing, big data analytics and AI technologies and their application to the teaching and learning activities for higher education across China;

- The influential role of leading higher education institutions in pioneering and showcasing successful digital teaching practices, further encouraging sector wide adoption;

- Government policies supporting the digitalization of higher education; and

- The budget and expenditures of higher education institutions on digitalization transformation, along with their future growth trends.

Diversification of Our Offerings and Revenue Mix

During the Track Record Period, we generate revenue mainly from digital educational content services and products and digital teaching and learning environment services and products. We continuously enrich our offerings by introducing new solutions and iterating existing ones to provide customers more satisfying and enhanced experiences. For example, after years of research and development efforts and the accumulation of industry knowledge from digital course development, we started to offer knowledge graphs in 2023, which has been increasingly popular among higher educations, contributing to our significant revenue growth in 2023 compared to 2022. The continual enrichment of our offerings also helps us to achieve economies of scale, ultimately increasing our profitability.

As one of the few players in China that is able to comprehensively address the needs of higher education institutions for both educational content and environment digitalization, the diversification of our offerings create more cross-selling opportunities for us. Our commitment to improve customer experience and our broad solution offerings encourage customers to make further purchases from us. In 2022, 2023 and 2024, we had 291, 346 and 449 Overlapping Customers, with average revenue per Overlapping Customer of RMB711,504.1, RMB1,018,652.0 and RMB1,102,294.3, respectively.

Our overall results of operations and profitability also depend on our revenue structure. In 2022, 2023 and 2024, the gross profit margin of digital educational content services and products was 43.8%, 60.7% and 61.2%, respectively, while the gross profit margin of our digital teaching and learning environment services and products was 45.2%, 60.5% and 65.4%, respectively. Therefore, the proportion of our revenue from our services and products will affect our overall profit margin.

Our Ability to Expand Our Customer Base and Deepen Cooperation with Existing Customers

Our results of operation and continued growth depend on our ability to expand our customer base and maintain stable and long-term business relationships with our existing customers. Adhering to the customer-centric principle, we have continuously addressed the evolving demand of customers and brought them enhanced experience with our services and products, which helped form a large customer base. In addition, our large and expanding customer base creates a network effect. We served a growing customer base amounting to 1,174, 1,422 and 1,738 customers in 2022, 2023 and 2024, respectively. Our ability to attract and acquire new customers and maintain our existing customers depends on various factors, such as introducing new services and products, enhancing existing offerings, conducting effective customer engagement and communication activities, as well as maintaining high-quality customer service.

Dedicated to enhancing our customer outreach and service, we have established a comprehensive network of customer service and support centers. As of December 31, 2024, we maintained 247 customer service and support centers in 95 cities, covering substantially all provinces, municipal cities and autonomous regions in China. 69.5% of higher education institutions in China are located in those 95 cities. Such network is strategically widespread, ensuring that we are always within reach of our customers, ready to serve their needs with the utmost dedication and efficiency. Through these efforts, we are able to expand our customer base and the depth of our customer engagements, laying a solid foundation for sustained growth and customer satisfaction. In 2022, 2023 and 2024, the average revenue per customer amounted to RMB340,809.9, RMB459,187.1 and RMB488,031.1, respectively.

We have attracted a large portion of customers which are universities nominated under "Project 985", "Project 211" and the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan" which had seen significant growth in terms of the number and revenue contributed by such customers, underscoring our influence and reputation in China's higher education teaching and learning digitalization market. In 2022, 2023 and 2024, we served 212, 234 and 240 customers which are universities nominated under "Project 985", "Project 211" and the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan", respectively, and the average revenue per such customer has increased from RMB553,686.4 in 2022 to RMB1,035,208.1 in 2024.

Continuous Investment in Product and Technology Innovation

Technology is the backbone of our services and products, which has been continuously developed and maintained by our in-house research and development team. Our strong technology capabilities drive the growth of our business. We conduct in-house research and development activities for core AI technologies and applications, data storage, computation and application capabilities for our digital educational content services and products and digital teaching and learning environment services and products. In 2022, 2023 and 2024, we incurred research and development expenses of RMB98.1 million, RMB101.1 million and RMB126.9 million, respectively.

Our dedication to in-house research and development over the years allow us to be capable of adopting the latest technology advancement in enhancing our existing offerings and developing new options and successfully commercializing them in a timely manner. Through combining the use of AI technologies and our profound understanding of specific subjects of the higher education in China, we developed knowledge graphs to address pain points in various teaching and learning scenarios. Our research and development achievements obtained in the field of knowledge graph development would enable us to significantly improve the efficacy of the digital educational content services and products provided to universities and colleges, helping teachers and students adapting to the fast-changing environment. Moreover, leveraging our core foundational technologies such as AI document analysis technology, automated operation and maintenance technology and encryption algorithms, we continuously iterate our digital teaching and learning environment services and products to provide more immersive and engaging classrooms for students and more effective learning resources management tools for teachers. We are committed to continuing our investment in product and technology innovations to expand our offerings and deliver high-quality content, thereby satisfying customers' evolving needs.

Our Ability to Manage Costs and Improve Operational Efficiency

Our ability in cost management is crucial to improving our overall profitability. We rely on our employees to deploy and deliver our services and products, as well as support our business operation. As a result, in 2022, 2023 and 2024, employee benefit expenses formed the largest portion of our cost of sales while accounted for 36.4%, 24.4% and 29.1% of our total revenue. As our business continues to grow, we expect to further expand our employee base. We also plan to improve the efficiency of employees in their respective roles to enhance our operational efficiency.

Moreover, we also incur distribution and selling expenses to reach and cover a broader customer base, understand their needs and conduct regular conversations with them to promote the most suitable services and products for them. In 2022, 2023 and 2024, our distribution and selling expenses accounted for 36.2%, 25.7% and 25.4% of our total revenue, respectively. We plan to further expand our sales team to reach more customers and provide better customer service, demonstrated by our expansion of customer service and support center network. We will also improve the efficiency of our sales force, through perform internal training sessions, promote more seamless collaborations between different departs and teams, as well as improve our customer reach and solution delivery process. We had also made efforts in optimizing our efficiency in research and development activities while expanding our business, such as enhancing our network utilization management. We aim to further invest in our research and development activities through enhancing our in-house research and development capabilities to enrich our offerings and enhance the competitiveness of our solutions.

IMPACT OF COVID-19 PANDEMIC

During the Covid-19 pandemic, higher education institutions in China accelerated the adoption of teaching methods digitalization in response to mitigate measures which promoted remote and online education. Such shift in teaching methods increased awareness, reinforced usage habits and motivated China's higher education institutions' investment in digital teaching and learning environment services and products. According to Frost & Sullivan, the market size of China's higher education teaching and learning digitalization market has grown from RMB11.1 billion in 2019 to RMB19.3 billion in 2023, with a CAGR of 14.8%, demonstrating a strong market demand for digital teaching and learning environment services and products. We served a growing customer base of 1,174, 1,422 and 1,738 customers in 2022, 2023 and 2024, respectively.

However, the Covid-19 pandemic also impacted the business operations of companies operating in China's higher education teaching and learning digitalization market. Pandemic control measures such as travel restrictions and social distancing impacted customer engagement, communication and service and support process, as well as the deployment of services and products, leading to a slower delivery of our services and products due to the business operation disruption brought by the pandemic. As offline visits are integral to various stages of our business operations, it had imposed certain operational challenges for our business. See "Business – Impact of the Pandemic." In 2022, our offline customer communication and engagement had experienced certain operational challenges due to pandemic control measures, such as decreased efficiency in providing timely customer support, and decreased offline visits to customers from 111.3 thousand times in 2021 to 69.5 thousand times in 2022. The pandemic control measures also affected our production and delivery process. The number of our digital courses delivered to customers had decreased from 8,908 courses in 2021 to 7,914 courses in 2022. As a result, our average revenue per customer decreased by 11.4% from RMB384,551.6 in 2021 to RMB340,809.9 in 2022. Our decreased efficiency in the delivery of services and products also led to a decrease in gross profit margin from 51.1% in 2021 to 44.1% in 2022. To mitigate the impact of the pandemic, we had increased our effort in terms of improving the quality of our services and products and enhance our customer service and support capabilities, demonstrated by the increase in cost of sales by 9.7% from RMB203.8 million in 2021 to RMB223.6 million in 2022.

We continuously enhanced in-house R&D capabilities and improved our customer engagement, communication, service and support during the pandemic to maintain our competitiveness. We had invested in the research and development of new products applying the latest technologies, such as knowledge graphs, to meet the evolving market demand, resulting in an increase in research and development expenses in 2022. As a result, we recorded a net loss in 2022 attributable to the combined effect of (i) the business disruption caused by the pandemic in 2022; (ii) our continuous investment in research and development to maintain our competitiveness in the market; (iii) our increased distribution and selling expenses demonstrating our long-term dedication to effective customer coverage and fulfilling our customer-centric strategies; and (iv) our investment in maintaining the stability and quality of our delivery capacity.

Our strategic efforts and continuous investment in our overall competitiveness such as research and development, customer support and service centers had led us to substantial growth in 2023 demonstrated by increases in both the number of customers and average revenue per customer in 2023, resulting in an increase in revenue by 63.2% from RMB400.1 million in 2022 to RMB653.0 million in 2023. We also had an increase in gross profit by 124.5% from RMB176.5 million in 2022 to RMB396.3 million in 2023, an increase in gross profit margin from 44.1% in 2022 to 60.7% in 2023 as a result of our increased efficiency and competitiveness. Based on our overall performance during the Track Record Period, save as disclosed above, our Directors are of the view that the COVID-19 pandemic did not have any significant adverse impact on our financial performance and results of operations during the Track Record Period. As the COVID-19 pandemic has subsided since 2022, we do not anticipate further adverse impact on our business and financial performance. However, we cannot be entirely certain as to when the impact of the COVID-19 pandemic will be completely alleviated. Any prolonged outbreak of the COVID-19 or any similar pandemic may adversely affect our business and financial performance. See "Risk Factors – Risks Relating to Our Business and Industry – Any future occurrence of force majeure events, natural disasters, or outbreaks of contagious diseases in regions where we primarily operate may materially and adversely affect our business, financial condition and results of operations."

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

The preparation of history financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set forth in details in Notes 2 and 4 to the Accountant's Report in Appendix I to this Document.

Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. A customer is the party that contracts with our Group to purchase goods or services which are the output of our Group's ordinary activities in exchange for consideration.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to the customer, and it should be presented separately. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time. Warranty is provided to customers in conjunction with both (i) digital educational content services and products and (ii) digital teaching and learning environment services and products, which generally lasts no more than three years after the control of the services and products are transferred to the customers. Final portion of the contract price are recognized as retention money receivables, which would be paid after the warranty period expires.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, our Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our Group's obligation to transfer products or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

The revenue is measured at the transaction price agreed in the contract.

The accounting policies for our Group's principal revenue sources are as follows:

Digital educational content services and products. Our Group develops and produces digital course development, knowledge graph development and virtual simulation development services and products and generates revenue from sales of digital courses, knowledge graph products, virtual simulation products and other related products.

The revenue for sales of services and products mentioned above is recognized at a point in time when the control of the services and products mentioned above are transferred to the customer. Specifically, sales are recognized when the services and products have been transferred to the customers in accordance with the sales contract and the customers have inspected and accepted the services and products.

Digital teaching and learning environment services and products. Our Group develops and produces learning environment services and products, including: (i) digital classroom environment services and products to assist higher education institutions with designing and building digital classrooms to offer more immersive and engaging learning experiences for their students; (ii) configurable, artificial intelligence ("**AI**") enabled, cloud-native and integrated Learning Management System ("**LMS**") for higher education institutions to assist them with managing and creating simpler and better connected teaching and learning processes.

(i) The revenue is recognized at a point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the services and products have been transferred to the customer, generally upon the acceptance of the services and products.

(ii) LMS services and products include standard LMS, allowing customers conveniently access to the system through both personal computers and mobile devices, and customized LMS with development of both management application system and teaching application system.

    Revenue of standard LMS services and products is recognized ratably over the contract term. Revenue of customized LMS services and products is recognized at a point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the services and products have been transferred to the customer, generally upon the acceptance of the services and products.

Employee Benefits

(a) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the Track Record Period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Pension Obligations

In accordance with the rules and regulations in the PRC, the employees of our Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which our Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, our Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of our Group in an independent fund managed by the PRC government. Our Group's contributions to these plans are expensed as incurred.

(c) Housing Funds, Medical Insurances and Other Social Insurances

The employees of our Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. Our Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Our Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Bonus Plan

The expected cost of bonuses is recognized as a liability when our Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination Benefits

Termination benefits are payable when employment is terminated by our Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Our Group recognizes termination benefits at the earlier of the following dates: (a) when our Group can no longer withdraw the offer of those benefits; and (b) when we recognize costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the Track Record Period are discounted to present value.

Share-Based Payment

Our Group operates an equity-settled share-based payment plan, under which our Group receives services from eligible employees as consideration for equity instruments of our Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the historical financial information. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each Track Record Period, our Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Fair Value Estimation

Below explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, we have classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the Track Record Period. The quoted market price used for financial assets held by our Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Our financial asset at FVPL comprised of wealth management products during the Track Record Period.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See Note 37 to the Accountant's Report in Appendix I to this Document.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains – net" in the consolidated statements of profit or loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Research and Development

R&D expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for us;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Our Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's past history, existing market conditions, as well as forward-looking estimates at the end of each Track Record Period.

Impairment of Non-Financial Assets

Property, plant and equipment and right-of-use assets, mainly including electronic equipment and leasehold improvements, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by considering whether any of the following impairment indicators were present: (i) greater than expected declines in asset values as a result of the passage of time or normal use; (ii) significant adverse changes in the technological, market, economic or legal environment impacting the entity or the market to which the asset is dedicated; (iii) changes in market interest rates or other market rates of return that are likely to significantly affect the discount rate used in the impairment assessment; (iv) carrying amount of net assets of the entity exceeding its market capitalization; (v) evidence of obsolescence or physical damage to an asset; (vi) significant adverse changes impacting the manner in which an asset is used or is expected to be used; (vii) internal reporting indicating the economic performance of an asset is, or will be, worse than expected; and (viii) actual or forecast net cash outflows or operating profits or losses may be significantly worse than expected.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each Track Record Period.

Our management conducts annual assessments with specific consideration of performance trends and external factors. We recorded a net loss in 2022, primarily attributable to the combined effect of (i) the business disruption caused by the pandemic in 2022; (ii) our continuous investment in research and development to maintain our competitiveness in the market; (iii) our increased distribution and selling expenses demonstrating our long-term dedication to effective customer coverage and fulfilling our customer-centric strategies; and (iv) our investment in maintaining the stability and quality of our delivery capacity. The decline in performance and net loss in 2022 had been anticipated by our management as a result of pandemic-related disruptions. However, we considered the impact to be temporary and expected a recovery in business operations and market conditions from 2023 onward. As the actual performance in 2022 did not significantly deviate from our budgeted or expected results, we determined that no indication of impairment existed as defined under paragraph 14 of IAS 36. We subsequently recovered from the pandemic's impact and recorded a net profit of RMB81.4 million in 2023, consistent with our internal forecasts. Further, we assessed and concluded that no other impairment indicators under paragraph 12 of IAS 36 existed during the Track Record Period.

Inventories

Work-in-progress and purchased goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to our Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the Track Record Period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the Track Record Period in the countries where our Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Our Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the Track Record Period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where our Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where we have a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and our Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	400,111	100.0	652,964	100.0	848,198	100.0
Cost of sales	(223,566)	(55.9)	(256,621)	(39.3)	(323,040)	(38.1)
Gross profit	**176,545**	**44.1**	**396,343**	**60.7**	**525,158**	**61.9**
Distribution and selling expenses	(128,934)	(32.2)	(167,702)	(25.7)	(215,721)	(25.4)
General and administrative expenses	(39,400)	(9.8)	(44,393)	(6.8)	(68,622)	(8.1)
Research and development expenses	(98,136)	(24.5)	(101,075)	(15.5)	(126,923)	(15.0)
Net impairment losses on financial assets	(6,244)	(1.6)	(7,955)	(1.2)	(14,024)	(1.7)
Other income	13,322	3.3	10,795	1.7	8,619	1.0
Other gains – net	3,460	0.9	1,080	0.2	241	0.0
Operating profit/(loss)	**(79,387)**	**(19.8)**	**87,093**	**13.3**	**108,728**	**12.8**
Finance income	1,274	0.3	871	0.1	635	0.1
Finance costs	(960)	(0.2)	(1,330)	(0.2)	(2,765)	(0.3)
Finance (costs)/income – net	314	0.1	(459)	(0.1)	(2,130)	(0.3)
Profit/(loss) before income tax	**(79,073)**	**(19.8)**	**86,634**	**13.3**	**106,598**	**12.6**
Income tax (expense)/credit	19,963	5.0	(5,213)	(0.8)	(1,527)	(0.2)
Profit/(loss) and total comprehensive income/(loss), attributable to owners of the Company	**(59,110)**	**(14.8)**	**81,421**	**12.5**	**105,071**	**12.4**

Revenue

During the Track Record Period, we primarily generated revenue from (i) digital educational content services and products, including digital course, knowledge graph and virtual simulation; and (ii) digital teaching and learning environment services and products, including Cloud LMS and digital classroom. The following table sets forth a breakdown of our revenue by types of services and products in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Digital educational content services and products	**335,554**	**83.9**	**538,434**	**82.5**	**709,964**	**83.7**
Digital course	295,706	73.9	403,112	61.7	350,835	41.4
Knowledge graph	6,024	1.5	109,130	16.7	340,401	40.1
Virtual simulation	33,824	8.5	26,192	4.0	18,728	2.2
Digital teaching and learning environment services and products	**63,471**	**15.9**	**113,915**	**17.4**	**137,620**	**16.2**
Cloud LMS	44,948	11.2	47,538	7.3	88,243	10.3
Digital classroom	18,523	4.6	66,377	10.2	49,377	5.8
Others(1)	**1,086**	**0.2**	**615**	**0.1**	**614**	**0.1**
Total	**400,111**	**100.0**	**652,964**	**100.0**	**848,198**	**100.0**

Note:

(1) Other types of revenue primarily consisted of rental income and ancillary value-added service to enhance customer experience.

(2) We started to generate revenue from knowledge graphs in 2022 and we define our knowledge graph business as officially launched in 2023 after the establishment of the dedicated knowledge graph business unit in the same year.

Our dedication to providing more comprehensive solutions to our customers allows us to promote more cross-selling opportunities. In 2022, 2023 and 2024, we had 291, 346 and 449 Overlapping Customers, with average revenue per Overlapping Customer of RMB711,504.1, RMB1,018,652.0 and RMB1,102,294.3, respectively.

Digital Educational Content Services and Products

Under our digital educational content services and products, we primarily generated revenue from (i) the production and delivery of digital courses to our customers; (ii) the sales of knowledge graphs developed pursuant to the needs of customers; and (iii) the sales of virtual simulation products to our customers. For details on our revenue recognition policy with respect to our digital educational content services and products, see "– Material Accounting Policy Information and Estimates – Revenue Recognition." During the Track Record Period, our revenue generated from digital educational content services and products amounted to RMB335.6 million, RMB538.4 million and RMB710.0 million in 2022, 2023 and 2024, accounting for 83.9%, 82.5% and 83.7% of the total revenue, respectively.

Digital Teaching and Learning Environment Services and Products

Under digital teaching and learning environment services and products, we primarily generated revenue from (i) the sales of Cloud LMS, including the subscriptions fees for the standard products and service fees for the customized products delivered through on-premise deployment; and (ii) the service fees charged for digital classrooms, under which we help customers design, construct and upgrade classrooms featuring digital technologies and smart devices, as well as the subscription fees for our self-developed online learning environment management system, LiveCourse. See "– Material Accounting Policy Information and Estimates – Revenue Recognition." During the Track Record Period, our revenue generated from digital teaching and learning environment services and products amounted to RMB63.5 million, RMB113.9 million and RMB137.6 million in 2022, 2023 and 2024, accounting for 15.9%, 17.4% and 16.2% of the total revenue, respectively.

Cost of Sales

Our cost of sales mainly consisted of (i) employee benefit expenses for personnel responsible for production and delivery of products and provision of services to customers; (ii) purchased goods used, which represented the hardware used for our services and products; (iii) digital content editing fees for supporting service in relation to digital educational content services and products ; (iv) network service fees, which represented the fees we paid to use network services, such as fees paid to cloud service providers; (v) depreciation and amortization; and (vi) others. In 2022, 2023 and 2024, our cost of sales amounted to RMB223.6 million, RMB256.6 million and RMB323.0 million, respectively.

The following table sets forth a breakdown of our cost of sales in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	145,560	65.1	159,139	62.0	245,785	76.1
Purchased goods used	14,407	6.4	31,267	12.2	23,354	7.2
Digital content editing fees	18,610	8.3	22,546	8.8	21,432	6.6
Network service fees	18,854	8.4	14,320	5.6	12,053	3.7
Depreciation and amortization	14,463	6.5	11,603	4.5	9,876	3.1
Warranty expenses(1)	607	0.3	863	0.3	687	0.2
Others(2)	11,065	5.0	16,883	6.6	9,853	3.1
Total	**223,566**	**100.0**	**256,621**	**100.0**	**323,040**	**100.0**

Notes:

(1) We provide warranties for our services and products, see "Business – Our Customers – Agreements with Customers." Given that the warranty expenses were immaterial during the Track Record Period, we did not make any provision for warranty expenses.

(2) Others mainly included travel expenses, tax and surcharges, office expenses and changes in inventories of work in progress.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2022, 2023 and 2024, our gross profit amounted to RMB176.5 million, RMB396.3 million and RMB525.2 million, respectively. In 2022, 2023 and 2024, our gross profit margin was 44.1%, 60.7% and 61.9%, respectively.

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

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000, except for percentages)					
Digital educational content services and products	146,856	43.8	326,829	60.7	434,766	61.2
Digital teaching and learning environment services and products	28,676	45.2	68,946	60.5	89,969	65.4
Others[(1)]	1,013	93.3	567	92.2	424	69.1
Total	**176,545**	**44.1**	**396,343**	**60.7**	**525,158**	**61.9**

Note:

(1) Other types of gross profit primarily consisted of gross profit of rental income and ancillary value-added service to enhance customer experience.

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of (i) employee benefit expenses for our sales personnel; (ii) marketing expenses incurred during customer communication activities; (iii) travel expenses of our sales personnel; (iv) hospitality business expenses; (v) depreciation and amortization; and (vi) others. In 2022, 2023 and 2024, our distribution and selling expenses amounted to RMB128.9 million, RMB167.7 million and RMB215.7 million, respectively, accounting for 32.2%, 25.7% and 25.4% of our total revenue in 2022, 2023 and 2024, respectively. The following table sets forth a breakdown of the major components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	86,097	66.8	105,871	63.1	139,090	64.5
Marketing expenses	12,659	9.8	16,443	9.8	19,663	9.1
Travel expenses	6,698	5.2	12,340	7.4	19,890	9.2
Hospitality business expenses	8,549	6.6	11,945	7.1	14,870	6.9
Depreciation and amortization	5,374	4.2	8,294	5.0	10,741	5.0
Others[(1)]	9,557	7.4	12,809	7.6	11,467	5.3
Total	**128,934**	**100.0**	**167,702**	**100.0**	**215,721**	**100.0**

Note:

(1) Others mainly included professional and service fees, office expenses and short-term leases.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses for our administrative personnel; (ii) depreciation and amortization; (iii) office expenses; (iv) legal, consulting and other service fees; (v) **[REDACTED]** expenses related to the **[REDACTED]**; and (vi) others. In 2022, 2023 and 2024, our general and administrative expenses amounted to RMB39.4 million, RMB44.4 million and RMB68.6 million, respectively, accounting for 9.8%, 6.8%, and 8.1% of our revenue, respectively. The following table sets forth a breakdown of the components of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	21,367	54.2	26,700	60.1	32,362	47.2
Depreciation and amortization	7,158	18.2	8,747	19.7	9,433	13.7
Office expenses	5,282	13.4	5,428	12.2	8,524	12.4
Legal, consulting and other service fees	3,406	8.6	1,004	2.3	806	1.2
[REDACTED] expenses related to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others[1]	2,187	5.6	2,514	5.7	3,133	4.6
Total	**39,400**	**100.0**	**44,393**	**100.0**	**68,622**	**100.0**

Note:

(1) Others mainly included travel expenses.

Research and Development Expense

Our research and development efforts mainly focus on developing and upgrading technologies for our digital educational content services and products and digital teaching and learning environment services and products. Our research and development expenses primarily consist of (i) employee benefit expenses for our research and development personnel; (ii) network service fees, which represent fees paid to use network services, such as fees paid to cloud service providers; and (iii) others. Our research and development expenses amounted to RMB98.1 million, RMB101.1 million and RMB126.9 million in 2022, 2023 and 2024, accounting for 24.5%, 15.5% and 15.0% of our revenue, respectively. To maintain our strength in research capabilities, we have been and will continue to invest in research activities.

The following table sets forth a breakdown of the components of our research and development expenses for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Employee benefit expenses	84,345	85.9	90,606	89.6	116,580	91.9
Network service fees	10,171	10.4	6,269	6.2	6,523	5.1
Others[1]	3,620	3.7	4,200	4.2	3,820	3.0
Total	**98,136**	**100.0**	**101,075**	**100.0**	**126,923**	**100.0**

Note:

(1) Others mainly included professional and service fees, travel expenses and office expenses.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets which represented impairment losses on trade receivables and retention money receivables and other receivables. Our net impairment losses on financial assets amounted to RMB6.2 million, RMB8.0 million and RMB14.0 million in 2022, 2023 and 2024, respectively. Such increase was primarily due to the increase in our expected credit losses determined based on the balance of our trade receivables and retention money receivables. See Note 3.2 to the Accountant's Report included in Appendix I to this Document for basis of expected credit losses for trade receivables and retention money receivables and other receivables.

Other Income

Our other income consisted of government grants which mainly represented financial assistance in relation to our contribution to the local economy and subsidies granted by local governments for the purpose of encouraging business development. During the Track Record Period, our other income amounted to RMB13.3 million, RMB10.8 million and RMB8.6 million in 2022, 2023 and 2024, respectively.

Other Gains – Net

Our other gains net mainly consisted of (i) net fair value change on financial assets at FVPL, which represented the fair value change of our wealth management products; (ii) net gain on disposal of investment property, which represented the gain from disposal of properties to enhance our asset utilization efficiency; and (iii) net losses on disposal of property, plant and equipment primarily including office supplies. In 2022, 2023 and 2024, our other gains amounted to RMB3.5 million, RMB1.1 million and RMB0.2 million, respectively.

The table below sets for a breakdown of other gains – net for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net fair value gains on financial assets at FVPL	3,508	1,219	575
Others	(48)	(139)	(334)
Total	**3,460**	**1,080**	**241**

Finance Income

Our finance income consisted of interest income from bank deposit. In 2022, 2023 and 2024, our finance income amounted to RMB1.3 million, RMB0.9 million and RMB0.6 million, respectively.

Finance Costs

Our finance costs consisted of interest expenses on lease liabilities. In 2022, 2023 and 2024, our finance costs amounted to RMB1.0 million, RMB1.3 million and RMB2.8 million, respectively.

Income Tax Expense

Our income tax expenses mainly represented the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

PRC

We are subject to Enterprise Company Tax Law of the PRC (《中華人民共和國企業所得稅法》) and our income tax expense is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations for the Track Record Period. During the Track Record Period, our Company were accredited as a high and new technology enterprise ("**HNTE**") and were entitled to a preferential EIT rate of 15% for the qualified period. The HNTE certificate needs to be renewed every three years to enjoy the preferential EIT rate. Moreover, some of our subsidiaries were also accredited as "Small Low-Profit Enterprise" during the Track Record Period and were entitled to a preferential EIT rate of 2.5% for the qualified period. See Note 12 to the Accountant's Report in Appendix I to this Document.

In 2022, 2023 and 2024, our income tax expense/(credit) comprised of deferred income tax expense/(credit). We recorded deferred income tax credit of RMB20.0 million in 2022, deferred income tax expenses of RMB5.2 million in 2023, deferred income tax expenses of RMB1.5 million in 2024. Our deferred income tax credit recorded in 2022 was primarily due to our loss before income tax in the same year. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax expense	–	–	1
Deferred income tax expense/(credit)	(19,963)	5,213	1,526
Total	**(19,963)**	**5,213**	**1,527**

Profit/(Loss) and Total Comprehensive Income/(Loss)

In 2022, 2023 and 2024, we recorded net loss of RMB59.1 million, net profit of RMB81.4 million and net profit of RMB105.1 million, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2024 Compared with Year ended December 31, 2023

Revenue

Our total revenue increased by 29.9% from RMB653.0 million in 2023 to RMB848.2 million in 2024, primarily attributable to the increase in revenue generated from our digital educational content services and products by 31.9% from RMB538.4 million in 2023 to RMB710.0 million in 2024.

Revenue from our digital educational content services and products increased by 31.9% from RMB538.4 million in 2023 to RMB710.0 million in 2024, primarily due to the increased number of customers of digital educational content services and products from 1,230 in 2023 to 1,492 in 2024. Such increase was primarily attributable to the growth of our knowledge graph development since its official launch in 2023 drawing on our deep knowledge of education and technological capabilities, which resulted in significant increase in revenue generated from knowledge graph from RMB109.1 million in 2023 to RMB340.4 million in 2024, accounting for 16.7% and 40.1% of the total revenue in the respective years. Such increase was partially set off by the decrease in revenue of our digital course by 13.0% from RMB403.1 million in 2023 to RMB350.8 million in 2024, primarily attributed to our increased investment in knowledge graph.

Revenue from our digital teaching and learning environment services and products increased, by 20.8% from RMB113.9 million in 2023 to RMB137.6 million in 2024, primarily attributable to the increased number of customers of digital teaching and learning environment services and products from 538 in 2023 to 695 in 2024. Such increase was primarily attributable to the growth of our Cloud LMS, which resulted in significant increase in revenue generated from Cloud LMS from RMB47.5 million in 2023 to RMB88.2 million in 2024 driven by the increased customer demand, accounting for 7.3% and 10.4% of the total revenue in the respective years.

Cost of Sales

Our cost of sales increased by 25.9% from RMB256.6 million in 2023 to RMB323.0 million in 2024, primarily due to the increase in our employee benefit expenses by 54.5% from RMB159.1 million in 2023 to RMB245.8 million in 2024, mainly driven by the increases in the number of our personnel responsible for development and delivery of services and products to support our business expansion. Such increase was partially offset by (i) the decrease in purchased goods used by 25.3% from RMB31.3 million in 2023 to RMB23.4 million in 2024 in line with our business condition; and (ii) the decrease in digital content editing fees and network service fees by 4.9% and 15.8% from RMB22.5 million and RMB14.3 million in 2023 to RMB21.4 million and RMB12.1 million in 2024, attributed to our continued efforts in managing costs and increasing operational efficiency.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 32.5% from RMB396.3 million in 2023 to RMB525.2 million in 2024, and our overall gross profit margin increased from 60.7% in 2023 to 61.9% in 2024. The increase in gross profit margin was primarily attributable to the higher gross profit margin of knowledge graph which accounted for a larger portion of our revenue in 2024.

Gross profit of digital educational content services and products increased by 33.0% from RMB326.8 million in 2023 to RMB434.8 million in 2024, and its gross profit margin increased from 60.7% in 2023 to 61.2% in 2024, primarily attributable to the increased provision of knowledge graph that had a higher gross profit margin.

Gross profit of digital teaching and learning environment services and products increased by 30.5% from RMB68.9 million in 2023 to RMB90.0 million in 2024, and its gross profit margin increased from 60.5% in 2023 to 65.4% in 2024, respectively. Such increase was primarily attributed to our continued efforts in managing costs and increasing operational efficiency in providing such services and products.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 28.6% from RMB167.7 million in 2023 to RMB215.7 million in 2024 primarily due to (i) the increase in our employee benefit expenses paid to our sales personnel by 35.2% from RMB105.9 million in 2023 to RMB143.2 million in 2024, which was primarily due to the increased number of sales personnel to support our marketing activities; and (ii) the increase in our travel expenses by 61.2% from RMB12.3 million in 2023 to RMB19.9 million in 2024, which was primarily attributable to the increased number of sales personnel and our enhanced marketing activities to promote our solutions.

General and Administrative Expenses

Our general and administrative expenses increased by 43.8% from RMB44.4 million in 2023 to RMB68.6 million in 2024 primarily due to (i) the increase in **[REDACTED]** expenses related to the **[REDACTED]** from **[REDACTED]** in 2023 to RMB**[REDACTED]** in 2024; and (ii) the increase in employee benefit expenses paid to our administrative personnel by 21.3% from RMB26.7 million in 2023 to RMB32.4 million in 2024 driven by increased number of administrative personnel to support our growing business.

Research and Development Expense

Our research and development expenses increased by 25.6% from RMB101.1 million in 2023 to RMB126.9 million in 2024, primarily due to the increase in employee benefit expenses paid to our research and development personnel by 28.7% from RMB90.6 million in 2023 to RMB116.6 million in 2024 as a result of the increased number of research and development personnel to support our continuous efforts in developing, applying and upgrading latest technologies to our products and services.

Other Income

Our other income decreased by 20.4% from RMB10.8 million in 2023 to RMB8.6 million in 2024, primarily due to a decrease in government subsidy.

Other Gains/Loss – Net

We recorded other gains – net in 2023 which decreased by 77.7% from RMB1.1 million to other gains – net of RMB0.2 million in 2024, primarily due to decrease in net fair value gains on financial assets at FVPL, mainly resulting from lower interest rates on wealth management products influenced by market conditions, as well as our reduced purchase of such products.

Finance Costs/Income – Net

Our net finance cost increased from RMB0.5 million in 2023 to RMB2.1 million in 2024, primarily due to the increase in finance cost from RMB1.3 million in 2023 to RMB2.8 million in 2024 mainly as a result of our new bank borrowings obtained in 2024. See "– Indebtedness – Borrowings."

Net Impairment Losses on Financial Assets

Our net impairment losses for financial assets increased by 76.3% from RMB8.0 million in 2023 to RMB14.0 million in 2024, primarily due to the increase in our expected credit losses determined based on the balance of our trade receivables and retention money receivables. See Note 3.2 to the Accountant's Report included in Appendix I to this Document for basis of expected credit losses for trade receivables and retention money receivables and other receivables.

Income Tax Expense/Credit

We recorded income tax expense of RMB5.2 million in 2023 and income tax expense of RMB1.5 million in 2024.

Profit/(Loss) and Total Comprehensive Income/(Loss)

As a result of the foregoing, we recorded net profit of RMB81.4 million in 2023 and net profit of RMB105.1 million in 2024.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our total revenue increased by 63.2% from RMB400.1 million in 2022 to RMB653.0 million in 2023, primarily attributable to the increase in revenue generated from our digital educational content services and products by 60.5% from RMB335.6 million in 2022 to RMB538.4 million in 2023.

Revenue from our digital educational content services and products increased by 60.5% from RMB335.6 million in 2022 to RMB538.4 million in 2023, primarily due to (i) the increased number of customers of digital educational content services and products from 973 in 2022 to 1,230 in 2023; and (ii) the increased average revenue per customer of digital educational content services and products by 26.9% from RMB344,865.4 in 2022 to RMB437,750.4 in 2023. Such increases were primarily attributable to (i) the successful launch and promotion of our new services and products, particularly knowledge graph development which was officially launched in 2023 and quickly received great popularity and recognition among our customers, demonstrated by the significant increase in revenue generated from knowledge graph from RMB6.0 million in 2022 to RMB109.1 million in 2023, accounting for 1.5% of the total revenue in 2022 and 16.7% in 2023; (ii) our enhanced customer outreach efforts to achieve more effective customer coverage to understand their needs and provide better services and products. For example, our enhanced capabilities in production and delivery of digital courses had been demonstrated by the number of digital courses we delivered per employees responsible of the production and delivery of products and provision of service, increasing from 9.9 in 2022 and 12.8 in 2023, contributing to the increase in revenue generated by our digital courses from RMB295.7 million in 2022 to RMB403.1 million in 2023; and (iii) our dedication to applying the latest technologies to enhance the performance of our services and products in digital educational content services and products.

Revenue from our digital teaching and learning environment services and products increased by 79.5% from RMB63.5 million in 2022 to RMB113.9 million in 2023, primarily attributed to (i) the increased number of customers of digital teaching and learning environment services and products from 492 in 2022 to 538 in 2023; (ii) the increased average revenue per customer of digital teaching and learning environment services and products by 64.1% from RMB129,006.1 in 2022 to RMB211,739.8 in 2023; and (iii) the increased number of digital learning and environment services and products delivered. For example, we delivered 9 more immersive classrooms and 13 more panoramic teaching spaces to our customers, along with 5 additional LiveCourse subscriptions compared to the number of respective products and service we delivered in 2022.

Such increases were primarily attributed to (i) the application of new technologies to our digital teaching and learning environment services and products, thus improving their performance and optimize customer experience; and (ii) our efforts in strengthening our sales team specializing in digital teaching and learning environment services and products allowing us to conduct more effective communication with customers.

Cost of Sales

Our cost of sales increased by 14.8% from RMB223.6 million in 2022 to RMB256.6 million in 2023, primarily due to (i) the increase in our employee benefit expenses by 9.3% from RMB145.6 million in 2022 to RMB159.1 million in 2023, mainly driven by the increases in the number of our personnel responsible for production and delivery of products and provision of services to customers and their performance-based salaries in line with business expansion; (ii) the increase in the purchased goods used by 117.0% from RMB14.4 million in 2022 to RMB31.3 million in 2023 in line with our business expansion; (iii) the increase in digital content editing fees by 21.1% from RMB18.6 million in 2022 to RMB22.5 million in 2023 in line with business expansion, partially offset by the decrease in network service fees by 24.0% from RMB18.9 million in 2022 to RMB14.3 million in 2023 attributed to our enhanced network utilization management.

Gross Profit and Gross Profit Margin

As a result of foregoing, our overall gross profit increased by 124.5% from RMB176.5 million in 2022 to RMB396.3 million in 2023, and our overall gross profit margin increased from 44.1% in 2022 to 60.7% in 2023. This was primarily attributable to the increased gross profit of digital educational content services and products by 122.6% from RMB146.9 million in 2022 to RMB326.8 million in 2023, and its increased gross profit margin from 43.8% in2022 and 60.7% in 2023.

Gross profit of digital educational content services and products increased by 122.6% from RMB146.7 million in 2022 to RM326.8 million in 2023, and its gross profit margin increased from 43.8% in 2022 to 60.7% in 2023. This was primarily due to (i) the improvement in delivery efficiency resulted from our enhanced project management process in 2023. For example, we have enhanced our KPI-based performance evaluations, focusing on monthly revenues contributed by each employee responsible for production and delivery of products and provision of services. As a result, the number of digital courses delivered per employee responsible for the production and delivery of products and provision of services had increased from 9.9 in 2022 to 12.8 in 2023. See "Business – Our Services and Products – Digital Educational Content Services and Products;" (ii) the expanded business scale of our digital educational content services and products business demonstrated by the increased number of customers of digital educational content services and products from 973 in 2022 to 1,230 in 2023 leading to economies of scale; and (iii) the launch of new products which has higher gross profit margin, such as knowledge graphs.

Gross profit of digital teaching and learning environment services and products also experienced significant growth, increasing by 140.4% from RMB28.7 million in 2022 to RMB68.9 million in 2023, and its gross profit margin increased from 45.2% in 2022 to 60.5% in 2023, respectively. Such increase was primarily due to the improvement of our delivery efficiency resulted from more convenient and effective offline communications and project deployment process, which enabled us to gather timely inputs and feedback from our customers to ensure close cooperation and reduce delays in the production and delivery of products and provision of services, ultimately increasing our gross profit margin. For example, we had conducted various types of offline activities in 2023 covering industry conferences, campus tours and educational seminars, and the number of offline visits to customers had increased from more than 69.5 thousand times in 2022 to 170.9 thousand times in 2023.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 30.1% from RMB128.9 million in 2022 to RMB167.7 million in 2023, primarily due to (i) the increase in our employee benefit expenses paid to our sales personnel by 23.0% from RMB86.1 million in 2022 to RMB105.9 million in 2023, which was primarily due to the increased number of sales personnel and their performance-based compensation reflecting our business expansion; and (ii) the increase in our marketing expenses by 29.9% from RMB12.7 million in 2022 to RMB16.4 million in 2023, which was primarily due to the increasing number of customer communication activities to better understand their needs and promote our services and products.

General and Administrative Expenses

Our general and administrative expenses increased by 12.7% from RMB39.4 million in 2022 to RMB44.4 million in 2023 primarily due to the increase in employee benefit expenses paid to our administrative personnel by 25.0% from RMB21.4 million in 2022 to RMB26.7 million in 2023 driven by increased number of administrative personnel to support our growing business and our operation, as well as increased share-based payments to our employees.

Research and Development Expense

Our research and development expenses remained relatively stable, with a slight increase of 3.0% from RMB98.1 million in 2022 to RMB101.1 million in 2023, primarily due to the increase in employee benefit expenses paid to our research and development personnel by 7.4% from RMB84.3 million in 2022 to RMB90.6 million in 2023 as a result of the increased number of research and development personnel. The monthly average number of our research and development personnel had increased from 219 in 2022 to 267 in 2023, driven by our continuous effort in enhancing in-house research and development capabilities to apply the innovative technologies to develop and upgrade our services and products. Such increase was partially offset by the decrease in network service fees by 38.4% from RMB10.2 million in 2022 to RMB6.3 million in 2023, driven by our enhanced network utilization management.

Other Income

Our other income consists of government grants which decreased by 19.0% from RMB13.3 million in 2022 to RMB10.8 million in 2023, primarily because certain government grants received in 2022 were non-recurring and project-based government grants.

Other Gains – Net

We recorded other gains – net in both 2022 and 2023, which decreased by 68.8% from RMB3.5 million in 2022 to RMB1.1 million in 2023, primarily due to the net fair value on financial assets at FVPL had decreased by 65.3% from RMB3.5 million in 2022 to RMB1.2 million in 2023 because of the decreased gains from our wealth management products.

Finance Costs/Income – Net

We recorded finance income of finance income – net of RMB0.3 million in 2022 and finance costs – net of RMB0.5 million in 2023.

Net Impairment Losses on Financial Assets

Our net impairment losses for financial assets amounted to RMB6.2 million and RMB8.0 million in 2022 and 2023, respectively.

Income Tax Expense/Credit

We recorded income tax credit of RMB20.0 million in 2022 and income tax expense of RMB5.2 million in 2023.

Profit/(Loss) and Total Comprehensive Income/(Loss)

As a result of the foregoing, we recorded net loss of RMB59.1 million in 2022 which turned to net profit of RMB81.4 million in 2023.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Net Current Assets

The following table sets out our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30
	2022	**2023**	**2024**	**2025**
		(RMB'000)		
				(Unaudited)
Current assets				
Inventories	9,569	15,145	27,873	40,144
Trade receivables and retention money receivables	134,958	205,065	337,916	373,820
Other receivables and prepayments	57,701	57,097	67,345	64,648
Financial assets at fair value through profit or loss	70,142	120,014	48,028	–
Restricted cash	5,218	5,556	4,721	4,721
Cash and cash equivalents	206,270	141,742	230,172	68,924
Total current assets	**483,858**	**544,619**	**716,055**	**552,257**

	As of December 31,			As of April 30
	2022	**2023**	**2024**	**2025**
		(RMB'000)		
				(Unaudited)
Current liabilities				
Trade payables	36,806	25,180	11,084	5,403
Other payables and accruals	76,122	62,116	87,126	78,910
Borrowings	–	–	56,240	83,176
Lease liabilities	8,398	14,503	17,593	13,852
Contract liabilities	130,951	124,498	113,439	77,648
Total current liabilities	**252,277**	**226,297**	**285,482**	**258,989**
Net current assets	**231,581**	**318,322**	**430,573**	**293,268**

Our net current assets increased from RMB231.6 million as of December 31, 2022 to RMB318.3 million as of December 31, 2023, primarily due to (i) an increase of RMB70.1 million in trade receivables and retention money receivables; (ii) an increase of RMB49.9 million in financial assets at fair value through profit or loss; and (iii) a decrease of RMB14.0 million in other payables and accruals, partially offset by the decrease of RMB64.5 million in cash and cash equivalents.

Our net current assets increased from RMB318.3 million as of December 31, 2023 to RMB430.6 million as of December 31, 2024, primarily due to (i) an increase of RMB132.9 million in trade receivables and retention money receivables; and (ii) an increase of RMB88.4 million in cash and cash equivalents. Such an increase was partially offset by (i) a decrease of RMB72.0 million in financial assets at fair value through profit or loss; and (ii) an increase of RMB56.2 million in borrowings which we obtained in 2024.

Our net current assets decreased by 31.9% from RMB430.6 million as of December 31, 2024 to RMB293.3 million as of April 30, 2025, primarily due to (i) a decrease of RMB161.2 million in cash and cash equivalents; (ii) an decrease of RMB48.0 million in financial assets at fair value through profit or loss; and (iii) an increase of RMB26.9 million in borrowings, partially offset by a decrease of RMB35.8 million in contract liabilities.

Inventories

Our inventories primarily consisted of (i) purchased goods, which represented services and products ready for sale or in transit to fulfill customers' orders; and (ii) work in progress, which represented labor cost relating to digital educational content services and products. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Purchased goods	2,777	1,613	3,210
Work in progress	6,792	13,532	24,663
Total	**9,569**	**15,145**	**27,873**

Our inventories increased from RMB9.6 million as of December 31, 2022 to RMB15.1 million as of December 31,2023, primarily due to the increased work in progress by 99.2% from RMB6.8 million as of December 31, 2022 to RMB13.5 million as of December 31, 2023, as a result of the significant growth of our business scale during 2023. Our inventories increased from RMB15.1 million as of December 31, 2023 to RMB27.9 million as of December 31, 2024 primarily due to (i) an increase in work in progress by 82.3% from RMB13.5 million as of December 31, 2023 to RMB24.7 million as of December 31, 2024 mainly arising from the growth in knowledge graph business; and (ii) an increase in purchased goods from RMB1.6 million as of December 31, 2023 to RMB3.2 million as of December 31, 2024, attributed to raw materials purchased to support the production and delivery of our digital classrooms over the period.

The following table sets out an aging analysis of our inventories based on date of revenue recognition as of the dates indicated:

	As of December 31, 2023		
	2022	**2023**	**2024**
		(RMB'000)	
Within 6 months	6,174	10,340	16,153
6 months – 1 year	1,467	2,065	7,581
Above 1 year	1,928	2,740	4,139
Total	**9,569**	**15,145**	**27,873**

As of April 30, 2025, RMB8.5 million, or 30.5% of inventories as of December 31, 2024, had been used, consumed or sold.

We assess impairment to inventories from time to time during the Track Record Period and may make provision for inventories for the amount by which the carrying amount of the inventories exceeds the net recoverable amount, such as if inventories become expired or damage. We make assessments on provision for inventories considering factors including (i) our historical operational performance; (ii) the life cycle and delivery pace of services and products; and (iii) expectation of delivery efficiency for prudent reason. We believe there is no recoverability issue for unutilized inventories because the unconsumed inventories primarily consisted of work in progress representing labor costs relating to digital education content services and products, which had already been allocated to our ongoing projects and their consumption are only subject to the acceptance by the customers. As such, no provision for inventories were made for the unutilized inventories as of April 30, 2025.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Inventory turnover days[(1)]	13.5	17.6	24.3

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year or period and multiplied by 365 days for 2022, 2023 and 2024.

Our inventory turnover days increased from 13.5 days in 2022 to 17.6 days in 2023, primarily attributed to the growth in the number of digital courses under production in our digital educational content services and products in line with our business expansion. Our inventory turnover days increased from 17.6 days in 2023 to 24.3 days in 2024 primarily attributed to the growth in the number of digital courses and knowledge graph under production in our digital educational content services and products in line with our business expansion.

Trade Receivables and Retention Money Receivables

Our trade receivables primarily included (i) the trade receivables which represented the amounts due from our customers including purchased services and products and (ii) retention money receivables which represented the warranty money for our delivered services and products. The following table sets forth a breakdown of our trade receivables and retention money receivables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Trade receivables	146,586	224,075	371,076
Retention money receivables	6,418	10,819	8,564
Less: provision for impairment	(12,251)	(20,260)	(34,112)
Total	**140,753**	**214,634**	**345,528**

During the Track Record Period, we have implemented effective credit management system for our trade receivables which are reviewed and updated regularly. Specifically, we have established a trade receivables collection team supervised by our financing department to manage our trade receivables efficiently. Additionally, we have implemented a collection management system to support our collection and management of trade receivables and retention money receivables, including (i) providing an overview of outstanding payments of our customers; (ii) allowing us to track the detailed collection process for each contract of our customers including sales personnel assigned to such contract and balances, aging and previous payments of such customers; and (iii) monitoring the achievements of collection of outstanding payments, which is one of the key performance indicators of our sales personnel. This system enhances our management of receivables and enables our employees to execute targeted collection strategies efficiently.

Our trade receivables and retention money receivables increased by 53.5% from RMB153.0 million as of December 31, 2022 to RMB234.9 million as of December 31, 2023, and further increased by 61.6% to RMB379.6 million as of December 31, 2024, mainly as a result of the growth of our business.

The following table sets out an aging analysis of our trade receivables and retention money receivables based on date of revenue recognition as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Within 6 months	85,659	149,174	242,118
6 months – 1 year	28,041	34,084	43,073
1 – 2 years	30,160	35,136	61,619
2 – 3 years	6,553	10,964	20,820
Above 3 years	2,591	5,536	12,010
Total	**153,004**	**234,894**	**379,640**

Our trade receivables and retention money receivables were generally due within six months. It had continuously increased during the Track Record Period, mainly due to the increase of our trade receivables and retention money receivables within six months in line with our business expansion. Our trade receivables and retention money receivables aged more than six months had increased during the Track Record Period primarily because (i) the payment process of our customers are subject to the influence of various factors, including budget cycle and operating schedule of higher education institutions; and (ii) the payment process of our customers had been prolonged due to the pandemic. Our provision for impairment for trade receivables and retention money receivables amounted to RMB12.3 million, RMB20.3 million and RMB34.1 million, respectively. We will continuously and proactively contacting and following up with relevant customers to collect trade receivable and retention money receivables balances. For further information about our accounting for trade receivable and retention money receivables, see Note 19 to the Accountant's Report included in Appendix I to this Document. We have assessed the recoverability of the relevant outstanding trade receivables and retention money receivables balances. Due to the fact that: (i) the good credit history of our customers which are primarily higher education institution from the public sector; (ii) our stable and long-term relationship with our customers; and (iii) our internal control measures implemented to manage risks arising from trade receivables, we believe that the credit risk inherent in our outstanding trade receivable and retention money receivables balances due from them is low. In light of the above, we believe that there is no recoverability issue of trade receivables and retention money receivables, and that sufficient provision has been made.

The following table sets forth our trade receivables and retention money receivables turnover days for the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
Trade receivables and retention money receivables turnover days [(1)]	130.8	108.4	116.8
– Trade receivables turnover days	126.1	103.6	128.1
– Retention money receivables turnover days	4.7	4.8	4.2

Note:

(1) Trade receivables and retention money receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables and retention money receivables for a year or period divided by revenue for the relevant year and multiplied by 365 days for 2022, 2023 and 2024.

Our trade receivables and retention money receivables turnover days decreased from 130.8 days in 2022 to 108.4 days in 2023, primarily due to our enhanced management over trade receivables and retention money receivables and improved efficiency in communicating with customers. Our trade receivables and retention money receivables turnover days increased from 108.4 days in 2023 to 116.8 days in 2024, primarily due to the growth of the business volume in line with our business expansion. We typically grant our customers a credit period up to six months. During the Track Record Period, the turnover days of our trade receivables were 126.1 days, 103.6 days and 128.1 days, respectively, all of which were within the credit period we typically granted to our customers.

We have been making continual efforts to collect the trade receivables. As of April 30, 2025, RMB23.2 million, or 6.1% of our trade receivables and retention money receivables as of December 31, 2024, had been settled. We believe there is be no recoverability issue in respect of the unsettled trade receivables and retention money receivables, and no further provision for impairment for trade receivables and retention money receivables was necessary, because (i) substantially all of our trade receivable and retention money receivables as of December 31, 2024 was due from higher education institutions primarily financed by government funds; (ii) with reference to our historical collection experience, there is no material uncollectible and non-recoverable trade receivables and retention money receivables which had been written-off; (iii) with reference to our historical collection experience, the trade receivables balances as of December 31, 2024 had similar level of settlement around six months after the respective period end; and (iv) we have internal control measures for unsettled trade receivables and retention money receivables, including monitoring, tracking and management of the detailed collection process for unsettled trade receivables, as well as active communication and follow-ups with respective customers by the trade receivables collection team.

Furthermore, we have assessed the recoverability of our trade receivables and retention money receivables in terms of our customers' subsequent settlement, further expected settlement plan, business relationship with our customers and their creditworthiness and concluded that, there is no material uncollectible and non-recoverable trade receivables and retention money receivables which had been written-off. We conduct impairment analysis based on ECL model on the recoverability of our trade receivables and retention money receivables. To ensure sufficient provision of ECL subjected to other receivables, we consider the historical loss rate and evaluate forward-looking macro-economic data used in ECL model of trade receivables and retention money receivables. See Note 3.1 to the Accountants' Report included in Appendix I to this document for the information on ECL. As of December 31, 2022, 2023 and 2024, we recorded loss allowance of RMB12.3 million, RMB20.3 million and RMB34.1 million, respectively, with the loss allowance for trade receivables and retention money receivables aged over one year amounted to RMB9.4 million, RMB14.8 million and RMB29.0 million, respectively. The increase in loss allowance for the trade receivables and retention money receivables was primarily because our business scale grew rapidly and customers generally settle payments in the second half of the year, which we believe are sufficient in view of the subsequent settlement of our trade receivables and retention money receivables. In light of the above, we believe that there is no recoverability issue of trade receivables and retention money receivables, and that sufficient provision has been made.

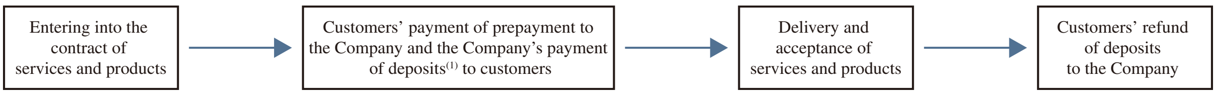
Other Receivables and Prepayments

Our other receivables and prepayments primarily comprised of (i) deposits, (ii) advance to employees for business development expenses and (iii) others. Our deposits comprised of the deposits we paid to customers, rental deposits and other deposits. The deposits paid to customers include performance security deposits and deposits with respect to prepayment from customers.

We consider various factors for our performance security deposits, including customer requests, service and product types, engagement methods, project scale and our historical business practices with such customers. Such deposits were primarily paid to guarantee our performance obligation before the delivery of our services and products, which is in line with industry norm, according to Frost & Sullivan. The deposit amounts paid to customers were primarily determined by a certain percentage which typically ranges from 5%-10% of the total contract amount. We generally receive refunds for such deposits paid to customers upon their acceptance of our services and products.

Certain customers make prepayments to us before the delivery of services and products and request deposits with respect to the prepayment from us to hedge counterparty risks. We typically agree on the amount of prepayment from the customer, the amount of deposits paid by us and the conditions for refunds with such customers. Subject to the agreements, customers make prepayments to us, and we pay deposits with respect to the prepayments to such customers. The amount of deposits normally accounts for a percentage from 25% to the full amount of the prepayment, primarily influenced by contract fulfillment progress, as well as other factors including contract value and the significance of the projects. We typically receive refunds for deposits with respect to prepayment from customers upon acceptance of our services and products. We generally do not have any penalty or interest charged for late refunds from customers. According to Frost & Sullivan, the arrangement in relation to deposits paid to customers with respect to the prepayment is not uncommon in the industry.

In 2022, 2023 and 2024, we had paid deposits to 233, 236 and 242 customers for both types of deposits paid to customers in total, respectively. In relation to the deposits with respect to prepayment from customers, we set out below the flowchart showing the fund flows.



Note:

(1) The amount of deposits normally accounts for a percentage from 25% to the full amount of the prepayment, primarily influenced by contract fulfillment progress, as well as other factors including contract value and the significance of the projects.

The following table sets forth the breakdown other receivables and prepayments as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Deposits	49,956	46,800	51,815
– Deposits paid to customers	41,680	37,758	40,493
– Rental deposits	5,061	5,687	6,332
– Other deposits	3,215	3,355	4,990
Advance to staff	6,649	7,336	9,650
Others	929	876	708
Total	**57,534**	**55,012**	**62,173**

Our other receivables and prepayments slightly decreased by 4.4% from RMB57.5 million as of December 31, 2022 to RMB55.0 million December 31, 2023, primarily due to the decrease by 6.3% in deposits from RMB50.0 million as of December 31, 2022 to RMB46.8 million as of December 31, 2023 attributed to the accelerated delivery of our services and products, partially offset by the increase by 10.3% in advance to employees from RMB6.6 million as of December 31, 2022 to RMB7.3 million as of December 31, 2023 attributed to the increased number of employees in line with business expansion.

Our other receivables and prepayments increased by 13.0% from RMB55.0 million as of December 31, 2023 to RMB62.2 million as of December 31, 2024, primarily due to (i) the increase by 10.7% in deposits from RMB46.8 million as of December 31, 2023 to RMB51.8 million as of December 31, 2024 in line with our business growth; and (ii) the increase by 31.5% in advance to staff from RMB7.3 million as of December 31, 2023 to RMB9.7 million as of December 31, 2024 attributed to the increased number of personnel to support our growing business.

As of April 30, 2025, RMB8.7 million, or 13.9% of our other receivables and prepayments as of December 31, had been settled.

As of April 30, 2025, 66.7%, 19.5% and 9.4% of the deposit paid to customers as of December 31, 2022, 2023 and 2024 had been settled.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss comprised of investments in wealth management products issued by banks. Our financial assets at fair value through profit or loss increased from RMB70.1 million as of December 2022, by 71.1% to RMB120.0 million as of December 31, 2023, primarily due to our purchase and redemption of wealth management products. Our financial assets at fair value through profit or loss decreased from RMB120.0 million as of December 31, 2023 to RMB48.0 million as of December 31, 2024, primarily because we reduced purchase of wealth management products and purchased structured deposits.

With regards to the purchase and redemption of wealth management products, we have formulated the investment policy of diversifying risks and generating steady returns on the premise of ensuring the safety of fund. We mainly purchase and redeem short-term wealth management products from time to time for liquidity management purpose. We generally prefer bank-issued wealth management products with a relatively low risk level assigned to them by relevant banks and as stipulated in the purchase agreements for such products. In terms of investing in wealth management products, our investment strategy is to diversify risks and generate returns, while ensuring the safety of the funds. Our Chief Financial Officer and financial department are mainly responsible for making, implementing and supervising our investment strategies and decisions. We have implemented the following investment policies:

- Our Chief Financial Officer is responsible for the approval of our investments in wealth management products through a strict review and decision-making process;

- Our financial department is responsible for the analysis and research of investments in wealth management products, as well as the routine management of such investments; and

- Investments in wealth management products could be made when we have surplus cash that is not required for our short-term working capital purposes.

We have established internal control measures for investing in wealth management products, including: (i) evaluating working capital sufficiency for business needs prior to and after investment; (ii) adopting a prudent approach in selecting and approving financial assets to minimize financial risks; and (iii) making case-by-case investment decisions based on factors such as the macroeconomic environment, market conditions, risk control and expected investment outcomes.

In relation to the valuation of wealth management products, our Directors (i) reviewed the terms and conditions on the investment agreements, carefully considered all related information and agreed on the valuation approaches adopted and key assumptions; and (ii) approved the results if the procedures were deemed satisfactory and it was unnecessary to appoint external valuation expert to conduct the valuation. The Directors considered the carrying amounts of the wealth management products are not materially different from their fair values as of December 31, 2022, 2023 and 2024 due to the wealth management products' immediate or short term nature of maturity. Based on the above processes, our Directors are of the view that the valuation analysis is fair and reasonable, and the fair value measurements of wealth management products are properly prepared. The investments in wealth management products after **[REDACTED]** will be conducted subject to the compliance with Chapter 14 of the Listing Rules.

Trade Payables

Our trade payables comprised of payables for goods and services including materials, equipment and softwares procured to be used in developing our services and products. Our trade payables are normally settled within one year. Our trade payables decreased by 31.6% from RMB36.8 million as of December 31, 2022 to RMB25.2 million as of December 31, 2023, and further decreased by 56.0% to RMB11.1 million as of December 31, 2024, primarily due to the substantial settlement of historical payables as our business operations expanded. Such an approach was balanced and strategic, ensuring that while we settled overdue accounts, our payment was in a manner consistent with our overall financial management practices and commitments to our suppliers.

The following table sets forth an aging analysis of our trade payables based on the purchase date as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Within 1 year	28,371	21,763	8,978
Over 1 year	8,435	3,417	2,106
Total	**36,806**	**25,180**	**11,084**

As of April 30, 2025, RMB8.6 million, or 77.3% of our trade payables as of December 31, 2024, had been settled.

Other Payables and Accruals

Our other payables and accruals comprised of (i) salaries and welfare payables, including our employees' salaries and welfare programs such as social insurance; (ii) VAT and other taxes payables; (iii) payable for **[REDACTED]** expenses; (iv) deposits from suppliers; and (v) others. The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Salaries and welfare payables	57,474	33,556	49,532
VAT and other taxes payables	18,572	28,484	35,424
Payable for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposits from suppliers	76	76	76
Others[(1)]	–	–	401
Total	**76,122**	**62,116**	**87,126**

Note:

(1) Others primarily include payable for employee reimbursements.

Our other payables and accruals decreased by 18.4% to RMB62.1 million as of December 31, 2023, primarily due to (i) the decrease in salaries and welfare payables by 41.6% from RMB57.5 million as of December 31, 2022 to RMB33.6 million as of December 31, 2023, attributed to our settlement of such payables in 2023, partially offset by the increase in VAT and other taxes payables by 53.4% from RMB18.6 million as of December 31, 2022 to RMB28.5 million as of December 31, 2023, attributed to the increase in revenue in line with our business expansion in 2023.

Our other payables and accruals increased by 40.3% to RMB87.1 million as of December 31, 2024, primarily due to (i) the increase in salaries and welfare payables by 47.6% from RMB33.6 million in 2023 to RMB49.5 million due to our increased workforce, and (ii) the increase in VAT and other taxes payables by 24.4% from RMB28.5 million to RMB35.4 million as our business grew.

Lease Liabilities

Lease liabilities represented the present value of outstanding lease payments under our lease agreements, which primarily relate to our office buildings.

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Current lease liabilities	8,398	14,503	17,593
Non-current lease liabilities	10,294	11,598	8,157
Total	**18,692**	**26,101**	**25,750**

Our lease liabilities increased by 39.6% from RMB18.7 million as of December 31, 2022 to RMB26.1 million as of December 31, 2023, primarily because of the new leases we entered into for additional office premises serving our business expansion. Our lease liabilities remained relatively stable at RMB26.1 million as of December 31, 2023 and RM25.8 million as of December 31, 2024.

Contract Liabilities

Our contract liabilities primarily represented the advance payment from customers for our services and products. Our contract liabilities slightly decreased by 4.9% from RMB131.0 million as of December 31, 2022 to RMB124.5 million as of December 31, 2023, primarily due to the accelerated deployment and delivery of our services and products. Our contract liabilities decreased by 8.9% from RMB124.5 million as of December 31, 2023 to RMB113.4 million as of December 31, 2024, primarily due to our accelerated fulfillment of contracts. As of April 30, 2025, RMB41.6 million, or 36.7% of our contract liabilities as of December 31, 2024, had been subsequently recognized as revenue subsequent to December 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements principally from cash generated from our business operations. After the **[REDACTED]**, we intend to finance our future capital requirements through proceeds from our business operations, bank borrowings and the net **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

We had cash and cash equivalents of RMB206.3 million, RMB141.7 million, RMB230.2 million and RMB68.9 million as of December 31, 2022, 2023, 2024 and April 30, 2025, respectively. We recorded net current assets as of December 31, 2022, 2023 and 2024. As of April 30, 2025, our unutilized banking facilities amounted to RMB50.0 million. Taking into account the net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including our cash and cash equivalents, our available banking facilities and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document.

Cash Flow

The following table sets out a summary of our cash flow for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB'000)		
Cash and cash equivalents at the beginning of the year/period	**97,432**	**206,270**	**141,742**
Net cash generated from/(used in) operating activities	(48,135)	10,914	(9,526)
Net cash (used in)/generated from investing activities	171,831	(57,807)	62,817
Net cash (used in)/generated from financing activities	(14,858)	(17,635)	35,139
Cash and cash equivalents at the end of the year/period	**206,270**	**141,742**	**230,172**

Net Cash Generated From/(Used in) Operating Activities

We achieved negative operating cash flow of RMB48.1 million in 2022, positive operating cash flow of RMB10.9 million in 2023 and negative operating cash flow of RMB9.5 million in 2024, respectively. Our net cash used in operating activities is calculated by adjusting our cash generated from or used in operations with interest received from cash at banks. In calculating our cash generated from or used in operations, we adjust our profit or loss for the year by non-cash, non-operating items and the working capital changes.

In 2024, we had net cash used in our operating activities of RMB9.5 million. We adjusted our profit before income tax for the period of RMB106.6 million by (i) non-cash, non-operating items such as (a) depreciation of right-of-use assets of RMB19.1 million; (b) impairment losses on financial assets of RMB14.0 million due to the increase in expected credit losses determined based on the balance of trade receivables and retention money receivables; and (c) depreciation of property, plant and equipment of RMB11.7 million; (ii) changes in working capital such as (a) increase in trade receivables and retention money receivables of RMB144.7 million as a result of the growth of our business; (b) increase in inventories of RMB12.7 million due to the increase in work in progress mainly arising from the growth in knowledge graph business and the increase in purchased goods attributed to raw materials purchased to support the production and delivery of our digital classrooms over the period; (c) increase in other receivables and prepayments of RMB9.6 million due to the increase in deposits in line with our business growth and the increase in advance to staff attributed to the increased number of personnel to support our growing business; and (d) increase in trade and other payables of RMB10.9 million due to the increase in salaries and welfare payables due to our increased workforce and the increase in VAT and other taxes payables as our business grew; and (iii) finance costs of RMB2.1 million.

In 2023, we had net cash generated from our operating activities of RMB10.9 million. We adjusted our profit before income tax for the year of RMB86.6 million by (i) non-cash, non-operating items such as (a) depreciation of property, plant and equipment of RMB13.2 million; (b) depreciation of right-of-use assets of RMB16.0 million; and (c) impairment losses on financial assets of RMB8.0 million due to the increase in our expected credit losses determined based on the balance of our trade receivables and retention money receivables; (ii) changes in working capital such as increase in (a) trade receivables and retention money receivables of RMB82.1 million as a result of the growth of our business; and (b) decrease in trade and other payables of RMB25.6 million due to the decrease in salaries and welfare payables attributed to our settlement such payables in 2023; and (iii) finance costs of RMB1.3 million.

In 2022, we had net cash used in operating activities of RMB48.1 million. We adjusted our loss before income tax for the year of RMB79.1 million by (i) non-cash, non-operating items such as (a) depreciation of property, plant and equipment of RMB13.7 million; (b) depreciation of right-of-use assets of RMB13.8 million; and (c) impairment losses on financial assets of RMB6.2 million due to the increase in our expected credit losses determined based on the balance of our trade receivables and retention money receivables; (ii) changes in working capital such as (a) increase in trade receivables and retention money receivables of RMB29.4 million due to prolonged settlement process due to the pandemic; and (b) increase in contract liabilities of RMB38.6 million due to the slower delivery of our services and products due to our impacted business operation due to the pandemic; and (iii) finance costs of RMB1.0 million.

We plan to improve our operating cash outflows position by following measures:

- Strengthening supply chain management. We plan to obtain preferential treatment from our suppliers, such as obtaining a more relaxed credit policy and more flexible payment methods, to reduce the cash expenditure on our daily operations. In addition, we will make better use of the credit terms extended to us by our suppliers;

- Strengthening trade receivables management. We will collect receivables and retention money receivables in a more efficient manner, implement sales and collection policies, adopt specific measures to collect payments from customers in a timely manner and strengthen the supervision of the progress of payment collection so as to replenish our working capital;

- Strengthening customer credit management. We will continue to negotiate more attractive terms with our customers and implement more rigorous credit period review and approval procedures. In addition, we plan to establish relationships with more reputable customers and continue to conduct credit evaluations on new and existing customers.

Net Cash Generated From/(Used in) Investing Activities

Our net cash (used in)/from investing activities represents (i) purchase of property, plant and equipment; (ii) proceeds from disposals of investment property; (iii) purchase of financial assets at fair value through profit or loss; and (iv) proceeds from disposals of financial assets at fair value through profit or loss.

In 2024, our net cash generated from investing activities was RMB62.8 million, which was primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB140.6 million, partially offset by (i) purchase of financial assets at fair value through profit or loss of RMB68.0 million; and (ii) purchase of property, plant and equipment of RMB9.7 million.

In 2023, our net cash used in investing activities was RMB57.8 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB415.0 million; and (ii) purchase of property, plant and equipment of RMB9.2 million, partially offset by proceeds from disposals of financial assets at fair value through profit or loss of RMB366.3 million.

In 2022, our net cash generated from investing activities was RMB171.8 million, primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB743.5 million, partially offset by (i) purchase of financial assets at fair value through profit or loss of RMB560.0 million and (ii) purchase of property, plant and equipment of RMB11.7 million.

Net Cash Flows Used in Financing Activities

In 2024, our net cash generated from financing activities was RMB35.1 million, primarily due to proceeds from borrowings of RMB100.0 million, partially offset by (i) repayments of borrowings of RMB44.0 million; and (ii) principal payments of lease liabilities of RMB17.5 million.

In 2023, our net cash used in financing activities was RMB17.6 million, primarily due to (i) principal payments of lease liabilities of RMB16.3 million; and (ii) interests paid for lease liabilities of RMB1.3 million.

In 2022, our net cash used in financing activities was RMB14.9 million, primarily due to (i) principal payments of lease liabilities of RMB13.9 million; and (ii) and interests paid for lease liabilities of RMB1.0 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness comprised of lease liabilities and borrowings. The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30
	2022	2023	2024	2025
		(RMB'000)		
				(Unaudited)
Current				
Borrowings	–	–	56,240	83,176
Lease liabilities	8,398	14,503	17,593	13,852
Non-current				
Lease liabilities	10,294	11,598	8,157	5,785
Total	**18,692**	**26,101**	**81,990**	**102,813**

Borrowings

As of December 31, 2024 and April 30, 2025, we had borrowings of RMB56.2 million and RMB83.2 million, respectively, which were short-term, guaranteed bank borrowings obtained mainly to fund our working capital.

Lease Liabilities

We recorded lease liabilities of RMB18.7 million, RMB26.1 million, RMB25.8 million and RMB19.6 million, as of December 31, 2022, 2023, 2024 and April 30, 2025, respectively. See "– Discussion of Certain Key Balance Sheet Items – Lease liabilities."

Our Directors confirm that as of the Latest Practicable Date, there was no covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of April 30, 2025, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since April 30, 2025.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 2024, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	As of/For the year ended December 31,		
	2022	2023	2024
Gross Profit Margin(%)[(1)]	44.1	60.7	61.9
Net Profit Margin (%)[(2)]	N/A[(3)]	12.5	12.4
Return on Equity (%)[(4)]	N/A[(5)]	23.5	23.5
Current Ratio (times)[(6)]	1.9	2.4	2.5
Gearing Ratio (%)[(7)]	6.2	6.7	16.4

Note:

(1) Gross profit margin is calculated using gross profit divided by revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated using net profit divided by revenue for the year and multiplied by 100%.

(3) Net profit margin is not applicable for 2022 as net loss was recorded during such year.

(4) Return on equity is calculated using net profit divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(5) Return on equity is not applicable for 2022 as net loss was recorded during such year.

(6) Current ratio is calculated by using current assets divided by current liabilities as of the same date.

(7) Gearing ratio is calculated by using total debt (including lease liabilities) as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

See "– Year-to-Year Comparison of Results of Operations" in this section for a discussion of the factors affecting our results of operations during the respective periods.

COMMITMENTS

As of December 31, 2022, 2023 and 2024, we did not have any material capital commitments.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted of purchase of property, plant and equipment. In 2022, 2023 and 2024, the total amount of our capital expenditures amounted to RMB11.7 million, RMB9.2 million and RMB9.7 million respectively. The table below sets out the details of our capital expenditure as of the dates indicated:

	For the year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Purchase of property, plant and equipment	11,704	9,154	9,744
Total	**11,704**	**9,154**	**9,744**

We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations. We intend to fund our future capital expenditures with a combination of operating cashflow, equity and debt financing and net **[REDACTED]** received from the **[REDACTED]**.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 32 of Appendix I to this Document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 3 of Appendix I to this Document.

Market Risk

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Our Company and our primary subsidiaries were incorporated in the PRC and considered RMB as the functional currency. As of December 31, 2022, 2023 and 2024, the majority of our assets and liabilities are denominated in RMB.

Cash Flow and Fair Value Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates, as we have no significant interest-bearing assets except for cash and cash equivalents.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash, trade receivables, retention money receivables and other receivables. The carrying amount of each class of the above financial assets represents our Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents and restricted cash are mainly placed with state-owned or reputable financial institutions in China which are all high-credit-quality financial institutions.

To manage risk arising from trade receivables and retention money receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade receivables and retention money receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade receivables and retention money receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables and retention money receivables are presented as net impairment losses on financial assets within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet its daily operation working capital.

DIVIDEND

No dividend has been paid or declared by our Company during the Track Record Period. We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our shareholders in a shareholders meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure, future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable laws and regulations and approval of our Shareholders. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had distributable reserves of RMB11.5 million.

[REDACTED] EXPENSE

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range stated in this Document), the aggregate commissions and fees, together with the Stock Exchange **[REDACTED]** fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the **[REDACTED]**, which are payable by us, are estimated to amount in aggregate to be approximately **[REDACTED]**, accounting for **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**, of which approximately HK$**[REDACTED]** is expected to be charged to profit and loss, and approximately HK$**[REDACTED]** is directly attributable to the **[REDACTED]** and **[REDACTED]** of our **[REDACTED]** and will be deducted from equity upon the **[REDACTED]**. By nature, our **[REDACTED]** expenses are composed of (i) **[REDACTED]** of approximately HK$**[REDACTED]**, and (ii) non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]**, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II – Unaudited **[REDACTED]** Financial Information."

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of our latest audited financial statements, and there has been no event since December 31, 2024 that would materially affect the information shown in the Accountant's Report set out in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** commission and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised or HK$**[REDACTED]** if the **[REDACTED]** is exercised in full. In line with our strategies, we intend to use our **[REDACTED]**, assuming the **[REDACTED]** is not exercised, from the **[REDACTED]** for the purposes and in the amounts set forth below:

- Approximately **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]**, is expected to be used for our research and development. Specifically, we will focus on researching on latest and advanced technologies such as AI technologies, cloud computing, natural language processing, large language model-related technologies and other advanced algorithms to be applied to our offerings for better intelligence, convenience and response time for services and products. We also intend to enhance our product development capabilities to improve the performance, functionality and stability of our offerings, such as the efficiency in delivering our knowledge graphs and creating dynamic virtual experiments to better address customers' evolving demand. In particular:

  (i) Approximately **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]**, is expected to be used to recruit and cultivate research and development personnel, and increase their employee remuneration and benefits particularly in positions such as AI data analysts, front-end development engineers, algorithm engineers, software architects and 3D modeling engineers. We expect such recruitment and increased compensation to (a) comprehensively enhance our research and development capabilities, with a focus on utilizing advanced technologies to iterate our services and products; and (b) enrich our service and product offerings and improve the quality to bring better customer experience.

  The monthly average number of research and development personnel during the Track Record Period was 219, 267 and 297 in 2022, 2023 and 2024, respectively, and we plan to further recruit approximately 64 research and development personnel with expertise in AI technologies, data analysis, data modeling and software design that are qualified for their respective roles. For certain position requiring higher technical capabilities, we prefer candidates with doctoral degrees and research experience, such as R&D engineers. The following table sets forth the number, position and salary levels of our new recruitment for research and development personnel:

Position	No. of personnel	Estimated monthly salary *(RMB'000)*
Algorithm engineers	22	20,000 – 50,000
R&D engineers	15	20,000 – 30,000
AI data analysts	10	15,000 – 25,000
3D design and modeling engineers	9	20,000 – 30,000
Software architects	5	35,000 – 50,000
Software testing engineers	3	20,000 – 30,000
Total	**64**	

(ii) Approximately **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]**, is expected to be used to improve the infrastructure for our research and development activities, including procurement and upgrades of hardware such as computers and network services to improve our ability to provide services and products with better accessibility and stability.

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for enhancing our customer service and support capabilities. Specifically, we intend to expand the coverage of the network of our customer service and support centers and improve the service quality of such centers. We plan to establish 28 new customer service and support centers in cities where existing centers are situated, as well as in cities that are currently not within the coverage of the network of our customer service and support centers to enhance our current coverage and improve service qualities. We select such locations based on a number of factors including coverage area, customer base and the density of customers which are universities nominated under "Project 985", "Project 211" and the "Double First-Class Initiative" and higher vocational colleges nominated under the "Double High Plan". We aim to recruit employees and increase their employee remuneration and benefits to operate customer service and support centers, which primarily include sales personnel. We will also purchase necessary equipment to meet operational requirements of such customer service and support centers in the covered areas.

    - Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for employee recruitment and increasing their employee remuneration and benefits for our customer service and support centers, which mainly include sales personnel. Specifically, we intend to recruit sales personnels with extensive sales experience and are familiar with local relationships to provide better services for customers in the covered region.

  - Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for the infrastructure of our customer service and support centers, which mainly comprises the design and decoration of customer service and support centers and purchase of office supplies.

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for establishing knowledge graph development centers in selected cities to enhance our capabilities and efficiency in terms of development, production and delivery of knowledge graphs. Specifically, we intend to establish one or two knowledge graph development center. We had strategically select the locations for these knowledge graph development centers, taking into account factors such as the local income level, number of higher education institutions and enrolled students in the covered region.

  - Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for employee recruitment and increasing their employee remuneration and benefits for our knowledge graph development centers. Specifically, we intend to recruit employees for these centers based on various factors including relevant experience and educational backgrounds. Specifically, we intend to focus on recruiting talents with backgrounds in science, engineering and medicine to maximize our abilities in knowledge graph development.

  - Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for the infrastructure of our knowledge graph development centers, which mainly comprises the payment of leases for knowledge graph development centers and purchase of equipment, such as computers, network services and other office supplies.

- Approximately **[REDACTED]**% of the net **[REDACTED]** or approximately HK$**[REDACTED]**, is expected to be used for working capital and general corporate purposes.

We believe that there is no significant adverse operational and financial impact on us as a result of the use of **[REDACTED]** mentioned above, because we primarily use the **[REDACTED]** for the improvement of our current offering, efficiencies and capabilities to provide better products and services for our customers, which do not involve the expansion into new business segments.

In the event that the **[REDACTED]** is set at the maximum **[REDACTED]** or the minimum **[REDACTED]** of the indicative **[REDACTED]** range, the net **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]**, respectively. To the extent that the net **[REDACTED]** from the **[REDACTED]** (including the net **[REDACTED]** from the exercise of the **[REDACTED]**) are either more or less than expected, we will increase or decrease the allocation of the net **[REDACTED]** to the above purposes on a pro rata basis.

Any additional **[REDACTED]** received from the exercise of the **[REDACTED]** will also be allocated to the above purposes on a pro rata basis. In the event that the **[REDACTED]** is exercised in full, we will receive net **[REDACTED]** of HK$**[REDACTED]** (after deducting the estimated **[REDACTED]** commissions and other fees and expenses payable by us in connection with the **[REDACTED]** and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of our indicative **[REDACTED]** range).

IMPLEMENTATION PLAN

The following table sets forth the implementation plan for each purpose. In case the allocated amount of net **[REDACTED]** is insufficient to cover the required capital expenditure, we will utilize a combination of operating cashflow, equity and debt financing as alternative sources of additional funding.

Purposes	Allocation proportion	Estimated investments for the year ended December 31,			Total amount of the net [REDACTED] to be used
		2025	2026	2027	
	(%)	*(HK$ in millions)*			
Research and development	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• recruitment and cultivation of R&D personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Improvement of R&D infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of our customer service and support capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Employee recruitment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Establishment of knowledge graph development centers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Employee recruitment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

If any part of our future plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net **[REDACTED]** from the **[REDACTED]**. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we will only place such **[REDACTED]** in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages [I-1 to I-2], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] **[DRAFT]**

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI ABLE DIGITAL SCIENCE&TECH CO., LTD. AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanghai Able Digital Science&Tech Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-3 to I-69], which comprises the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, the company statements of financial position as at 31 December 2022, 2023 and 2024, and the consolidated statements of comprehensive income or loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-3 to I-69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and the consolidated financial position of the Group as at 31 December 2022, 2023 and 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to Note 35 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[REDACTED]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information and which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**") ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OR LOSS

		Year ended 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	400,111	652,964	848,198
Cost of sales	8	(223,566)	(256,621)	(323,040)
Gross profit		176,545	396,343	525,158
Distribution and selling expenses	8	(128,934)	(167,702)	(215,721)
General and administrative expenses	8	(39,400)	(44,393)	(68,622)
Research and development expenses	8	(98,136)	(101,075)	(126,923)
Net impairment losses on financial assets	11	(6,244)	(7,955)	(14,024)
Other income	6	13,322	10,795	8,619
Other gains – net	7	3,460	1,080	241
Operating (loss)/profit		(79,387)	87,093	108,728
Finance income	10	1,274	871	635
Finance costs	10	(960)	(1,330)	(2,765)
Finance income/(costs) – net		314	(459)	(2,130)
(Loss)/profit before income tax		(79,073)	86,634	106,598
Income tax credit/(expense)	12	19,963	(5,213)	(1,527)
(Loss)/profit and total comprehensive (loss)/income, attributable to owners of the Company		(59,110)	81,421	105,071
(Loss)/earnings per share attributable to the owners of the Company (in RMB)				
Basic and diluted (loss)/earnings per share	13	(0.99)	1.36	1.75

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	15	21,035	16,943	15,024
Right-of-use assets	16	18,849	26,599	24,632
Deferred income tax assets	17	35,924	30,711	29,185
Retention money receivables	19	5,795	9,569	7,612
		81,603	83,822	76,453
Current assets				
Inventories	18	9,569	15,145	27,873
Trade receivables and retention money receivables	19	134,958	205,065	337,916
Other receivables and prepayments	20	57,701	57,097	67,345
Financial assets at fair value through profit or loss	21	70,142	120,014	48,028
Restricted cash	22	5,218	5,556	4,721
Cash and cash equivalents	22	206,270	141,742	230,172
		483,858	544,619	716,055
Total assets		565,461	628,441	792,508
EQUITY				
Equity attributable to owners of the Company				
Share capital	23	60,000	60,000	60,000
Reserves	24	201,887	216,569	231,346
Retained earnings		40,937	113,977	207,523
Total equity		302,824	390,546	498,869

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Lease liabilities	16	10,294	11,598	8,157
Deferred income	28	66	–	–
		10,360	11,598	8,157
Current liabilities				
Trade payables	29	36,806	25,180	11,084
Other payables and accruals	30	76,122	62,116	87,126
Borrowings	27	–	–	56,240
Lease liabilities	16	8,398	14,503	17,593
Contract liabilities	5	130,951	124,498	113,439
		252,277	226,297	285,482
Net current assets		231,581	318,322	430,573
Total liabilities		262,637	237,895	293,639
Total equity and liabilities		565,461	628,441	792,508

THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	15	21,035	16,943	15,024
Right-of-use assets	16	18,849	26,599	24,632
Investments in subsidiaries	14	500	500	500
Deferred income tax assets	17	34,185	28,093	23,925
Retention money receivables	19	5,601	9,104	5,062
		80,170	81,239	69,143
Current assets				
Inventories	18	9,569	15,145	27,873
Trade receivables and retention money receivables	19	147,585	184,532	285,433
Other receivables and prepayments	20	56,632	46,944	66,663
Financial assets at fair value through profit or loss	21	70,142	120,014	48,028
Restricted cash	22	5,218	2,903	2,244
Cash and cash equivalents	22	194,352	111,151	203,383
		483,498	480,689	633,624
Total assets		563,668	561,928	702,767
EQUITY				
Equity attributable to owners of the Company				
Share capital	23	60,000	60,000	60,000
Reserves	24	201,887	216,569	231,346
Retained earnings		45,539	120,966	224,696
Total equity		307,426	397,535	516,042

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Lease liabilities	16	10,294	11,598	8,157
Deferred income	28	66	–	–
		10,360	11,598	8,157
Current liabilities				
Trade payables	29	36,773	25,147	10,804
Other payables and accruals	30	75,242	56,427	62,538
Borrowings	27	–	–	56,240
Lease liabilities	16	8,398	14,503	17,593
Contract liabilities	5	125,469	56,718	31,393
		245,882	152,795	178,568
Net current assets		237,616	327,894	455,056
Total liabilities		256,242	164,393	186,725
Total equity and liabilities		563,668	561,928	702,767

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company			
		Share capital	**Reserves**	**Retained earnings**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		60,000	198,156	100,047	358,203
Comprehensive loss					
Loss for the year		–	–	(59,110)	(59,110)
Transactions with owners in their capacity as owner:					
Share-based payment		–	3,731	–	3,731
Balance at 31 December 2022		60,000	201,887	40,937	302,824
Balance at 1 January 2023		60,000	201,887	40,937	302,824
Comprehensive income					
Profit for the year		–	–	81,421	81,421
Transactions with owners in their capacity as owner:					
Share-based payment		–	6,301	–	6,301
Appropriation to statutory reserve		–	8,381	(8,381)	–
Balance at 31 December 2023		60,000	216,569	113,977	390,546

		Attributable to owners of the Company			
		Share capital	**Reserves**	**Retained earnings**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024		60,000	216,569	113,977	390,546
Comprehensive income					
Profit for the year		–	–	105,071	105,071
Transactions with owners in their capacity as owner:					
Share-based payment		–	3,252	–	3,252
Appropriation to statutory reserve		–	11,525	(11,525)	–
Balance at 31 December 2024		60,000	231,346	207,523	498,869

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash (used in)/generated from operations	31(a)	(49,409)	10,043	(10,161)
Interest received from cash at banks	10	1,274	871	635
Net cash (used in)/generated from operating activities		(48,135)	10,914	(9,526)
Cash flows from investing activities				
Purchase of property, plant and equipment		(11,704)	(9,154)	(9,744)
Purchase of financial assets at fair value through profit or loss	3.3(c)	(560,000)	(415,000)	(68,000)
Proceeds from disposals of financial assets at fair value through profit or loss	3.3(c)	743,535	366,347	140,561
Net cash generated from/(used in) investing activities		171,831	(57,807)	62,817
Cash flows from financing activities				
Proceeds from borrowings	31(b)	–	–	99,980
Repayments of borrowings	31(b)	–	–	(43,980)
Principal payments of lease liabilities	31(b)	(13,898)	(16,305)	(17,484)
Interests paid for lease liabilities	31(b)	(960)	(1,330)	(1,246)
Interest paid for borrowings	31(b)	–	–	(1,279)
Payment of **[REDACTED]** expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net cash generated (used in)/from financing activities		(14,858)	(17,635)	35,139
Net increase/(decrease) in cash and cash equivalents		108,838	(64,528)	88,430
Cash and cash equivalents at the beginning of the year		97,432	206,270	141,742
Cash and cash equivalents at the end of the year	22	206,270	141,742	230,172

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shanghai Able Digital Science&Tech Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on 7 April 2008 as a limited liability company under the Company Law of the PRC. The address of the Company's registered office is Room 901–904 Building 1, No. 1188 North Qinzhou Road, Xuhui District, Shanghai, PRC.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in the provision of services and products relating to: (i) digital educational content services and products; and (ii) digital teaching and learning environment services and products in the PRC.

Mr. Wang Hui and his wife, Ms. Ge Xin, are the ultimate controlling shareholders of the Company as at the date of this report.

2. BASIS OF PREPARATION

(i) Compliance with IFRS

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**").

(ii) Accounting policies

The accounting policies applied in the preparation of the financial information has been consistently applied to all the years presented, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this historical financial information, a summary of the other accounting policies information has been set out in Note 38 to this historical financial information.

(iii) Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets that are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(iv) New standards, amendments to standards and interpretations

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

(v) New and amended standards, improvements, interpretations and accounting guideline which are not yet effective and have not been early adopted by the Group

New and amended standards, amendments and interpretations have been issued but are not effective for the Track Record Period and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective except as described below.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the consolidated financial statements of the Group.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Company and its primary subsidiaries were incorporated in the PRC and considered RMB as their functional currency.

The Group has no exposure to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents and restricted cash, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose us to cash flow interest-rate risk. Borrowings obtained at fixed rates expose us to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 27. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the Track Record Period.

As at 31 December 2022, 2023 and 2024, if our interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year or period then ended would have been nil, approximately nil, RMB100.0 thousand, nil and nil higher/lower respectively.

(iii) Price risk

The Group has no exposure to equity securities price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade receivables, retention money receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

To manage this risk, cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss ("**FVPL**") are mainly placed with state-owned or reputable financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade receivables and retention money receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade receivables and retention money receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents and restricted cash;
- trade receivables and retention money receivables; and
- other receivables.

(i) Cash and cash equivalents and restricted cash

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

(ii) Trade receivables and retention money receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and retention money receivables. To measure the expected credit losses, trade receivables and retention money receivables have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each Track Record Period and probability of default of counter parties on an ongoing basis throughout each Track Record Period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("**GDP**") to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022, 2023 and 2024 was determined as follows for trade receivables and retention money receivables:

The Group

As at 31 December 2022	**Within 6 months**	**6 months – 1 year**	**1 – 2 years**	**2 – 3 years**	**Above 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.94%	4.16%	12.97%	46.80%	94.33%	
Gross amount	85,659	28,041	30,160	6,553	2,591	153,004
Loss allowance	(1,663)	(1,166)	(3,911)	(3,067)	(2,444)	(12,251)

As at 31 December 2023	Within 6 months	6 months – 1 year	1 – 2 years	2 – 3 years	Above 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.40%	5.46%	14.71%	41.53%	92.11%	
Gross amount	149,174	34,084	35,136	10,964	5,536	234,894
Loss allowance	(3,580)	(1,860)	(5,168)	(4,553)	(5,099)	(20,260)

As at 31 December 2024	Within 6 months	6 months – 1 year	1 – 2 years	2 – 3 years	Above 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.35%	4.39%	14.51%	45.29%	88.14%	
Gross amount	242,118	43,073	61,619	20,820	12,010	379,640
Loss allowance	(3,264)	(1,889)	(8,943)	(9,430)	(10,586)	(34,112)

The loss allowances for trade receivables and retention money receivables as at the years ended 31 December 2022, 2023 and 2024 reconcile to the opening loss allowances as follows:

	Trade receivables and retention money receivables		
	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance as at 1 January	(6,162)	(12,251)	(20,260)
Impairment losses recognized – net *(Note 11)*	(6,089)	(8,009)	(13,852)
Closing loss allowance as at 31 December	(12,251)	(20,260)	(34,112)

The Company

As at 31 December 2022	Within 6 months	6 months – 1 year	1 – 2 years	2 – 3 years	Above 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.66%	4.19%	13.08%	46.80%	94.33%	
Gross amount	99,397	27,585	29,192	6,553	2,591	165,318
Loss allowance	(1,648)	(1,155)	(3,818)	(3,067)	(2,444)	(12,132)

As at 31 December 2023	Within 6 months	6 months – 1 year	1 – 2 years	2 – 3 years	Above 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.26%	5.58%	14.88%	43.04%	92.11%	
Gross amount	130,405	32,787	34,068	10,156	5,536	212,952
Loss allowance	(2,947)	(1,831)	(5,068)	(4,371)	(5,099)	(19,316)

As at 31 December 2024	Within 6 months	6 months – 1 year	1 – 2 years	2 – 3 years	Above 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.28%	4.39%	14.84%	45.28%	88.09%	
Gross amount	212,273	20,292	54,881	20,604	11,815	319,865
Loss allowance	(596)	(890)	(8,146)	(9,330)	(10,408)	(29,370)

The Company

The loss allowances for trade receivables and retention money receivables as at the years ended 31 December 2022, 2023 and 2024 reconcile to the opening loss allowances as follows:

	Trade receivables and retention money receivables Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance as at 1 January	(6,095)	(12,132)	(19,316)
Impairment losses recognized – net	(6,037)	(7,184)	(10,054)
Closing loss allowance as at 31 December	(12,132)	(19,316)	(29,370)

Trade receivables and retention money receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Impairment losses on trade receivables and retention money receivables are presented as net impairment losses on financial assets within operating (loss)/profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Other receivables

Other receivables mainly include deposits, advance to staff and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 38.7.

Other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on other receivables are presented as net impairment losses on financial assets within operating (loss)/profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The loss allowances for other receivables as at the years ended 31 December 2022, 2023 and 2024 reconcile to the opening loss allowances as follows:

The Group

	Other receivables		
	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance as at 1 January	(1,437)	(1,592)	(1,538)
Impairment (losses)/reversal recognized – net *(Note 11)*	(155)	54	(172)
Closing loss allowance as at 31 December	(1,592)	(1,538)	(1,710)

The Company

	Other receivables		
	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance as at 1 January	(1,433)	(1,587)	(1,352)
Impairment (losses)/reversal recognized – net	(154)	235	242
Closing loss allowance as at 31 December	(1,587)	(1,352)	(1,110)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivatives	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022				
Trade payables *(Note 29)*	36,806	–	–	36,806
Other payables and accruals (excluding salaries and welfare payables and VAT and other taxes payables) *(Note 30)*	76	–	–	76
Lease liabilities	9,011	7,388	3,256	19,655
Total	45,893	7,388	3,256	56,537

Non-derivatives	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Trade payables *(Note 29)*	25,180	–	–	25,180
Other payables and accruals (excluding salaries and welfare payables and VAT and other taxes payables) *(Note 30)*	76	–	–	76
Lease liabilities	15,303	11,198	657	27,158
Total	40,559	11,198	657	52,414

Non-derivatives	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
Trade payables *(Note 29)*	11,084	–	–	11,084
Other payables and accruals (excluding salaries and welfare payables and VAT and other taxes payables) *(Note 30)*	2,170	–	–	2,170
Borrowings	57,721	–	–	57,721
Lease liabilities	18,270	6,753	2,478	27,501
Total	89,245	6,753	2,478	98,476

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratio of the Group as at December 31, 2022 and 2023 and 2024 were as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	262,637	237,895	293,639
Total assets	565,461	628,441	792,508
Gearing ratio	46.45%	37.85%	37.05%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the Track Record Period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets that are measured at fair value as at 31 December 2022, 2023 and 2024:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	70,142	70,142

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	120,014	120,014

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	48,028	48,028

(b) Valuation process and technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- Discounted cash flow analysis, has been used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade receivables and retention money receivables, other receivables, restricted cash and cash and cash equivalents approximated their carrying amounts.

The fair value of trade payables, other payables and accruals (excluding salaries and welfare payables and VAT and other taxes payables), borrowings and lease liabilities approximated their carrying amounts.

(c) ***Fair value measurements using significant unobservable inputs (level 3)***

The following table presents the changes in level 3 items for the years ended 31 December 2022, 2023 and 2024:

	Financial assets at FVPL
	RMB'000
As at 1 January 2022	250,169
Acquisitions	560,000
Disposals	(743,535)
Fair value changes *(Note 7)*	3,508
As at 31 December 2022	70,142
As at 1 January 2023	70,142
Acquisitions	415,000
Disposals	(366,347)
Fair value changes *(Note 7)*	1,219
As at 31 December 2023	120,014
As at 1 January 2024	120,014
Acquisitions	68,000
Disposals	(140,561)
Fair value changes *(Note 7)*	575
As at 31 December 2024	48,028

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(e) ***Valuation inputs and relationships to fair value***

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at 31 December 2022

Description	**Fair value**	**Unobservable inputs**	**Range of inputs**	**Relationship of unobservable inputs to fair value**
	RMB'000			
Wealth management products	70,142	Expected rate of return	1.30%-2.96%	The higher the expected rate of return, the higher the fair value

As at 31 December 2023

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	120,014	Expected rate of return	1.30%-2.80%	The higher the expected rate of return, the higher the fair value

As at 31 December 2024

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	48,028	Expected rate of return	0.85%-2.05%	The higher the expected rate of return, the higher the fair value

As at 31 December 2022 and 2023 and 2024, if expected rate of return higher/lower by 1%, fair value of financial assets at FVPL would have been approximately RMB701,420, RMB1,200,140 and RMB480,028 higher/lower respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward-looking estimates at the end of each Track Record Period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(b) Income taxes and deferred taxations

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgments are required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses.

(c) Recognition of share-based payment expenses

As disclosed in Note 25, certain restricted share units ("**RSUs**") were granted to the Group's employees. These transactions resulted in the recognition of share-based payment expenses. The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the dates of grant, which were valued by the third-party independent valuer using discounted cash flow method ("**DCF method**"). Significant estimate on assumptions, such as revenue growth rate, after-tax discount rate and terminal growth rate, are made based on management's best estimates.

As the awards granted in equity-settled share-based payment plan are conditional on an **[REDACTED] [REDACTED]**, the Group has estimated the **[REDACTED]**'s probability and **[REDACTED]** date when they calculated share-based payment expenses at each reporting period end. As at 31 December 2022, 2023 and 2024, the Group assessed it is probable that the vesting condition (i.e., **[REDACTED]**) will be achieved in the future.

5. REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

During the Track Record Period, the Group is principally engaged in the provision of the following products and services: (i) digital educational content services and products; (ii) digital teaching and learning environment services and products in the PRC. The executive directors of the Company review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one business segment which is used to make strategic decisions.

Geographical information

The Group's principal market, majority of revenue, operating (loss)/profit and non-current assets are derived from/ located in the PRC. Accordingly, no geographical segment information is presented.

(b) Revenue during the Track Record Period

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Digital educational content services and products	335,554	538,433	709,964
Digital teaching and learning environment services and products	63,471	113,916	137,620
Others	1,086	615	614
	400,111	652,964	848,198

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At a point in time	370,799	623,121	805,258
Over time	29,312	29,843	42,940
	400,111	652,964	848,198

(c) Contract liabilities

The Group

The Group recognized the following contract liabilities related to the contracts with customers:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Current contract liabilities	130,951	124,498	113,439

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services or products are yet to be provided.

Revenue recognized in relation to contract liabilities

The following table shows how much of the Group's revenue recognized during the Track Record Periods relates to carried-forward contract liabilities.

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	79,653	120,573	103,092

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be provided. A majority portion of contract liabilities balance at the beginning of the year will be recognized into revenue next year.

The Company

The Company recognized the following contract liabilities related to the contracts with customers:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Current contract liabilities	125,469	56,718	31,393

The following table shows how much of the Company's revenue recognized during the Track Record Periods relates to carried-forward contract liabilities.

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	78,299	115,694	40,411

(d) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations of the Group as at December 31, 2022, 2023 and 2024:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate amount of unsatisfied performance obligations	327,111	341,218	360,712

Management expects that 71.6%, 71.3% and 85.1% of the transaction price allocated to the unsatisfied contracts as at December 31, 2022, 2023 and 2024 will be recognized as revenue within one year. The remaining 28.4%, 28.7% and 14.9% will be recognized over one year.

The following table shows unsatisfied performance obligations of the Company as at December 31, 2022, 2023 and 2024:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate amount of unsatisfied performance obligations	319,221	180,619	110,121

Management expects that 71.7%, 69.7% and 72.6% of the transaction price allocated to the unsatisfied contracts as at December 31, 2022, 2023 and 2024 will be recognized as revenue within one year. The remaining 28.3%, 30.3% and 27.4% will be recognized over one year.

(e) Information about major customers

During the Track Record Period, none of the customers contributed over 10% of the total revenue of the Group.

(f) Revenue recognition policy

Revenue is recognized when or as the control of the products or services is transferred to a customer. A customer is the party that contracts with the Group to purchase products or services which are the output of the Group's ordinary activities in exchange for consideration.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to the customer, and it should be presented separately. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time. Warranty is provided to customers in conjunction with both (i) digital educational content services and products and (ii) digital teaching and learning environment services and products, which generally lasts no more than three years after the control of the services and products are transferred to the customers. Final portion of the contract price are recognised as retention money receivables, which would be paid after the warranty period expires.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue is measured at the transaction price agreed in the contract.

The accounting policies for the Group's principal revenue sources are as follows:

(i) Digital educational content services and products

The Group develops and produces digital course development, knowledge graph development and virtual simulation development services and products and generates revenue from sales of digital courses, knowledge graph products, virtual simulation products and other related products.

The revenue for sales of services and products mentioned above is recognized at a point in time when the control of the services and products mentioned above are transferred to the customer. Specifically, sales are recognized when the services and products have been transferred to the customers in accordance with the sales contract and the customers have inspected and accepted the services and products.

(ii) Digital teaching and learning environment services and products

The Group develops and produces learning environment services and products, including: (i) digital classroom environment services and products to assist higher education institutions with designing and building digital classrooms to offer more immersive and engaging learning experiences for their students; (ii) configurable, artificial intelligence ("**AI**") enabled, cloud-native and highly integrated Learning Management System ("**LMS**") for higher education institutions to assist them with managing and creating simpler and better connected teaching and learning processes.

(i) The revenue is recognized at a point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the services and products have been transferred to the customer, generally upon the acceptance of the services and products.

(ii) LMS services and products include standard LMS, allowing customers conveniently access to the system through both personal computers and mobile devices, and customized LMS with development of both management application system and teaching application system.

Revenue of standard LMS services and products is recognized ratably over the contract term. Revenue of customized LMS services and products is recognized at a point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the services and products have been transferred to the customer, generally upon the acceptance of the services and products.

6. OTHER INCOME

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	13,322	10,795	8,619

During the years ended 31 December 2022, 2023 and 2024, the government grants mainly include financial subsidies from local government authorities with certain specified conditions, as well as the amortization of deferred government grants. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

7. OTHER GAINS – NET

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net fair value gains on financial assets at FVPL *(Note 21)*	3,508	1,219	575
Others	(48)	(139)	(334)
	3,460	1,080	241

8. Expenses by nature

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Changes in inventories of work in progress	(2,219)	(6,740)	(11,131)
Purchased goods used	14,407	31,267	23,769
Employee benefit expenses *(Note 9)*	337,975	383,180	534,504
Depreciation and amortization *(Note 31 (a))(Note 15)(Notes 16)*	27,487	29,209	30,764
Travel expenses	11,856	23,736	31,095
Digital content editing fees	18,610	22,546	21,432
Marketing expenses	12,659	16,443	19,663
Network service fees	29,212	20,746	18,744
Office expenses	9,244	11,955	16,229
Hospitality business expenses	9,660	13,271	15,845
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Legal, consulting and other service fees	10,353	8,227	8,449
Short-term leases *(Note 16(b))*	1,364	2,544	1,870
Auditor's remuneration			
– Audit services	390	348	8
– Non-audit services	34	14	–
Others	9,004	13,045	8,701
	490,036	569,791	734,306

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	285,915	313,854	454,915
Pension obligations, housing funds, medical insurances and other social insurances *(a)*	43,348	55,080	66,583
Other employee benefits	4,981	7,945	9,754
Share-based payment expenses *(Note 25)*	3,731	6,301	3,252
	337,975	383,180	534,504

(a) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year.

No forfeited contributions were utilized during the Track Record Period to offset the Group's contribution to the abovementioned retirement benefit schemes.

(b) Five highest paid employees

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2022, 2023 and 2024 include 2, 2 and 1 directors respectively. The aggregate amounts of emoluments for the remaining 3, 3 and 4 highest paid individuals for each of the years ended 31 December 2022, 2023 and 2024, respectively are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	3,241	2,927	6,914
Pension obligations, housing funds, medical insurances and other social insurances	272	388	388
Share-based payment expenses	3,000	3,275	1,805
	6,513	6,590	9,107

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December		
	2022	**2023**	**2024**
Emolument bands (in HK dollar)			
Nil – 500,000	–	–	–
500,001 – 1,000,000	–	–	–
1,000,001 – 1,500,000	1	1	–
1,500,001 – 2,000,000	1	1	1
2,000,001 – 2,500,000	–	–	1
2,500,001 – 3,000,000			1
3,000,001 – 3,500,000			1
4,000,001 – 4,500,000	1	1	–
	3	3	4

10. FINANCE INCOME/(COSTS) – NET

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income from cash at banks	1,274	871	635
Finance costs			
Interest expenses on lease liabilities *(Note 16)*	(960)	(1,330)	(1,246)
Interest expenses on borrowings	–	–	(1,519)
	314	(459)	(2,130)

11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses – net:			
– trade receivables and retention money receivables	(6,089)	(8,009)	(13,852)
– other receivables	(155)	54	(172)
	(6,244)	(7,955)	(14,024)

12. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax expense	–	–	1
Deferred income tax (credit)/expense *(Note 17)*	(19,963)	5,213	1,526
	(19,963)	5,213	1,527

Income tax on profits assessable has been calculated at the rates of tax prevailing in the jurisdictions in which relevant entities operate.

(a) PRC corporate income tax ("PRC CIT")

The Company and its subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations for the Track Record Period, except for disclosed below.

The Company obtained its High and New Technology Enterprises ("**HNTE**") status in year 2019 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2019. In 2022, the Company succeeded the qualification for HNTE and is therefore subject to a preferential income tax rate of 15% for another three-year period commencing 2022. In addition, the Group's subsidiary, Shanghai Zhihui Zhidao Network Technology Co., Ltd. 上海智慧知到網絡科技有限公司 was qualified as HNTE in year 2023 and 2024. In 2024, the Group's subsidiary, Shanghai Ruixin Network Technology Co., Ltd. 上海卓越睿新網絡科技有限公司 was qualified as HNTE for a three-year period.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engaged in research and development ("**R&D**") activities are entitled to claim an additional tax deduction amounting to 75% of the qualified R&D expenses incurred in determining its tax assessable profits for that year ("**Super Deduction**"). Starting from 1 October 2022, the additional deduction ratio increased to 100%.

The Group's subsidiary, Shanghai Zhihui Zhidao Network Technology Co., Ltd. was qualified as "Small Low-Profit Enterprise" (SLE) during the year ended 31 December 2022.

The Group's subsidiaries, Shanghai Ruixin Network Technology Co., Ltd. was qualified as "Small Low-Profit Enterprise" during the year ended 31 December 2022.

Shanghai Zhunshi Network Technology Co., Ltd. 上海諄實網絡科技有限公司 and Shanghai Wenjing Education Technology Co., Ltd. 上海文菁教育科技有限公司, were qualified as "Small Low-Profit Enterprise" during the year ended 31 December 2022, 2023 and 2024. Shanghai Tingri Technology Co., Ltd. 上海霆日科技有限公司 was qualified as "Small Low-Profit Enterprise" during the year ended 31 December 2024. Pursuant to the 'Notice of Preferential Tax Reduction and Exemption Policies for Small Scale VAT Taxpayer' (Cai Shui [2019] 13, Cai Shui [2022] 13 and Cai Shui [2023] 6) issued by the State Administration of Taxation of the PRC, the income tax of a SLE company's annual taxable income would be calculated as: (i) for the first portion of taxable income up to RMB1 million, 25% of it is subject to income tax and at a preferential rate of 20%, (ii) for the portion of taxable income more than RMB1 million but not more than RMB3 million, 50% of it is subject to income tax and at a rate of 20%. This preferential tax treatment has been applicable throughout the Track Record Period.

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income or loss and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(79,073)	86,634	106,598
Income tax (credit)/expenses calculated at applicable tax rates	(19,768)	21,659	26,650
Tax effects of preferential tax rate	7,908	(8,419)	(9,239)
Super deduction of research and development expenses	(11,701)	(13,162)	(17,097)
Expenses not deductible for tax purposes	3,598	5,025	5,212
Tax filing differences	–	–	(2,744)
Previously unrecognized tax losses and deductible temporary differences recognized as deferred tax assets	–	–	(1,411)
Others	–	110	156
	(19,963)	5,213	1,527

13. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic loss per share for the years ended 31 December 2022, 2023 and 2024 are calculated by dividing the (loss)/profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

The Company did not have any potential ordinary shares outstanding during the Track Record Period. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December		
	2022	**2023**	**2024**
(Loss)/profit attributable to owners of the Company *(RMB'000)*	(59,110)	81,421	105,071
Weighted average number of ordinary shares in issue	60,000,000	60,000,000	60,000,000
Basic and diluted (loss)/earnings per share *(expressed in RMB per share)*	(0.99)	1.36	1.75

14. SUBSIDIARIES

(a) Subsidiaries of the Company

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of entity	Date of incorporation	Place of incorporation/ operation	Registered share capital	Effective interest held by the Group				Principal activities	*Note*
				As at 31 December			As at the date of this report		
				2022	2023	2024			
Directly held:									
Shanghai Zhihui Zhidao Network Technology Co., Ltd.	22 July 2020	Shanghai, China	RMB20,000,000	100%	100%	100%		Sales of products and services	(ii)
Shanghai Ruixin Network Technology Co., Ltd.	01 June 2021	Shanghai, China	RMB5,000,000	100%	100%	100%		Sales of products and services	(iii)
Shanghai Zhunshi Network Technology Co., Ltd.	03 June 2021	Shanghai, China	RMB5,000,000	100%	100%	100%		Sales of products and services	(iii)
Shanghai Wenjing Education Technology Co., Ltd.	28 October 2020	Shanghai, China	RMB5,000,000	100%	100%	100%		Sales of products and services	(iii)
Xinjiang Zhihui Tongfu Technology Co., Ltd. 新疆智慧同富科技有限公司	07 October 2023	Xinjiang, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)
Shanghai Tingri Technology Co., Ltd.	30 October 2023	Shanghai, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)
Zhihuishu Network (Shanghai) Digital Technology Co., Ltd. 智慧樹網(上海)數碼科技有限公司	08 December 2022	Shanghai, China	RMB10,000,000	100%	100%	100%		Sales of products and services	(i)
Hangzhou Daosheng Technology Co., Ltd. 杭州道昇科技有限公司	09 October 2023	Zhejiang, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)
Shandong Xiangjun Technology Services Co., Ltd. 山東祥鈞科技服務有限公司	27 September 2023	Shandong, China	RMB3,000,000	–	100%	100%		Sales of products and services	(i)
Sichuan Zaxiang Technology Co., Ltd. 四川載庠科技有限公司	26 September 2023	Sichuan, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)
Yunnan Weiye Yihang technology Co., Ltd. 雲南維燁翊行科技有限公司	19 September 2023	Yunnan, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)
Gansu Century Huaxin Information Technology Co., Ltd. 甘肅世紀華鑫信息科技有限公司	18 October 2023	Gansu, China	RMB1,000,000	–	100%	100%		Sales of products and services	(i)

(i) No audit of statutory financial statements was performed for these subsidiaries as they are either newly incorporated and or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.

(ii) The financial statements of this subsidiary were audited by Rongcheng Certified Public Accountants LLP容誠會計師事務所(特殊普通合夥) for the years ended 31 December 2022, and by Hangzhou Deqing Certified Public Accountants LLP 杭州德磐會計師事務所 for the years ended 31 December 2023.

(iii) The financial statements of these subsidiaries for the year ended 31 December 2023 were audited by Hangzhou Deqing Certified Public Accountants LLP, certified public accountants registered in the PRC.

(b) Investments in subsidiaries – the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	500	500	500

15. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Vehicles	**Electronic equipment and others**	**Construction in progress ("CIP")**	**Leasehold improvements**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022					
Cost	643	33,394	208	25,384	59,629
Accumulated depreciation	(643)	(20,880)	–	(15,119)	(36,642)
Net book amount	–	12,514	208	10,265	22,987
Year ended 31 December 2022					
Opening net book amount	–	12,514	208	10,265	22,987
Additions	–	7,799	3,905	–	11,704
Transfers	–	–	(2,970)	2,970	–
Depreciation charge *(Note 8)*	–	(7,516)	–	(6,140)	(13,656)
Closing net book amount	–	12,797	1,143	7,095	21,035
As at 31 December 2022					
Cost	643	41,193	1,143	28,354	71,333
Accumulated depreciation	(643)	(28,396)	–	(21,259)	(50,298)
Net book amount	–	12,797	1,143	7,095	21,035

	Vehicles	Electronic equipment and others	Construction in progress ("CIP")	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
Opening net book amount	–	12,797	1,143	7,095	21,035
Additions	–	5,704	2,971	479	9,154
Transfers	–	–	(3,599)	3,599	–
Depreciation charge *(Note 8)*	–	(7,742)	–	(5,504)	(13,246)
Closing net book amount	–	10,759	515	5,669	16,943
As at 31 December 2023					
Cost	643	46,891	515	32,432	80,481
Accumulated depreciation	(643)	(36,132)	–	(26,763)	(63,538)
Net book amount	–	10,759	515	5,669	16,943
Year ended 31 December 2024					
Opening net book amount	–	10,759	515	5,669	16,943
Additions	999	6,175	2,570	–	9,744
Transfers	–	–	(2,864)	2,864	–
Depreciation charge *(Note 8)*	(278)	(7,424)	–	(3,961)	(11,663)
Closing net book amount	721	9,510	221	4,572	15,024
As at 31 December 2024					
Cost	999	52,988	221	35,296	89,504
Accumulated depreciation	(278)	(43,478)	–	(30,724)	(74,480)
Net book amount	721	9,510	221	4,572	15,024

(a) Depreciation expenses

Depreciation expenses have been charged to the consolidated statements of comprehensive income or loss as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	9,057	6,847	3,427
Distribution and selling expenses	3,368	5,118	6,274
General and administrative expenses	738	715	1,248
Research and development expenses	493	566	714
	13,656	13,246	11,663

(b) Depreciation methods and useful lives

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Vehicles	5 years
Electronic equipment and others	3 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 38.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized within "other gains – net" included in the consolidated statements of comprehensive income or loss.

16. LEASES

The Group and the Company

(a) Amounts recognized in the consolidated statements of financial position of the Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Buildings and warehouses	18,849	26,599	24,632

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
Current lease liabilities	(8,398)	(14,503)	(17,593)
Non-current lease liabilities	(10,294)	(11,598)	(8,157)
	(18,692)	(26,101)	(25,750)

Additions to the right-of-use assets during the years ended 31 December 2022, 2023 and 2024 were approximately RMB4,674,000, RMB23,714,000 and RMB17,134,000 respectively.

(b) Amounts recognized in the consolidated statements of comprehensive income or loss

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets			
– Cost of sales	5,405	4,755	6,449
– Distribution and selling expenses	2,006	3,176	4,467
– General and administrative expenses	6,420	8,032	8,185
	13,831	15,963	19,101
Interest expense *(Note 10)*	960	1,330	1,246
Expense relating to short-term leases (included in cost of sales, sales and marketing expenses, general and administrative expenses, research and development expenses) *(Note 8)*	1,364	2,544	1,870
	16,155	19,837	22,217

The total cash outflows for leases payments for the years ended 31 December 2022, 2023 and 2024 were approximately RMB16,222,000, RMB20,179,000 and RMB20,600,000 respectively.

(c) The Group's leasing activities and how they are accounted for

The Group leases various buildings and warehouses. Rental contracts are typically made for fixed periods of one year to four years but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of building are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

See Note 38.16 for the other accounting policies relevant to leases.

(d) Extension and termination options

Extension and termination options are included in a number of leases of buildings across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

17. DEFERRED INCOME TAX

The Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to the same tax authority.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total deferred income tax assets (a)	38,751	34,701	32,880
Net-off with deferred income tax liabilities (b)	(2,827)	(3,990)	(3,695)
Net deferred income tax assets	35,924	30,711	29,185

The movement in net deferred income tax is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred income tax assets:			
As at 1 January	15,961	35,924	30,711
Credit/(expense) to income tax *(Note 12)*	19,963	(5,213)	(1,526)
As at 31 December	35,924	30,711	29,185

The analysis of deferred income tax assets is as follows:

(a) Deferred income tax assets

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Tax losses	33,861	27,516	23,674
Lease liabilities	2,804	3,915	3,863
Loss allowance for financial assets	2,076	3,270	5,343
Others	10	–	–
Total deferred income tax assets	38,751	34,701	32,880

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Deductible tax losses	Loss allowance for financial assets	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	14,786	1,140	4,187	49	20,162
(Charged)/Credited to profit or loss	19,075	936	(1,383)	(39)	18,589
As at 31 December 2022 and 1 January 2023	33,861	2,076	2,804	10	38,751
(Charged)/Credited to profit or loss	(6,345)	1,194	1,111	(10)	(4,050)

Movement	Deductible tax losses	Loss allowance for financial assets	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023 and 1 January 2024	27,516	3,270	3,915	–	34,701
(Charged)/Credited to profit or loss	(3,842)	2,073	(52)	–	(1,821)
As at 31 December 2024	23,674	5,343	3,863	–	32,880

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. Deferred income tax assets have not been recognized in respect of the following items:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	3	3,929	6,298

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
2026	–	–	–
2027	3	–	–
2028	–	3,929	55
2029	–	–	6,243
	3	3,929	6,298

(b) Deferred income tax liabilities

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Right-of-use assets	(2,827)	(3,990)	(3,695)
Net-off with deferred income tax assets	2,827	3,990	3,695
Net deferred income tax liabilities	–	–	–

The movement in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Right-of-use assets
	RMB'000
As at 1 January 2022	(4,201)
Credited to profit or loss	1,374
As at 31 December 2022 and 1 January 2023	(2,827)
Charged to profit or loss	(1,163)
As at 31 December 2023 and 1 January 2024	(3,990)
Credited to profit or loss	295
As at 31 December 2024	(3,695)

The Company

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to the same tax authority.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total deferred income tax assets *(a)*	37,012	32,083	27,620
Net-off with deferred income tax liabilities *(b)*	(2,827)	(3,990)	(3,695)
Net deferred income tax assets	34,185	28,093	23,925

The analysis of deferred income tax assets is as follows:

(a) Deferred income tax assets

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:			
Tax losses	32,140	25,068	19,185
Lease liabilities	2,804	3,915	3,863
Loss allowance for financial assets	2,058	3,100	4,572
Others	10	–	–
Total deferred income tax assets	37,012	32,083	27,620

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Deductible tax losses	Loss allowance for financial assets	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	14,427	1,129	4,187	49	19,792
Credited/(Charged) to profit or loss	17,713	929	(1,383)	(39)	17,220
As at 31 December 2022 and 1 January 2023	32,140	2,058	2,804	10	37,012
(Charged)/Credited to profit or loss	(7,072)	1,042	1,111	(10)	(4,929)
As at 31 December 2023 and 1 January 2024	25,068	3,100	3,915	–	32,083
(Charged)/Credited to profit or loss	(5,883)	1,472	(52)	–	(4,463)
As at 31 December 2024	19,185	4,572	3,863	–	27,620

(b) Deferred income tax liabilities

The deferred income tax liabilities of the Company are the same as those of the Group

18. INVENTORIES

The Group and the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchased goods	2,777	1,613	3,210
Work in progress	6,792	13,532	24,663
	9,569	15,145	27,873
Less: allowance for impairment of inventories	–	–	–
	9,569	15,145	27,873

Purchased goods primarily consist of products that are ready for sale or in transit to fulfill customer orders.

Work-in-progress primarily consist of labor cost incurred mainly for the production of educational content digitalization product.

Provision for inventories is recognized for the amount by which the carrying amount of the inventories exceeds the net recoverable amount, and is recorded in cost of sales in the consolidated statements of comprehensive income or loss. No provision for inventories is recognized for the years ended 31 December 2022, 2023 and 2024 respectively.

The cost of inventories recognized as cost of sales for the year ended 31 December 2022, 2023 and 2024 amounted to RMB52,370,000, RMB89,162,000 and RMB103,922,000 respectively.

19. TRADE RECEIVABLES AND RETENTION MONEY RECEIVABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	146,586	224,075	371,076
Retention money receivables	6,418	10,819	8,564
	153,004	234,894	379,640
Less: provision for impairment	(12,251)	(20,260)	(34,112)
	140,753	214,634	345,528

As at 31 December 2022, 2023 and 2024, the aging analysis of the trade receivables and retention money receivables based on date of revenue recognition is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	85,659	149,174	242,118
6 months – 1 year	28,041	34,084	43,073
1 – 2 years	30,160	35,136	61,619
2 – 3 years	6,553	10,964	20,820
Above 3 years	2,591	5,536	12,010
Total	153,004	234,894	379,640

Trade receivables and retention money receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 1 year and therefore classified as current except for non-current retention money which are due for settlement after one year. Trade receivables and retention money receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables and retention money receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

The Group applies the simplified approach under IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the assets. Information about the impairment of trade receivables and retention money receivables and the Group's exposure to credit risk is described in Note 3.1.

The Group's trade receivables and retention money receivables are denominated in RMB and their carrying amounts approximated their fair values as at the balance sheet dates.

As of 31 December 2022, 2023 and 2024, the Group's trade receivables and retention money receivables were mainly denominated in RMB and the carrying amounts of trade receivables and retention money receivables approximated their fair values.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	159,111	202,618	313,918
Retention money receivables	6,207	10,334	5,947
	165,318	212,952	319,865
Less: provision for impairment	(12,132)	(19,316)	(29,370)
	153,186	193,636	290,495

As at 31 December 2022, 2023 and 2024, the aging analysis of the trade receivables and retention money receivables based on date of revenue recognition is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	99,397	130,405	212,273
6 months – 1 year	27,585	32,787	20,292
1 – 2 years	29,192	34,068	54,881
2 – 3 years	6,553	10,156	20,604
Above 3 years	2,591	5,536	11,815
Total	165,318	212,952	319,865

As of 31 December 2022, 2023 and 2024, the Company's trade receivables and retention money receivables were mainly denominated in RMB and the carrying amounts of trade receivables and retention money receivables approximated their fair values.

20. OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
– Deposits	49,956	46,800	51,815
– Advance to staff	6,649	7,336	9,650
– Others	929	876	708
	57,534	55,012	62,173
Less: allowance for credit losses	(1,592)	(1,538)	(1,710)
	55,942	53,474	60,463
Prepayment			
– Prepaid expenses	1,159	959	5,973
– Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	600	2,664	–
Total other current assets	57,701	57,097	67,345

As of 31 December 2022, 2023 and 2024, the Group's other receivables and prepayments were mainly denominated in RMB and the carrying amounts of other receivables and prepayments approximated their fair values.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
– Deposits	49,210	37,951	35,364
– Loans to subsidiaries	320	822	15,286
– Advance to staff	6,649	7,307	9,561
– Others	919	1,409	707
	57,098	47,489	60,918
Less: allowance for credit losses	(1,587)	(1,352)	(1,110)
	55,511	46,137	59,808
Prepayments			
– Prepaid expenses	1,121	807	5,946
– Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	56,632	46,944	66,663

As of 31 December 2022, 2023 and 2024, the Company's other receivables and prepayments were mainly denominated in RMB and the carrying amounts of other receivables and prepayments approximated their fair values.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

(a) Classification of financial assets at FVPL

The Group classifies the following as financial assets at FVPL:

- *debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income (FVOCI).*

The Group's financial assets measured at FVPL include the following:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Investments in wealth management products issued by banks	70,142	120,014	48,028

The principal and return of the wealth management products is not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks are measured at FVPL.

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value of these financial assets at FVPL are set out in Note 3.3.

(b) Amounts recognized in profit or loss

During the year, the following net fair value gains were recognized in the consolidated statements of comprehensive income or loss:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net fair value gains on financial assets at FVPL recognized in other gains – net *(Note 7)*			
– realized	3,339	1,205	560
– unrealized	169	14	15
	3,508	1,219	575

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash *(a)*	5,218	5,556	4,721
Cash at bank and in hand	206,270	141,742	230,172
	211,488	147,298	234,893

(a) As at 31 December 2022, 2023 and 2024, restricted cash mainly was deposits at bank for letters of guarantee.

(b) Cash and cash equivalents and restricted cash are denominated in RMB.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash *(a)*	5,218	2,903	2,244
Cash at bank and in hand	194,352	111,151	203,383
	199,570	114,054	205,627

(a) As at 31 December 2022, 2023 and 2024, restricted cash mainly was deposits at bank for letters of guarantee.

(b) Cash and cash equivalents and restricted cash are denominated in RMB.

23. SHARE CAPITAL

The Group and the Company

A summary of movements in the Company's issued and fully paid share capital is as follows:

	Number of shares	**Share capital**
		RMB'000
As at 1 January 2022 till 31 December 2022, 2023 and 2024	60,000,000	60,000

In December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 60,000,000 ordinary shares at RMB1 each. The excess of the amount of net assets over the nominal value of the ordinary shares issued was credited to the Company's capital reserve.

24. RESERVES

The following table shows a breakdown of reserves and their movements during the respective years. A description of the nature and purpose of each reserve is provided below the table.

The Group and the Company

	Reserves			
	Capital reserve	**Share-based payment reserves**	**Statutory surplus reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	180,932	6,012	11,212	198,156
Share-based payment *(Note 25)*	–	3,731	–	3,731
As at 31 December 2022	180,932	9,743	11,212	201,887

	Reserves			
	Capital reserve	**Share-based payment reserves**	**Statutory surplus reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	180,932	9,743	11,212	201,887
Share-based payment *(Note 25)*	–	6,301	–	6,301
Appropriation to statutory reserves	–	–	8,381	8,381
As at 31 December 2023	180,932	16,044	19,593	216,569

	Reserves			
	Capital reserve	Share-based payment reserves	Statutory surplus reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	180,932	16,044	19,593	216,569
Share-based payment *(Note 25)*	–	3,252	–	3,252
Appropriation to statutory reserves	–	–	11,525	11,525
As at 31 December 2024	180,932	19,296	31,118	231,346

25. SHARE-BASED PAYMENT

Shanghai Xuru Enterprise Management Consulting Partnership L.P. 上海許如企業管理諮詢合夥企業(有限合夥) ("**Shanghai Xuru**"), Shanghai Baxuan Enterprise Management Consulting Partnership L.P. 上海灞軒企業管理諮詢合夥企業(有限合夥) ("**Shanghai Baxuan**"), Shanghai Womiao Enterprise Management Consulting Partnership L.P. 上海喔淼企業管理諮詢合夥企業(有限合夥) ("**Shanghai Womiao**"), Shanghai Shuhuai Enterprise Management Consulting Partnership L.P. 上海黍懷企業管理諮詢合夥企業(有限合夥) ("**Shanghai Shuhuai**"), Shanghai Suishang Enterprise Management Consulting Partnership L.P. 上海遂商企業管理諮詢合夥企業(有限合夥) ("**Shanghai Suishang**"), and Peixian Yingcui Enterprise Management Consulting Partnership L.P. 沛縣穎萃企業管理合夥企業(有限合夥) ("**Peixian Yingcui**") were incorporated in the PRC under the Company Law of the PRC as vehicles to hold the ordinary shares for the Company's employees under the share award ("**restricted shares**") schemes of the Company.

From 2016 to 2020, 583,407 RSUs were granted to certain directors, managements and employees ("**Grantees**") at a consideration of RMB5.24 to RMB96.60 per unit capital under the share award schemes as rewards for their services, full time devotion and professional expertise to the Group.

In December 2020, upon the conversion of the Company into a joint stock limited company, the 583,407 RSUs granted were increased to become 1,725,762 RSUs.

From 2022 to 2024, 381,158 RSUs were granted to the Grantees at a consideration of RMB15.19 to RMB32.66 per share as rewards for their services, full time devotion and professional expertise to the Group.

All the RSUs granted are vested upon **[REDACTED]**. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and purchased back by Ms. Wang Xin (王欣) at the price of the consideration paid by the respective grantee plus interest thereon as set out in the contract.

(a) Share award schemes

Set out below are the movement in the number of awarded RSUs under the share award schemes:

	Number of restricted shares	Weighted average grant date fair value
		RMB
As at 1 January 2022	1,725,762	10.04
Granted	175,491	16.55
Forfeited	(175,491)	0.39
As at 31 December 2022	1,725,762	11.68
As at 1 January 2023	1,725,762	11.68
Granted	164,541	22.62
Forfeited	(164,541)	2.08
As at 31 December 2023	1,725,762	13.64
As at 1 January 2024	1,725,762	13.64
Granted	41,126	14.72
Forfeited	(41,126)	4.03
As at 31 December 2024	1,725,762	13.80

(b) Fair value of shares granted

The fair value of RSUs at the grant dates was determined by reference to the fair value of the underlying ordinary shares on the dates of grant, which were valued by the third-party independent valuer using discounted cash flow ("**DCF**") method. The DCF method involves applying appropriate discount rate, to discount the future cash flow forecast to present value. Key assumptions are set as below:

	2022	2023	2024
Fair value of underlying ordinary shares (RMB per share)	36.33	42.83	43.50
Revenue growth rate	24.88%	18.37%	12.83%
After-tax discount rate	11.40%	11.20%	10.90%
Terminal growth rate	2.00%	2.00%	2.00%

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the Track Record Period as part of employee benefit expense were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share-based payment expenses	3,731	6,301	3,252

26. FINANCIAL INSTRUMENTS BY CATEGORY

The Group

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
– Trade receivables and retention money receivables	19	140,753	214,634	345,528
– Other receivables	20	55,942	53,474	60,463
– Cash and cash equivalents	22	206,270	141,742	230,172
– Restricted cash	22	5,218	5,556	4,721
Financial assets at FVPL	21	70,142	120,014	48,028
		478,325	535,420	688,912
Financial liabilities				
Financial liabilities at amortized cost:				
– Trade payables	29	36,806	25,180	11,084
– Other payables and accruals (excluding salary and welfare payables, and VAT and tax payables)	30	76	76	2,170
– Borrowings	27	–	–	56,240
– Lease liabilities	16	18,692	26,101	25,750
		55,574	51,357	95,244

The Company

		As at 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
– Trade receivables and retention money receivables	19	153,186	193,636	290,495
– Other receivables	20	55,511	46,137	59,808
– Cash and cash equivalents	22	194,352	111,151	203,383
– Restricted cash	22	5,218	2,903	2,244
Financial assets at FVPL	21	70,142	120,014	48,028
		478,409	473,841	603,958

		As at 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortized cost				
– Trade payables	29	36,773	25,147	10,804
– Other payables and accruals (excluding salary and welfare payables, tax payables and other non-financial liabilities)	30	76	76	2,169
– Borrowings	27	–	–	56,240
– Lease liabilities	16	18,692	26,101	25,750
		55,541	51,324	94,963

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at end of the Track Record Period is the carrying amount of each class of financial assets mentioned above.

27. BORROWINGS

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current			
– Short-term bank borrowings, guaranteed *(a)*	–	–	56,240

(a) For the year ended 31 December 2024, the Group's bank borrowings were denominated in RMB with an weighted average effective interest rates of 2.96% per annum. As of 31 December 2024, the Group's borrowings were guaranteed by the Group's subsidiary, Shanghai Zhihui Zhidao Network Technology Co., Ltd.

28. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	66	–	–

The Group received government grants for subsidizing the Group's purchase of property, plant and equipment. The government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful life of the related property, plant and equipment.

29. TRADE PAYABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– payables for purchase of inventories and services	36,806	25,180	11,084

(a) The carrying amounts of trade payables of the Group were denominated in RMB and approximated their fair values due to their short-term maturity in nature.

(b) The aging analysis of the trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	28,371	21,763	8,978
Over 1 year	8,435	3,417	2,106
	36,806	25,180	11,084

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– payables for goods and services	36,773	25,147	10,804

(a) The carrying amounts of trade payables of the Company were denominated in RMB and approximated their fair values due to their short-term maturity in nature.

(b) The aging analysis of the trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	28,338	21,730	8,978
Over 1 year	8,435	3,417	1,826
	36,773	25,147	10,804

30. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and welfare payables	57,474	33,556	49,532
VAT and other taxes payables	18,572	28,484	35,424
Payable for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposits from suppliers	76	76	76
Other	–	–	401
	76,122	62,116	87,126

As of 31 December 2022, 2023 and 2024, the Group's other payables and accruals were mainly denominated in RMB and the carrying amounts of other payables and accruals approximated their fair values.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and welfare payables	56,944	31,851	39,995
VAT and other taxes payables	18,222	24,500	20,374
Payable for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposits from suppliers	76	76	76
Other	–	–	400
	75,242	56,427	62,538

As of 31 December 2022, 2023 and 2024, the Company's other payables and accruals were mainly denominated in RMB and the carrying amounts of other payables and accruals approximated their fair values.

31. CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(79,073)	86,634	106,598
Adjustments for:			
Depreciation of property, plant and equipment *(Note 15)*	13,656	13,246	11,663
Depreciation of right-of-use assets *(Note 16)*	13,831	15,963	19,101
Impairment losses on financial assets *(Note 11)*	6,244	7,955	14,024
Finance costs *(Note 10)*	(314)	459	2,130
Share-based payment *(Note 25)*	3,731	6,301	3,252
Fair value change of financial assets and liabilities at fair value through loss *(Note 7)*	(3,508)	(1,219)	(575)
Decrease in deferred income	(263)	(66)	–
	(45,696)	129,273	156,193
Increase in trade receivables and retention money receivables	(17,292)	(81,890)	(144,746)
(Increase)/decrease in other receivables and prepayments	(10,796)	658	(9,570)
Increase in inventories	(2,640)	(5,576)	(12,728)
(Increase)/decrease in restricted cash	(3,404)	(338)	835
Increase/(decrease) in contract liabilities	38,611	(6,453)	(11,059)
(Decrease)/increase in trade and other payables	(8,192)	(25,631)	10,914
Cash (used in)/generated from operations	(49,409)	10,043	(10,161)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	206,270	141,742	230,172
Restricted cash	5,218	5,556	4,721
Financial assets at fair value through profit or loss	70,142	120,014	48,028
Borrowings	–	–	(56,240)
Lease liabilities	(18,692)	(26,101)	(25,750)
Net debt	262,938	241,211	200,931
Cash and financial assets at fair value through profit or loss	281,630	267,312	282,921
Gross debt – fixed interest rates	(18,692)	(26,101)	(81,990)
Net debt	262,938	241,211	200,931

	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2022	–	27,916	27,916
Cash flows	–	(14,858)	(14,858)
New leases entered	–	4,674	4,674
Interest expenses *(Note 10)*	–	960	960
As at 31 December 2022	–	18,692	18,692
As at 1 January 2023	–	18,692	18,692
Cash flows	–	(17,635)	(17,635)
New leases entered	–	23,714	23,714
Interest expenses *(Note 10)*	–	1,330	1,330
As at 31 December 2023	–	26,101	26,101
As at 1 January 2024	–	26,101	26,101
Cash flows	54,721	(18,730)	35,991
New leases entered	–	17,133	17,133
Interest expenses *(Note 10)*	1,519	1,246	2,765
As at 31 December 2024	56,240	25,750	81,990

(c) Major non-cash transactions

Major non-cash investing and financing activities were additions to right-of-use assets in respect of buildings and warehouses as disclosed Note 16.

32. CAPITAL COMMITMENTS

No significant capital expenditure contracted for at the end of the Track Record Period but not recognized as liabilities.

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or significant influence.

Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The Group has no transactions or balances with the companies that are related parties of the Group during the Track Record Period.

(b) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	4,257	4,417	6,373
Pension obligations, housing funds, medical insurances and other social insurances	664	685	696
Share-based payment expenses	3,113	3,198	1853
	8,034	8,300	8,922

The wages and welfare disclosed above include RMB541,000 (2023: RMB514,000, 2022:RMB347,000) to the key management personnel which were unpaid as at years ended 31 December 2024 and are included in other payables (Note 30). The share-based payments provided to key management personnel are restricted shares (Note 25).

34. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors and supervisors' emoluments

The remuneration paid or payable to the directors and supervisors of the Company (including emoluments for services as employee/directors/supervisors of the group entities prior to becoming the directors of the Company) during the years ended 31 December 2022, 2023 and 2024 was as follows.

	Year ended 31 December 2022						
Name	**Wages, salaries**	**Bonuses**	**Social insurances**	**Pension obligations-defined contribution plans**	**Share-based payment expenses**	**Other employee benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of chairman:							
Mr. Wang Hui	834	–	71	62	–	–	967
Name of directors							
Mr. Xi Puzhao	502	–	71	62	21	–	656
Ms. Wang Xin	634	–	71	62	180	–	947
Ms. Wang Ying	–	–	–	–	–	–	–
Ms. Ruan Yu	–	–	–	–	–	–	–
Mr. Jin Xingshen	–	–	–	–	–	–	–
Ms. Ge Xin	–	–	–	–	–	–	–
Name of independent non-executive directors							
Mr. Liu Jie	250	–	–	–	–	–	250
Ms. Cao Zhoutao	250	–	–	–	–	–	250
Mr. Wang Fanghua	250	–	–	–	–	–	250
	2,720	–	213	186	201	–	3,320

	Year ended 31 December 2022						
Name	**Wages, salaries**	**Bonuses**	**Social insurances**	**Pension obligations-defined contribution plans**	**Share-based payment expenses**	**Other employee benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of supervisors:							
Mr. Wang Jian	517	–	71	62	83	–	733
Mr. Li Quansheng	–	–	–	–	–	–	–
Mr. Han Yuze	–	–	–	–	–	–	–
	517	–	71	62	83	–	733

	Year ended 31 December 2023						
Name	**Wages, salaries**	**Bonuses**	**Social insurances**	**Pension obligations-defined contribution plans**	**Share-based payment expenses**	**Other employee benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of chairman:							
Mr. Wang Hui	1,048	–	72	65	–	–	1,185
Name of directors							
Mr. Xi Puzhao	499	–	72	65	21	–	657
Ms. Wang Xin	604	–	72	65	160	–	901
Ms. Wang Ying	–	–	–	–	–	–	–
Ms. Ruan Yu	–	–	–	–	–	–	–
Mr. Jin Xingshen	–	–	–	–	–	–	–
Ms. Ge Xin	–	–	–	–	–	–	–
Name of independent non-executive directors							
Mr. Liu Jie	250	–	–	–	–	–	250
Ms. Cao Zhoutao	250	–	–	–	–	–	250
Mr. Wang Fanghua	250	–	–	–	–	–	250
	2,901	–	216	195	181	–	3,493
Name of supervisors:							
Mr. Wang Jian	517	–	72	65	188	–	842
Mr. Li Quansheng	–	–	–	–	–	–	–
Mr. Han Yuze	–	–	–	–	–	–	–
	517	–	72	65	188	–	842

	Year ended 31 December 2024						
Name	**Wages, salaries**	**Bonuses**	**Social insurances**	**Pension obligations-defined contribution plans**	**Share-based payment expenses**	**Other employee benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of chairman:							
Mr. Wang Hui	2,209	–	72	68	–	–	2,349
Name of directors							
Mr. Xi Puzhao	614	–	72	68	22	–	776
Ms. Wang Xin	729	–	72	68	49	–	918
Ms. Wang Ying	–	–	–	–	–	–	–
Ms. Ruan Yu	–	–	–	–	–	–	–
Mr. Jin Xingshen	–	–	–	–	–	–	–
Ms. Ge Xin	–	–	–	–	–	–	–
Name of independent non-executive directors	–	–	–	–	–	–	–
Mr. Liu Jie *(i)*	–	–	–	–	–	–	–
Ms. Cao Zhoutao *(i)*	–	–	–	–	–	–	–
Mr. Wang Fanghua *(i)*	–	–	–	–	–	–	–
Mr. Ma Xufei *(i)*	278	–	–	–	–	–	278
Mr. Liu Ningrong *(i)*	278	–	–	–	–	–	278
Mr. Qiu Jiaci *(i)*	278	–	–	–	–	–	278
	4,386	–	216	204	71	–	4,877
Name of supervisors:							
Mr. Wang Jian	632	–	70	66	206	–	974
Mr. Li Quansheng	–	–	–	–	–	–	–
Mr. Han Yuze	–	–	–	–	–	–	–
	632	–	70	66	206	–	974

(i) Appointed on 26 April 2024

(ii) Retired on 26 April 2024

(b) Directors' and supervisors' retirement benefits

There were no retirement benefits paid to or receivable by any Directors/Supervisors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the Track Record Period.

(c) Directors' and supervisors' termination benefits

There were no termination benefits paid to or receivable by any Directors/Supervisors during the Track Record Period.

(d) Consideration provided to third parties for making available directors' and supervisors' services

No payment was made to the former employer of Directors/Supervisors for making available the services of them as a Director of the Company during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors'

There were no loans, quasi-loans and other dealings entered into between the Group and the directors/supervisors and in favour of the directors/supervisors during the Track Record Period.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director/supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

35. DIVIDENDS

No dividend has been paid or declared by the Company during each of the years ended 31 December 2022, 2023 and 2024.

36. CONTINGENCIES

As at 31 December 2022, 2023 and 2024, there were no significant contingencies for the Group and the Company.

37. SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to 31 December 2024 and up the date of this report.

38 SUMMARY OF OTHER POTENTIAL MATERIAL ACCOUNTING POLICIES

38.1 Principles of consolidation and equity accounting

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

38.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

38.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company and its primary subsidiaries are incorporated in the PRC and consider RMB as their functional currency. The Group determined to present its Historical Financial Information in RMB.

38.4 Property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents unfinished construction and equipment under construction or pending for installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

38.5 Research and development ("R&D")

Research expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for us;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

38.6 Impairment of non-financial assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by considering whether any of the following impairment indicators were present: (i) greater than expected declines in asset values as a result of the passage of time or normal use; (ii) significant adverse changes in the technological, market, economic or legal environment impacting the entity or the market to which the asset is dedicated; (iii) changes in market interest rates or other market rates of return that are likely to significantly affect the discount rate used in the impairment assessment; (iv) carrying amount of net assets of the entity exceeding its market capitalization; (v) evidence of obsolescence or physical damage to an asset; (vi) significant adverse changes impacting the manner in which an asset is used or is expected to be used; (vii) internal reporting indicating the economic performance of an asset is, or will be, worse than expected; and (viii) actual or forecast net cash outflows or operating profits or losses may be significantly worse than expected. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each Track Record Period.

38.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains – net". Impairment losses are presented as separate line item in the consolidated statements of comprehensive income or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains– net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within in "other gains – net" in the period in which it arises.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents and restricted cash, the expected credit loss risk is considered immaterial.

For trade receivables and retention money receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and retention money receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

38.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the entity currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

38.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

38.10 Inventories

Work-in-progress and purchased goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

38.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

38.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the Track Record Period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

38.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

38.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

38.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the Track Record Period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the Track Record Period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

38.16 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the Track Record Period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

The employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the Track Record Period are discounted to present value.

38.17 Share-based payment

The Group operates an equity-settled share-based payment plan, under which the Group receives services from eligible employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the Historical Financial Information. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each Track Record Period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

38.18 Leases

Lease as lessee

Leases are initially recognized as a right-of-use asset and corresponding liability at the date when the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

38.19 Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury stock.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

38.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

38.21 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10. Any other interest income is included in other income.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2024. No dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which may subject to change from time to time.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, VAT, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發 [1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) issued and implemented by the State Taxation Administration ("**SAT**") on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

Meanwhile, pursuant to the Notice on Issues Concerning the Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated by the MOF, the SAT and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual acquires the stocks of listed companies from the market of public offerings and transfer of stock, to the extent that the holding period is over one year, the income from the dividends and bonuses thereof are temporarily exempted from individual income tax. Where an individual acquires the stocks of listed companies from the market of public offering and transfer of stock, to the extent that the holding period is one month or less (one month inclusive), the income from dividends thereof shall be included in the taxable income in full amount; and to the extent that the holding period is more than one month and up to one year (one year inclusive), the incomes from the dividends thereof shall be included in the taxable income at a tax rate of 50%. The aforesaid income is subject to an individual income tax at a flat rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and latest amended on December 6, 2024, the rate of corporate income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

Notice from the State Taxation Administration on Issues Concerning Withholding the Corporate Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders which are Overseas Non-Residents Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") which was signed on August 21, 2006, the mainland government may levy taxes on the dividends paid by a PRC resident company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends paid by the PRC resident company unless such Hong Kong resident directly holds 25% or more of the equity interest in the PRC resident company, then such tax shall not exceed 5% of the total dividends paid by the PRC resident company. The Fifth Protocol of the Arrangement (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds the criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to Notice of the MOF and the SAT on Full Launch of the Pilot Scheme on Levying VAT in Place of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**") which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of MOF and SAT on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若乾免稅政策的通知》) coming effective on January 1, 2009 and Provisions on the Transitional Policies Concerning the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《營業稅改

征增值稅試點過渡政策的規定》) promulgated by the MOF and SAT and came into effect on May 1, 2016. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any) in the PRC urban city.

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

On December 31, 2009, the MOF, SAT and CSRC jointly issued the Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on the same day, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market in the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the aforesaid notice and the Supplementary Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) which was jointly issued and implemented by MOF, SAT and CSRC on November 10, 2010). As of the [Latest Practicable Date], no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in the PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or arrangements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the of the PRC (《中華人民共和國印花稅法》), which was issued on June 10, 2021, which came into effect on July 1, 2022, which stipulate that all entities and individuals who conclude taxable documents and engage in securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the Stamp Tax Law of the of the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this Document, no estate duty has been levied in the PRC under the PRC laws.

2. PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter "Regulatory Overview" of this document.

3. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The SAFE, with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange administrative regulations.

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange administrative authorities. For capital items, overseas organizations and overseas individuals making direct investments in the PRC shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange administrative authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and administrative measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the repatriation and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be repatriated to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

In accordance with the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which was promulgated on May 10, 2013 with effect from May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019, the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in Renminbi (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment, unless otherwise provided by laws and regulations; (c) to provide entrusted RMB loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay Renminbi bank loans that have been on lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

According to the Notice of the SAFE of the PRC on Further Deepening Reform and Promoting the Facilitation of Cross border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) which was promulgated by the SAFE and implemented on December 4, 2023, the competent authorities have relaxed the restrictions on the scale of upfront expenses for overseas direct investment and lifted the limit on the cumulative amount of upfront expenses remitted by domestic enterprises for overseas direct investment not exceeding the equivalent of 3 million US dollars, but the cumulative amount of remitted expenses shall not exceed 15% of the total amount of investment proposed by the Chinese side. Moreover, the domestic equity transferor (including institutions and individuals) can directly remit the equity transfer consideration funds paid by domestic entities in foreign currency, as well as the foreign exchange funds raised by domestic enterprises going public overseas, to the settlement account under the capital account. The funds in the settlement account under the capital account can be used for independent foreign exchange settlement. The domestic equity transferor can directly transfer the equity transfer consideration funds paid by foreign-invested enterprises with RMB funds obtained through foreign exchange settlement (sourced from direct foreign exchange settlement or RMB funds in the accounts to be paid) to the domestic equity transferor's RMB account.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法(2023修正)》) (the "**Legislation Law**"), the NPC and the SCNPC are empowered to exercise the legislative power of the State according to the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The NPC may authorize the SCNPC to formulate relevant laws, and the SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the Audit Administration and institutions required by law as well as organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization construction, and historical culture protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial administration of the people's courts at all levels.

The Civil Procedure Law of the PRC (2023 revision) (《中華人民共和國民事訴訟法(2023修正)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and latest amended in 2023, which came into effect on January 1, 2024, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

If a legally effective judgment or ruling made by a people's court is requested to be executed by a party whose property is not within the territory of the PRC, the party may directly apply to a foreign court with jurisdiction for recognition and enforcement, or the people's court may request recognition and enforcement from a foreign court in accordance with the provisions of international treaties concluded or participated in by the PRC, or in accordance with the principle of reciprocity. The people's court shall recognize the legal effect of judgments or rulings made by foreign courts that have applied for or requested recognition and enforcement, in accordance with international treaties concluded or participated in by the

PRC, or in accordance with the principle of reciprocity, if it considers that they do not violate the basic principles of the laws of the PRC and do not harm national sovereignty, security, or social public interests; If it needs to be executed, an execution order shall be issued and executed in accordance with the relevant provisions of this Law.

THE COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE FOR ARTICLES OF ASSOCIATION

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25,1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest revision of which has been implemented on July 1, 2024;

- The Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and six relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to Securities Law of the PRC, and were applicable to the direct and indirect overseas share subscription and listing of domestic companies; and

- The Guidelines for Articles of Association of Listed Companies (s) (the "**Guidance for Articles of Association**") which was latest amended on March 28, 2025 by the CSRC. The related Guidance for Articles of Association are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V – Summary of the Articles of Association" in this Document.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. For a joint stock limited company incorporated by the public subscription method, the promoters must convene an establishment meeting within 30 days from the date of full payment of the shares that should be issued when the joint stock limited company is established, and must give notice to all subscribers or make an announcement of the date of the establishment meeting 15 days before the meeting. The establishment meeting shall be formed by the subscribers holding more than half of the voting rights. Powers to be exercised at the establishment meeting of a company shall include but not limited to the adoption of articles of association and the election of directors and supervisors. The convening and voting procedures of the establishment meeting of a joint stock company established by way of promotion shall be stipulated in the articles of association of the company or in the agreement of the promoters. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the establishment meeting, the board of directors shall authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally; (ii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Issuing and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

Shares issued by the company shall be registered shares.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Overseas Listing Trial Measures, where a domestic enterprise directly issues and lists its domestic unlisted shares overseas, the shareholder who holds its domestic unlisted shares shall apply to convert its domestic unlisted shares into overseas listed shares and list and circulate them on overseas trading places, which shall comply with the relevant provisions of the CSRC, and entrust the domestic enterprise to file with the CSRC. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Company shall register the name and domicile of the transferee in the register of shareholders after such transfer.

Shares issued by a company prior to the public offering of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Overseas Listing Trial Measures, domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the type and number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval or filing of the securities regulatory authorities of the State Council, it shall publish the document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who request and are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, minutes of shareholder's meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to cancel resolutions passed by shareholder's meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and change of the corporate form of the company;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;
- whenever the board of directors deems necessary;

- when the board of supervisors proposes; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except for shareholders of non-ordinary shares. However, shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidance for Articles of Association, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of three or more members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, resolutions of shareholders' meeting and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, or in the case of a suspended sentence, two years have not elapsed since the probation period was completed;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation of business license or shutdown order; or

- a person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to initiate proposals for resolutions to shareholders' meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors.

The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- embezzling company property, misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- using his or her position to bribe or receive other illegal income;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual meeting of shareholders. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital, and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used in accordance with relevant regulations. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting or board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting or board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

If a listed company has established an audit committee within the board of directors, before the board of directors adopts a resolution on any of the following matters, the resolution shall be adopted by a majority of all members of the audit committee:

- appointment or removal of the accounting firm providing audit services to the company;
- appointment or removal of the head of finance;
- disclosure of financial accounting reports; or
- any other matters as stipulated by the securities regulatory authority under the State Council.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders' meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) or (ii) above, and has not distributed assets to its shareholders, it may carry on its existence by amending its articles of association or by resolution of the shareholders' meeting. The amendment of the articles of association or the resolution of shareholders' meeting in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors, unless it is otherwise stipulated by the company's articles of association or appointed by resolution of the shareholders' meeting. If a liquidation group is not established within the stipulated period, any stakeholders may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the administrator designated by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration, and a public notice of its termination shall be issued. Members of the liquidation group shall fulfill liquidation responsibilities with a duty of loyalty and diligence.

Any member of the liquidation group who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to any creditor due to intent or gross negligence, such member shall be liable for compensation.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

If a share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law of the PRC (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (2017 revision) (《中華人民共和國仲裁法(2017年修正)》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000, and Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), which promulgated on November 26, 2020. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

JUDICIAL JUDGEMENT AND ITS ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the mainland China and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People's Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (the "**SFC**") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is expected to be implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "**CSDCC**") and Hong Kong Securities Clearing Company Limited ("**HKSCC**"). Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by SFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and SFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC amended the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

The Articles of Association, which is adopted by the shareholders in the general meeting held on April 26, 2024, will become effective on the date that the H shares of the Company are **[REDACTED]** on the Stock Exchange and replace the Articles of Association at the original registration in Administration for Market Regulation.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to allot and issue Shares

There is no provision in the Articles of Association empowering the directors to allot and issue shares.

To increase the registered capital of the Company, the proposal must be submitted for approval by a special resolution at a general meeting.

APPOINTMENT, REMOVAL AND RETIREMENT

A person may not serve as a director, supervisor or senior management member of the Company if any of the following circumstances apply:

(a) a person without legal or with restricted legal capacity;

(b) a person who has been found guilty of sentenced for corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order where less than a term of 5 years have elapsed since the sentence was served; or a person who has been deprived of his political rights, in each case where less than 5 years have elapsed since the sentence was served;or a person who has been suspended where less than a term of 2 years have elapsed since the date of the probation period;

(c) a person who is a former director, factory manager or general manager of a company or enterprise which has been entered into insolvent liquidation because of mismanagement and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(d) a person who is a former legal representative of a company or enterprise which had its business licence revoked due to a violation of the law and who incurred personal liability, where less than 3 years has elapsed since the date of the revocation of the business licence;

(e) a person who is listed as dishonest debtor by the people's court because of a relatively large amount of debts due and outstanding;

(f) a person who has been investigated by judicial authorities for violating the Criminal Law which has not yet closed;

(g) a person who is not a natural person;

(h) a person who has been ruled by a relevant regulatory authority to violate securities regulations and has engaged in fraudulent or dishonest behavior where less than a term of 5 years have elapsed since the date of the ruling;

(i) a person who is subject to a securities market entry ban by CSRC for an unexpired period;

(j) other circumstances as required under laws, administrative regulations, departmental rules, regulatory documents, regulations of relevant regulatory authorities.

If a director is elected or appointed in violation of the provisions of this Article, such election, appointment or employment shall be null and void. The Company shall dismiss a director from office if the circumstances of this Article arise during his or her term of office.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Under any one of the following circumstances, the Company shall amend its Articles of Association:

(a) after amendment has been made to the Company Law or relevant laws or administrative regulations, the contents of the Articles of Association shall conflict with the amended laws or administrative regulations;

(b) the changes that the Company have undergone are inconsistent with the records made in the Articles of Association;

(c) the general meeting decides that the Articles of Association should be amended.

Amendments to the Articles of Association passed by resolutions at the general meeting shall be required to be examined and approved by the competent authorities, and shall be submitted to the competent authorities for approval; where the amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law.

RESOLUTIONS-MAJORITY REQUIRED

Resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed by more than one half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution of a general meeting shall be passed by two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

VOTING RIGHTS

A shareholder (including his/her proxy) shall exercise his/her voting rights based on the number of shares held. Each share shall have one vote. No voting rights shall attach to the shares held by the Company, and such shares shall not be counted among the total number of shares with voting rights present at a general meeting.

If the laws, administrative regulations, regulatory rules of the place where the shares of the Company are listed stipulate that any shareholder shall waive his/her voting right on a certain resolution or limit any shareholder to cast affirmative or negative vote on certain matter, and in case of any violation of such relevant stipulation or limitations, votes casted by such shareholders or proxies thereof shall not be adopted.

REQUIREMENT FOR GENERAL MEETINGS

General meetings shall be divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within 6 months from the end of the preceding accounting year.

The Board shall convene an extraordinary general meeting within two months after the occurrence of any one of the following circumstances:

(a) where the number of directors falls short of the minimum number required by the Company Law or is no more than two-thirds of the number required by the Articles of Association;

(b) where the unrecovered losses of the Company amount to one-third of its total paid up share capital;

(c) where shareholder(s), individually or jointly, holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

(d) where the Board considers it necessary;

(e) where the board of supervisors proposes to call for such a meeting;

(f) other circumstances stipulated by laws, administrative regulations, departmental rules, the listing rules of the place where the shares of the Company are listed or the Articles of Association.

The venue of a general meetings of the Company shall be the place where the Company is located or the place specified in the notice of the general meeting.

ACCOUNTS AND AUDIT

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international amounting standards, or that of the overseas listing place. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

The Company shall produce a financial report at the end of each financial year, which shall be subject to review and validation in accordance with the law.

Any interim results or financial information published or disclosed by the Company must be prepared and presented in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas listing place.

The Company's financial reports shall be made available for shareholders' inspection at the Company at least 21 days before the date of every annual general meeting. Each shareholder of the Company shall be entitled to obtain a copy of the financial reports referred to in this section.

NOTICE OF MEETING AND MATTERS TO BE CONSIDERED

The general meeting is the organ of authority of the Company, which exercises its functions and powers in accordance with laws:

(a) to decide on operational policies, business plans and investment plans of the Company;

(b) to elect, replace or recall the directors and supervisors who are shareholder representatives, and to decide on matters relevant to remuneration of directors and supervisors;

(c) to consider and approve reports of the Board;

(d) to consider and approve reports of the board of supervisors;

(e) to consider and approve annual financial budget plans and final accounting plans of the Company;

(f) to consider and approve the profit distribution plan and loss recovery plan of the Company;

(g) to determine the increases or decrease of the registered capital of the Company;

(h) to determine the issuance of corporate bonds or other securities by the Company and listing plan;

(i) to make resolutions on the merger, division, dissolution, liquidation, suspension of business, early termination, bankruptcy, change of corporate form, or change of business scope of the company;

(j) to amend the Articles of Association;

(k) to determine the appointment of, removal of and non-reappointment of an auditor and determine their remuneration by the Company;

(l) to consider and approve the provision of guarantees to third parties that shall be approved at a general meeting required by the Articles of Association;

(m) to consider matters relating to the purchases and disposals of material assets, which are more than 30% of the latest audited total assets of the Company (including its controlled subsidiaries), within one year;

(n) to consider and approval of change of use of proceeds;

(o) to consider and approval of share incentive scheme and employee share ownership Scheme;

(p) to review other matters and transactions which, in accordance with laws, administrative regulations, departmental rules, the listing rules of the places where the shares of the Company are listed, or the provisions of the Articles of Association, shall be approved at a general meeting.

The general meeting can authorize or entrust the Board to handle the matters authorized or entrusted thereby, provided that the laws and regulations, and the mandatory laws and regulations of place where the shares of the Company are listed are not violated.

The following matters shall be approved by special resolution at a general meeting:

(a) to increase or reduce the registered capital of the Company;

(b) to make resolutions on the merger, division, dissolution, liquidation, suspension of business, early termination, bankruptcy, change of corporate form, or change of business scope of the company;

(c) to make amendments to these Articles of Association;

(d) to consider purchase or sale of material assets by the Company within one year, or a guarantee amount exceeding 30% of the total assets in the most recent audit period of the Company;

(e) to formulate, revise and implement a share incentive scheme;

(f) to decide on the company's business plan, operational policies, and investment plans;

(g) to change the company's business scope, make significant changes in essence and/or business activities, terminate or suspend all or part of the business;

(h) to increase or decrease the number of seats on the company's board of directors, supervisory board, or any board committee;

(i) other matters as stipulated by the laws, administrative regulations, regulatory rules of the place where the shares of the Company are listed or these Articles of Association, and matters deemed by the general meeting by ordinary resolution to have material effect on the Company and necessary for passing by special resolution.

Where the Company convenes an annual general meeting, a public announcement shall be issued at least 21 days (excluding the date of meeting) prior to the annual general meeting and at least 15 days (excluding the date of meeting) prior to the extraordinary general meeting. If there are other provisions in the laws, regulations and by the securities regulatory authorities of the place where the shares of the Company are listed, such provisions shall prevail.

The notice of the general meeting shall be given in writing and contain the following:

(a) the date, venue and duration of the meeting;

(b) matters and proposals submitted for consideration at the meeting;

(c) an obvious statement that all shareholders are entitled to attend the general meeting in person, or appoint in writing proxies to attend and vote on his or her behalf and that such proxies need not be shareholders of the Company,if a shareholder has appointed a proxy to attend any meeting, it shall be deemed to be present in person;

(d) share registration date for shareholders entitled to attend the meeting;

(e) name and telephone number of the permanent contact person;

(f) time and procedure for voting by internet or other means;

(g) other requirements stipulated by laws, administrative regulations, departmental rules and regulations, the rules of securities regulation where the Company's shares are listed and this Document.

The notice and supplementary notice of a general meeting shall adequately and completely disclose the specific contents of all proposals.

After the notice of a general meeting is issued, the general meeting shall not be postponed or cancelled without justifiable reasons, and the proposals specified in the notice of the general meeting shall not be cancelled. In the event of an adjournment or cancellation, the company or the convener shall announce and explain the reasons in accordance with the laws and regulations and the rules governing the securities of the place where the company's shares are listed.

TRANSFER OF SHARES

Unless otherwise specified in the laws and administrative and by the securities regulatory authorities in the place where the shares of the Company, the paid up shares of the Company can be freely transferred in accordance with laws and are not subject to any lien. Shares of the Company could be granted, inherited and pledged in accordance with relevant laws, administrative regulations and requirement of the Articles of Association.

The Company shall not accept its own shares as pledge subject.

Shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the Stock Exchange.

The directors, supervisors and senior executives shall report to the Company about their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

Where the relevant regulations of the securities regulatory authorities of the place where the shares of the Company are listed provide otherwise in respect of any transfer of any overseas listed foreign shares, such regulations shall apply.

POWER FOR THE COMPANY TO REPURCHASE ITS OWN SHARES

The Company may, in the following circumstances, buy back its outstanding shares in accordance with the law, administrative regulations, department rules, listing rules of the place where the shares of the Company are listed and requirement of this Articles of Associations:

(a) When cancelling shares to decrease registered capital of the Company;

(b) When merging with other companies holding shares of the Company;

(c) When shares are being used in the employee stock ownership plan or as equity incentive;

(d) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares;

(e) When shares are being used to satisfy the conversion of corporate bonds convertible into shares issued by the Company;

(f) When safeguarding corporate value and shareholders' equity as the Company deems necessary;

(g) Other matters as stipulated by the laws, administrative regulations, listing rules of the place where the shares of the Company are listed.

Except for the abovementioned circumstances, the Company will not conduct any activities buying or selling its shares.

Where the Company repurchases its shares in the circumstances set out in items (a) and (b) above, it shall be subject to approval at the general meeting; where the Company repurchases its shares in the circumstances set out in items (c), (e) and (f) above, it may be resolved by more than two-thirds of directors present at a meeting of the Board in accordance with the authorization of the general meeting.

The acquisition of the Company's shares by the Company may be carried out by means of public centralised trading, or other means approved by laws, administrative regulations and the CSRC.

In the event that the Company repurchases its shares in accordance with the above provisions, such repurchase shall be conducted through public centralised trading upon such repurchase in the circumstance set out in item (c), (e) and (f).

For domestic unlisted shares,in the event that the Company repurchases its shares in accordance with the above provisions, such Shares shall be cancelled within 10 days upon such repurchase in the circumstance set out in item (a); shall be transferred or cancelled within 6 months in the circumstances set out in items (b) and (d); the aggregate number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within 3 years in the circumstances set out in items (c), (e) and (f).

RIGHT OF THE COMPANY'S SUBSIDIARIES TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association restricting a subsidiary of the Company from owning any of the shares of the Company.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute profits in the form of cash, shares or a combination of cash and shares, with cash dividends taking precedence over share dividends where the conditions for cash dividends are met.

The Company shall appoint one or more collection agents in Hong Kong to receive dividends declared by the Company in respect of its securities listed on the Exchange and other moneys payable thereon and who shall hold such moneys in trust for the benefit of the holders of such securities pending payment to such holders.

SHAREHOLDERS' PROXY

Any shareholder who is entitled to attend the general meeting and vote thereat may attend the general meeting in person or appoint one proxy or more (who may not be a shareholder) to attend and vote on its behalf. A shareholder shall authorize his or her proxy in writing and the power of attorney shall be signed by the proxy or the agent authorized in writing by the proxy. Where the proxy is a corporate, the chop of the corporate should be affixed, or the director or the agent officially entrusted shall sign such power of attorney.

Minutes of the meeting shall be kept for a period of not less than 10 years together with the register of signatures of shareholders present on site and valid information on proxies, networks and other voting circumstances.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER OF MEMBERS)

Ordinary shareholders of the Company shall enjoy the following rights:

(a) the rights to receive dividends and other forms of distribution in proportion to the number of shares held by them;

(b) the rights to request, convene, chair, attend or appoint proxy to attend general meetings and exercise corresponding speaking rights and voting rights in accordance with laws;

(c) the rights to supervise and manage the operation of the Company and to put forward proposals and raise inquiries;

(d) the rights to transfer, donate, or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(e) inspection or copies of articles of association, register of shareholders, corporate bond stubs, minutes of shareholders' meetings, resolutions of board meetings, resolutions of supervisory board meetings, financial and accounting reports;

(f) the rights to participate in the distribution of remaining assets of the Company corresponding to the number of shares held in the event of the termination or liquidation of the Company;

(g) the rights to demand the Company to acquire the shares held by them with respect to shareholders voting against any resolution adopted at the general meeting on the merger or division of the Company;

(h) other rights under the laws, administrative regulations, the regulatory rules of the place where the shares of the Company are listed and these Articles of Association.

RIGHTS OF MINORITY SHAREHOLDERS

The controlling shareholder of the Company shall not use its affiliation to harm the interests of the Company. If they violate the regulations and cause losses to the company, they shall be liable for compensation.

The controlling shareholder of the Company shall have a good faith obligation to the Company and the shareholders of the Company's public shares. The controlling shareholders shall exercise their rights as capital contributors in strict accordance with the law. The controlling shareholders shall not use profit distribution, asset restructuring, foreign investment, capital appropriation, loan guarantee, etc. to harm the legitimate rights and interests of the Company and the shareholders of public shares, and shall not use their control position to harm the interests of the Company and the shareholders of public shares.

The term "controlling shareholder" referred to a shareholder whose voting rights based on his or her shareholding are sufficient to exercise significant influence on the resolution of the general meeting.

PROCEDURES FOR DISSOLUTION AND LIQUIDATION

The Company shall be dissolved upon the occurrence of the following events:

(a) the term of its operations set out in the Articles of Association has expired;

(b) a resolution for dissolution is passed by shareholders at a general meeting;

(c) dissolution is necessary due to a merger or division of the Company;

(d) the Company's business license is revoked or the Company is ordered to close down or de-registered according to laws;

(e) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

If the company encounters the reasons for dissolution as stipulated in the preceding paragraph, the reasons for dissolution shall be publicly disclosed through the National Enterprise Credit Information Publicity System within 10 days.

The Company may continue to exist by amending the Articles of Association or resolution of shareholders meeting in the event of the circumstance as set forth in item (a) or item (b)of the preceding article if the property has not yet been distributed to shareholders.

The amendment to the Articles of Association or resolution of shareholders meeting according to the preceding article shall be passed by 2/3 of the voting rights held by shareholders present at the general meeting.

In the case of dissolution of the Company under items (a), (b), (d) and (e) of the preceding article, a liquidation committee shall be formed to commence liquidation;if the directors are liquidation obligors, a liquidation committee shall be formed to commence liquidation within 15 days from the date of occurrence of events giving rise to dissolution. The members of the liquidation committee shall be determined by the directors or the general meeting. If the liquidation obligor fails to fulfill the liquidation obligation in a timely manner and causes losses to the company or creditors, it shall bear the liability for compensation.

Where a liquidation committee is not established according to schedule, the creditors may apply to the People's Court to designate the relevant personnel to establish a liquidation committee to proceed with the liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(a) to categorize the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(b) to inform creditors by a notice or public announcement;

(c) to dispose of and liquidate any unfinished businesses of the Company;

(d) to pay all outstanding taxes and the taxes incurred from the process of liquidation;

(e) to settle claims and debts;

(f) to distribute the residual assets remaining after repayment by the Company of its debts;

(g) to represent the Company in any civil proceedings.

The liquidation committee shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make a public announcement in the designated newspapers or through the National Enterprise Credit Information Publicity System and in the manner required by the stock exchange. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation committee.

Where creditors file their creditors' rights, they shall explain about the matters related to creditors' rights, and shall provide the evidentiary materials. The liquidation committee shall register the creditors' rights. The liquidation committee may not clear off any of the debts of any creditors during the period of filing creditors' rights.

After the liquidation committee has sorted the Company's assets and prepared a balance sheet and an inventory of assets, it shall prepare a liquidation plan and submit it to the general meeting or the People's Court for confirmation.

The remaining property of the company's property after the payment of liquidation expenses, wages, social insurance costs and statutory compensation of employees, payment of taxes owed and settlement of the company's debts, respectively, is distributed by the company in accordance with the type and proportion of the shares held by the shareholders.

During the liquidation period, the company survives, but cannot carry out business activities unrelated to the liquidation.

The property of the company will not be distributed to the shareholders until it has been paid off in accordance with the preceding paragraph.

If the liquidation committee, having sorted the Company's assets and prepared the balance sheet and an inventory of assets, discovers that there are insufficient assets in the Company to pay off its debts, it shall apply to the People's Court immediately for a declaration of bankruptcy of the Company.

Upon the acceptance of bankruptcy of the Company by the People's Court, the liquidation committee shall hand over the liquidation matters to the designated bankruptcy administrator.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report. The liquidation committee shall, within 30 days from the date of said confirmation made by the general meeting or relevant competent authorities, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

General Provisions

The Company is a joint stock limited company with perpetual existence.

Pursuant to the Articles of Association, the shareholders may pursue actions against other shareholders, the shareholders may pursue actions against the directors, supervisors, general manager and other senior management members of the Company, the shareholders may pursue actions against the Company and the Company may pursue actions against its shareholders, directors, supervisors, general manager and other senior management.

After adoption by special resolution on the general meeting of the Company, the Articles of Association shall take effect and put into force from the date on which the H Shares issued by the Company are listed on the Stock Exchange. Since the effective date of the Articles of Association, the original Articles of Association of the Company shall be automatically invalidated.

Increase of capital

The Company may increase capital based on the needs of operation and development and in accordance with the requirements of laws and regulations and resolution on the general meeting, by way of the following:

(a) public offering of shares;

(b) non-public offering of shares;

(c) placement and offer of new shares to existing shareholders;

(d) conversion of reserve into share capital;

(e) other means as stipulated by laws and administrative regulations and approved by the relevant regulatory authorities such as the securities regulatory authority under the State Council and the regulatory authority where the company's shares are listed.

Deduction of capital

The Company may decrease its registered capital. The Company shall decrease its registered capital pursuant to the Company Law, other relevant regulations and the Articles of Association.

Rights and obligations of shareholders

Shareholders shall enjoy rights and have obligations in accordance with the class and amount of shares held by them. Shareholders holding the same class of shares shall be entitled to equal rights and have equal obligations. If at any time the shares of the company are divided into different classes, any variations to the rights attached to any class of shares must be approved by the shareholders holding the shares of the class with the relevant rights by a special resolution.

Ordinary shareholders of the Company shall enjoy the following rights, please refer to the paragraph headed "Rights of Shareholders (Including Inspection of Register of members)" above.

Ordinary shareholders of the Company shall have the following obligations:

(a) to abide by laws, administrative regulations and the Articles of Association;

(b) to pay for the shares based on the shares subscribed for and the manners in which they became shareholder;

(c) not to withdraw their paid share capital except in circumstances allowed bylaws and regulations;

(d) not to abuse shareholder's rights and harm the legal interest of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of the shareholders to impair the legal interests of creditors of the Company;

(e) other obligations imposed by laws, administrative regulations, the regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Where the shareholder's abuse of its power causes damage to other shareholders, he shall be liable to compensation in accordance with the law. Where the shareholder has abused the Company's independent legal person status and shareholder's limited liability for debt evasion and caused serious damage to the creditor's interests, it shall bear joint liability for the debts of the Company.

Where the shareholder uses two or more companies under his control to carry out the acts specified in the preceding paragraph, each company shall bear joint and several liability for the debts of either company.

General meeting

The general meeting is the organ of authority of the Company, which exercises its functions and powers in accordance with laws, please refer to the paragraph headed "Notice of meeting and matters to be considered" above. Where the Company convenes a general meeting, the Board, the board of supervisors and shareholders individually or jointly holding more than 1% of the shares of the Company shall have the right to put forward proposals to the Company.

Shareholder(s) individually or jointly holding more than 1% of the shares of the Company may submit written provisional proposals to the Board of Directors 10 days before the general meeting. The provisional proposals should have clear topics and specific resolution matters. The convener shall serve a supplemental notice of the general meeting and make announcement of the provisional proposals within two days after receipt of the provisional proposals and notify the contents of the said provisional proposals,and submit the provisional proposals to the shareholders' meeting for review except for provisional proposals that violate laws, administrative regulations, or the provisions of the company's articles of association, or are not within the scope of the powers of the shareholders' meeting.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

Proposals not set out in the notice of the general meeting or not complying with the Articles of Association shall not be voted on or resolved at the general meeting.

Board

The Board shall be responsible to the general meeting and shall exercise the following functions and powers in accordance with law:

(a) to convene general meetings and report to general meetings;

(b) to implement resolutions of general meetings;

(c) to resolve on the Company's business plans and investment plans;

(d) to prepare the annual financial budgets and final accounting plans of the Company;

(e) to prepare the profit distribution plan and loss makeup plan of the Company;

(f) to prepare the plan in respect of increase or reduction of registered capital, issue of bonds or other securities and the listing thereof;

(g) to formulate plans for material acquisitions and purchase of shares of the Company or formulate plans for merger, division, dissolution or transformation of the Company;

(h) to determine, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, external financing, etc.;

(i) to decide on the establishment of internal management organizations of the Company;

(j) to appoint or dismiss the general manager and secretary to the Board of the Company; to appoint or dismiss senior management officers including deputy general manager(s) and the chief finance officer of the Company in accordance with the nominations by general manager, and to determine their remunerations, rewards and penalties;

(k) to set up the basic management system of the Company;

(l) to formulate the proposals for any amendment to the Articles of Association;

(m) to manage the information disclosure of the Company;

(n) to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services to the Company;

(o) to listen to work reports of the general manager and review his/her work;

(p) to consider and approve transactions (including but not limited to discloseable transactions and connected transactions) that are required to be decided by the board of directors in accordance with the regulatory rules of the place where the company's shares are listed;

(q) to establish or close important branches or subsidiaries (referring to companies where any financial indicator such as business income, total profit, total assets, or net assets accounts for not less than 5% and is important to the company's business);

(r) to formulate, approve, or revise the company's annual plan and budget;

(s) to make changes to the company's financial rules or accounting policies;

(t) to review transactions that require board approval as stipulated in Chapters 13, 14, and 14A of the Listing Rules;

(u) to establish security interests, pledges, liens, or mortgages on assets, business, or rights;

(v) to exercise other functions and powers as stipulated by laws, administrative regulations, department rules, regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

The Board may resolve on the issues specified in the above paragraphs by approval of more than half of the directors save for the issues specified in (f), (g) and (l), for which approval of more than two-thirds of the directors is required.

Board of Supervisors

The Board of Supervisors shall be responsible to the general meeting and shall exercise the following functions and powers in accordance with law:

(a) to review the periodic reports of the Company prepared by the Board and express its written opinion;

(b) to check the financial condition of the Company;

(c) to monitor the performance of duties in the Company by directors and senior management and propose dismissal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of general meetings;

(d) to require directors and the senior management to make corrections if their conduct has damaged the interests of the Company;

(e) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with Company Law, to convene and preside over the general meetings;

(f) to propose proposals to the general meetings;

(g) to representing the company in dealings with or suing directors, or instituting proceedings against directors and officers in accordance with Article 189 of the Companies Act;

(h) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the general meetings and, should any queries arise, to authorize, in the name of the Company, a re-examination by the certified public accountants and practising auditors of the Company for the time being;

(i) to conduct investigation if there is any doubt or any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company; and

(j) other functions and powers specified in the laws, administrative regulations, departmental rules of the government, listing rules of the stock exchange where the shares of the Company are listed Articles of Association.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a limited liability company in the PRC on April 7, 2008 and was converted into a joint stock limited company on December 31, 2020 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB60 million.

Our Company has established a place of business in Hong Kong at Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Ms. YEUNG Siu Wai Kitty, one of our joint company secretaries, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V – Summary of the Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Regulatory Overview" and "Appendix IV – Summary of Principal Legal and Regulatory Provisions".

2. Changes in Share Capital

On April 7, 2008, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB2,000,000.

The share capital of our Company did not change during the two years immediately preceding the date of this document.

For more details, see "History, Development and Corporate Structure – Corporate Development".

3. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries as of the Latest Practicable Date are set out in "Appendix I – Accountant's Report – Note 14".

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

Name of subsidiary	Place of incorporation	Date of incorporation	Registered capital
Xinjiang Zhihui Tongfu Technology Co., Ltd. (新疆智慧同富科技有限公司)	PRC	October 7, 2023	RMB1,000,000
Shanghai Tingri Technology Co., Ltd. (上海霆日科技有限公司)	PRC	October 30, 2023	RMB1,000,000
Shandong Xiangjun Technology Services Co., Ltd. (山東祥鈞科技服務有限公司)	PRC	September 27, 2023	RMB3,000,000
Sichuan Zaixiang Technology Co., Ltd. (四川載庠科技有限公司)	PRC	September 26, 2023	RMB1,000,000
Yunnan Weiye Yihang Technology Co., Ltd. (雲南維燁翊行科技有限公司)	PRC	September 19, 2023	RMB1,000,000

Save as disclosed above and in the Accountant's Report set out in Appendix I to this document, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of Our Shareholders

Pursuant to the extraordinary general meeting of our Company held on April 26, 2024, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being **[REDACTED]** on the main board of the Stock Exchange;

(b) the number of H Shares to be issued shall be up to **[REDACTED]**, representing approximately **[REDACTED]**% of the total issued share capital of our Company as enlarged by the **[REDACTED]** before the exercise of the **[REDACTED]**, and the grant to the **[REDACTED]** (or their representatives) of the **[REDACTED]** to issue up to **[REDACTED]** H Shares, representing approximately **[REDACTED]**% of the number of H Shares issued pursuant to the **[REDACTED]**;

(c) subject to the filing with CSRS is completed, upon completion of the **[REDACTED]**, **[REDACTED]** Domestic **[REDACTED]** Shares will be converted into H Shares on a one-for-one basis;

(d) subject to the completion of the **[REDACTED]**, the adoption of the Articles of Association which shall become effective on the **[REDACTED]**, and authorization to the Board to amend the Articles of Association for the purpose of the Company's **[REDACTED]**; and

(e) authorization of the Board to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We [have entered into] the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) **[REDACTED]**

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1.		PRC	Our Company	41	21310296	13/11/2027
2.	智慧树	PRC	Our Company	35	20941642	06/10/2027
3.	Treenity	PRC	Our Company	41	20932413	06/10/2027
4.	AbLe	PRC	Our Company	42	3762603	27/03/2026

(b) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
1.	Zhuoyue panoramic teaching assistant software (卓越全景助教軟件)	PRC	Our Company	2024SR0267459	18/06/2023
2.	Zhuoyue panoramic smart blackboard software (卓越全景智能板書軟件)	PRC	Our Company	2024SR0266279	16/06/2023
3.	Zhihuishu AI classroom mini program knowledge graph learning platform (智慧樹AI課堂小程序知識圖譜學習平台)	PRC	Our Company	2023SR0914184	15/02/2023
4.	Zhihuishu course atlas construction platform (智慧樹課程圖譜構建平台)	PRC	Our Company	2023SR0914162	28/11/2022
5.	Zhihuishu AI classroom mini program AI course learning platform (智慧樹AI課堂小程序AI課程學習平台)	PRC	Our Company	2023SR0914195	08/04/2023
6.	Zhihuishu AI knowledge graph teacher teaching operation system (智慧樹AI知識圖譜教師教學運行系統)	PRC	Our Company	2023SR0914177	18/01/2023
7.	Zhihuishu advanced mathematics AI course software (智慧樹高等數學AI課程軟件)	PRC	Our Company	2023SR0640902	28/02/2023
8.	Zhihuishu college physics AI course software (智慧樹大學物理AI課程軟件)	PRC	Our Company	2023SR0640903	28/02/2023
9.	Zhuoyue panoramic high-performance live interactive software (卓越全景高性能直播互動軟件)	PRC	Our Company	2023SR0534284	05/12/2022
10.	Zhuoyue AI knowledge graph collaborative construction platform software (卓越AI知識圖譜協同構建平台軟件)	PRC	Our Company	2023SR0435825	26/05/2022
11.	Zhuoyue AI knowledge graph editing control software (卓越AI知識圖譜編輯控制軟件)	PRC	Our Company	2023SR0431196	31/07/2022
12.	Zhuoyue panoramic real-time interactive software (卓越全景實時互動軟件)	PRC	Our Company	2022SR1582498	05/08/2022
13.	Zhuoyue bidirectional detailed list intelligent paper assembly software (卓越雙向細目表智能組卷軟件)	PRC	Our Company	2022SR0217504	20/03/2021
14.	Zhuoyue AI course intelligent test question bank software (卓越AI課程智能測試題庫軟件)	PRC	Our Company	2022SR0217771	15/03/2021
15.	Zhuoyue knowledge graph intelligent management software (卓越知識圖譜智能管理軟件)	PRC	Our Company	2022SR0214843	28/03/2021
16.	Zhuoyue smart teaching cognitive goal management software (卓越智能教學認知目標管理軟件)	PRC	Our Company	2022SR0214940	31/03/2021

No.	Copyright	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
17.	Zhuoyue smart knowledge mastery assessment software (卓越智能知識掌握評估軟件)	PRC	Our Company	2022SR0214842	15/10/2021
18.	Zhuoyue high-performance live interactive software (卓越高性能直播互動軟件)	PRC	Our Company	2022SR0153702	29/12/2021
19.	Zhuoyue dual-screen collaborative teaching software (卓越雙屏協同教學軟件)	PRC	Our Company	2021SR1343355	17/07/2021
20.	Zhuoyue panoramic real-time teaching assistant software (卓越全景實時助教軟件)	PRC	Our Company	2020SR0733815	17/05/2020
21.	Zhuoyue panoramic central control (Android) software (卓越全景中控(Android)軟件)	PRC	Our Company	2019SR1252414	26/08/2019
22.	Zhuoyue two-dimensional panoramic restoration teaching software (卓越2D全景還原教學軟件)	PRC	Our Company	2019SR1245011	25/08/2019
23.	Zhuoyue interactive teaching quality monitoring and assurance software (卓越互動教學質量監控保障軟件)	PRC	Our Company	2019SR0568451	25/01/2019
24.	Zhuoyue classroom normalized recording software (卓越課堂常態化錄播軟件)	PRC	Our Company	2019SR0558198	26/01/2019
25.	Zhuoyue classroom multi-signal scheduling software (卓越課堂多路信號調度軟件)	PRC	Our Company	2019SR0524808	15/02/2019
26.	Zhuoyue high-performance live interactive software (卓越高性能直播互動軟件)	PRC	Our Company	2019SR0524812	19/01/2019
27.	Zhuoyue intelligent high definition streaming media playback terminal (Android) software (卓越智能高清流媒體播控終端(Android)軟件)	PRC	Our Company	2019SR0486748	15/01/2019
28.	Zhuoyue classroom central control (Android) software (卓越課堂中控(Android)軟件)	PRC	Our Company	2019SR0480242	26/02/2019
29.	Zhunshi panoramic classroom data meeting room software (諄實全景課堂數據會客廳軟件)	PRC	Shanghai Zhunshi	2024SR0565261	25/04/2024
30.	Zhunshi AI teaching supervisory rating platform software (諄實AI教學督導評課平台軟件)	PRC	Shanghai Zhunshi	2024SR0678815	20/05/2024

(c) Patents

As of the Latest Practicable Date, we had registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Type	Place of Registration	Patentee	Patent Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1.	A method and system for smooth rotation control of panoramic courseware based on gesture operation (基於手勢操作的全景課件平滑旋轉操控的方法及系統)	Invention patent	PRC	Our Company	ZL202110919080.0	11/08/2021	11/08/2041
2.	An online editing method for dealing with slips of the tongue in videos (一種處理視頻中口誤的在綫剪輯方法)	Invention patent	PRC	Our Company	ZL202110919101.9	11/08/2021	11/08/2041
3.	A method and system for synchronizing teaching information and teaching platform data (一種教學教務信息與教學平台數據同步方法及系統)	Invention patent	PRC	Our Company	ZL202010392544.2	11/05/2020	11/05/2040

(d) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Place of Registration	Expiry Date (dd/mm/yyyy)
1.	able-elec.com	Our Company	PRC	16/07/2025
2.	livecourse.com	Our Company	PRC	29/04/2026
3.	zhihuishu.com	Our Company	PRC	30/11/2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares (assuming that the **[REDACTED]** is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Appendix C3 to the Listing Rules.

***(a) Interests and short positions of our Directors, Supervisors or chief executive in the share capital of our Company and its associated corporations following completion of the* [REDACTED]**

Interests in Shares

Name of Director, Supervisor or chief executive	Position	Nature of Interest[1]	Number and description of Shares held	Approximate percentage of shareholding in the H Shares/ Domestic [REDACTED] Shares after the [REDACTED][7] (%)	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED][7] (%)
Mr. Wang	Chairman of the Board and executive Director	Beneficial owner	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
		Interest of spouse[2]	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Ms. Ge	Non-executive Director	Beneficial owner	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
		Interest of spouse[2]	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Mr. XI Puzhao	Executive Director and general manager	Beneficial owner	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Ms. WANG Xin	Executive Director and deputy general manager	Beneficial owner	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
		Interest of spouse[3]	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
		Interest in controlled corporation[4]	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%

Name of Director, Supervisor or chief executive	Position	Nature of Interest(1)	Number and description of Shares held	Approximate percentage of shareholding in the H Shares/ Domestic [REDACTED] Shares after the [REDACTED](7) (%)	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED](7) (%)
Mr. LI Quansheng	Supervisor	Interest in controlled corporation(5)	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Mr. HAN Yuze	Supervisor	Interest in controlled corporation(6)	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) All interests stated are long position.

(2) Mr. Wang and Ms. Ge are spouses. As such, Mr. Wang and Ms. Ge were deemed to be interested in the Shares held by each other for the purpose of Part XV of the SFO.

(3) Ms. WANG Xin and Mr. ZHANG Bocheng are spouses. Upon completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares, Mr. ZHANG Bocheng will hold **[REDACTED]** H Shares of our Company. Ms. WANG Xin is deemed to be interested in the Shares held by Mr. ZHANG Bocheng for the purpose of Part XV of the SFO.

(4) As of the Latest Practicable Date, Peixian Yingcui was controlled by Ms. WANG Xin as the general partner. Upon completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares, Peixian Yingcui will hold **[REDACTED]** H Shares of our Company. Therefore, Ms. WANG Xin is deemed to be interested in the Shares held by Peixian Yingcui for the purpose of Part XV of the SFO.

(5) As of the Latest Practicable Date, each of Datai Yueda and Yueda Taihe was managed and controlled by a corporate fund manager, which was directly and indirectly owned as to 85% by a company controlled by Mr. Li Quansheng. Therefore, Mr. LI Quansheng is deemed to be interested in the Shares held by each of Datai Yueda and Yueda Taihe for the purpose of Part XV of the SFO.

(6) As of the Latest Practicable Date, each of Xinjiang Lianchuang and Shanghai Yongcang was managed and controlled by the respective corporate fund manager ultimately controlled by Mr. HAN Yuze. Therefore, Mr. HAN Yuze is deemed to be interested in the Shares held by each of Xinjiang Lianchuang and Shanghai Yongcang for the purpose of Part XV of the SFO.

(7) The calculation is based on the total number of **[REDACTED]** Domestic **[REDACTED]** Shares in issue and **[REDACTED]** H Shares to be issued pursuant to the **[REDACTED]** [(including **[REDACTED]** H Shares to be converted from Domestic **[REDACTED]** Shares)] in issue upon **[REDACTED]**, assuming that the **[REDACTED]** is not exercised.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For the information on the persons who will, immediately following the completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares, (assuming that the **[REDACTED]** is not exercised), having or be deemed or taken to have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see "Substantial Shareholders" in this document.

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the **[REDACTED]**, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

2. Service Contracts

We [have entered] into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

3. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix I – Accountant's Report – Note 34" for the three financial years ended December 31, 2022, 2023 and 2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

4. Disclaimers

Saved as disclosed in this document:

(a) none of our Directors, Supervisors or any of the parties listed in "Qualification of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(b) save in connection with the **[REDACTED]** and the **[REDACTED]**, none of the parties listed in "Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers during the Track Record Period; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are **[REDACTED]** on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE INCENTIVE SCHEME

Background

The Company has adopted the employee incentive scheme (the "**Employee Incentive Scheme**") to incentivize our employees at the relevant time for their contribution or potential contribution to our Group. The Employee Incentive Scheme was adopted by our Company in February 2016 and amended by a resolution of our Shareholders on July 30, 2021 and March 1, 2024, respectively. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules, as the Employee Incentive Scheme does not involve the grant of new Shares or options over new Shares by our Company to subscribe for H Shares after the **[REDACTED]**. The following is a summary of the principal terms of the Employee Incentive Scheme.

As of the Latest Practicable Date, the incentive shares under the Employee Incentive Scheme were held through six platforms, namely Shanghai Xuru, Shanghai Shuhuai, Shanghai Suishang, Peixian Yingcui, Shanghai Womiao and Shanghai Baxuan. The participants under the Employee Incentive Scheme would be granted partnership interest of the platforms (the "**Award**"), and become limited partners thereof and hence be indirectly interested in the incentive shares held by the relevant platform(s) in our Company.

(i) Shanghai Xuru

Shanghai Xuru was established in the PRC as a limited partnership on September 9, 2016. It was controlled by Mr. ZHANG Weiguo, our employee and an Independent Third Party, as the general partner holding approximately 0.36% therein. As of the Latest Practicable Date, among the partnership interest of Shanghai Xuru, approximately 37.50% was held by our employees and employee shareholding platforms for share incentive purpose, including (a) 14.63% by Shanghai Baixuan, (b) 17.80% by Shanghai Womiao, (c) 0.54% by Ms. WANG Xin, our executive Director and (d) 4.54% by the remaining 11 employees of our Group, each an Independent Third Party holding less than one-third of interests therein.

(ii) Shanghai Shuhuai

Shanghai Shuhuai was established in the PRC as a limited partnership on October 13, 2016. As of the Latest Practicable Date, it was controlled by Mr. ZHANG Weiguo as the general partner holding approximately 1.77% therein. Among the partnership interest of Shanghai Shuhuai, approximately 53.89% was owned by our employees for share incentive purpose, including (a) 5.14% by Mr. ZHANG Bocheng, a supervisor of our subsidiary, Shanghai Zhidao, (b) 1.55% by Mr. XI Puzhao, our executive Director and general manager, (c) 5.16% by Mr. WANG Jian, our Supervisor, (d) 18.43% by Ms. CAO Rui, our chief financial officer and secretary of the Board, (e) 6.35% by Ms. WANG Xin, and (f) 17.25% by the remaining 14 employees of our Group, each an Independent Third Party holding less than one-third of interests therein.

(iii) Shanghai Suishang

Shanghai Suishang was established in the PRC as a limited partnership on September 23, 2016. As of the Latest Practicable Date, it was controlled by Mr. ZHANG Weiguo as the general partner holding approximately 0.15% therein, and the remaining interest of Shanghai Suishang was owned by 27 limited partners, including 4.61% by Mr. WANG Jian, our Supervisor, 6.14% by Ms. CAO Rui, 2.56% by Ms. WANG Xin, 2.07% by Mr. WANG Jun, the brother of Mr. Wang and 84.46% by the remaining 23 employees of our Group, each an Independent Third Party holding less than one-third of the interests therein.

(iv) Peixian Yingcui

Peixian Yingcui was established in the PRC as a limited partnership on August 14, 2020. As of the Latest Practicable Date, it was controlled by Ms. WANG Xin as the general partner holding approximately 0.50% therein, and the remaining interest of Peixian Yingcui was owned by Ms. CAO Rui as the limited partner holding approximately 99.50% therein.

(v) Shanghai Womiao

Shanghai Womiao was established in the PRC as a limited partnership on August 12, 2020. As of the Latest Practicable Date, it was controlled by Mr. ZHANG Weiguo as the general partner holding approximately 0.20% therein, and the remaining interest of Shanghai Womiao was owned by 48 limited partners, all of whom are employees of our Group, each an Independent Third Party holding less than one-third of the interests therein.

(vi) Shanghai Baxuan

Shanghai Baxuan was established in the PRC as a limited partnership on August 12, 2020. As of the Latest Practicable Date, it was controlled by Mr. ZHANG Weiguo as the general partner holding approximately 0.24% therein, and the remaining interest of Shanghai Baxuan was owned by 45 limited partners, all of whom are employees of our Group, each an Independent Third Party holding less than one-third of the interests therein.

Administration

The Shareholders are responsible for reviewing and approving the Employee Incentive Scheme together with its amendment and termination. The Remuneration Committee is responsible for formulating and executing the Employee Incentive Scheme.

Term and Lock-up

The Employee Incentive Scheme shall be valid and effective for a period commencing from the adoption date of the Employee Incentive Scheme, being February 2016, and until termination as resolved by the general meeting of the Shareholders.

The Awards granted under the Employee Incentive Scheme shall be subject to a lock-up period until **[REDACTED]** of the Company, subject to applicable regulatory requirements. After the expiration of the lock-up period of the Employee Incentive Scheme, the participants are entitled to apply to the general partner for disposal of the incentive shares underlying the Awards.

Number of Shares

The number of Shares underlying the Awards granted the Employee Incentive Scheme is approximately 1,725,762, representing approximately 2.88% of the aggregate amount of the Shares in issue immediately before the completion of the **[REDACTED]** and **[REDACTED]**% of our total issued share capital immediately upon the completion of the **[REDACTED]** assuming the **[REDACTED]** is not exercised.

Withdrawal of the Awards

The participants may be required to withdraw from the Employee Incentive Scheme and transfer all of the partnership interests in the Employee Incentive Platform held by them to the eligible participants designated by the Remuneration Committee in accordance with the Employee Incentive Scheme, including but not limited to expiration or termination of the employment.

Details of the Awards Granted

As of the Latest Practicable Date, details of the Awards granted under the Employee Incentive Scheme are set out as below.

Name of the grantees	Relationship with our Group	Number of underlying Shares granted under the Employee Incentive Schemes *(approximate)*	Approximate percentage of effective shareholding immediately following completion of the [REDACTED][1]
Connected Persons and senior management			
Ms. WANG Xin	Executive Director	98,706	**[REDACTED]**
Mr. WANG Jian	Supervisor	86,129	**[REDACTED]**
Mr. XI Puzhao	Executive Director and general manager	19,974	**[REDACTED]**
Mr. ZHANG Bocheng	Supervisor of Shanghai Zhidao	66,101	**[REDACTED]**
Ms. CAO Rui	Chief financial officer and secretary of the Board	544,418	**[REDACTED]**
Mr. WANG Jun	Brother of Mr. Wang	8,874	**[REDACTED]**
Others			
117 employees of our Group		901,561	**[REDACTED]**
Total	–	**1,725,762**	**[REDACTED]**

(1) Assuming no **[REDACTED]** is exercised.

There are no Shares underlying the Employee Incentive Platforms, which are reserved for grant of Awards to future grantees under the Employee Incentive Scheme. No further Awards are expected to be granted after **[REDACTED]** under the Employee Incentive Scheme.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiaries.

2. Litigation

Saved as disclosed in this document, to the knowledge of our Directors, there is no litigation or claims of material importance pending or threatened against any member of our Group.

3. Sole Sponsor

[The Sole Sponsor has made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares. All necessary arrangements [have been made] to enable the securities to be admitted into **[REDACTED]**.]

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US$900,000 for acting as a sponsor for the **[REDACTED]**.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

5. Qualification of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualification
ABCI Capital Limited	Corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jingtian & Gongcheng	Legal advisor to our Company as to PRC law
Commerce & Finance Law Offices	Legal advisor to our Company as to PRC data compliance law

6. Consents of Experts

Each of the experts referred to in "Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Compliance Advisor

We have appointed Silver Nile Global Investments Limited as our compliance advisor upon the **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

8. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. Hong Kong stamp duty will apply at the current standard rate of 0.1% on the higher of the consideration paid for, or the market value of the H Shares being sold, purchased or transferred, whether or not the sale or purchase is effected on or off the Stock Exchange.

9. No Material Adverse Change

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial position or prospects since December 31, 2024.

10. Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) within the two years immediately preceding the date of this document:

   (i) save as disclosed in "– 2. Changes in Share Capital" and "– 3. Changes in Share Capital of Our Subsidiaries" above, no share or loan capital of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash; and

   (ii) save in connection with the **[REDACTED]**, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of the Group;

(b) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(h) no part of the equity or debt securities of our Company, if any, is currently **[REDACTED]** on or dealt in on any stock exchange or **[REDACTED]** system, and no such **[REDACTED]** or permission to **[REDACTED]** on any stock exchange other than the Stock Exchange is currently being or agreed to be sought; and

(i) our Company has no outstanding convertible debt securities or debentures.

12. Restrictions on Share Buy-back

For details, see the sections headed "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association" in this document.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Promoters

The promoters of our Company comprised all of the 28 then shareholders of our Company as at December 31, 2020 before our conversion into a joint stock limited liability company. Within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the **[REDACTED]** or the related transactions described in this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix VI – Statutory and General Information – Other Information – Consents of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix VI – Statutory and General Information – Further Information about our Business – Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.able-elec.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountant's Report prepared by PricewaterhouseCoopers in respect of the historical financial information of the Group for the three years ended December 31, 2022, 2023 and 2024, the text of which is set forth in Appendix I to this document;

3. the audited consolidated financial statements of our Company for the three financial years ended December 31, 2022, 2023 and 2024;

4. the report from PricewaterhouseCoopers on the unaudited **[REDACTED]** financial information of our Group, the text of which is set forth in Appendix II to this document;

5. the material contracts in "Appendix VI – Statutory and General Information – Further Information about our Business – Summary of Material Contracts";

6. the written consents referred to in "Appendix VI – Statutory and General Information – Other Information – Consents of Experts";

7. the service contracts referred to in "Appendix VI – Statutory and General Information – Further Information about our Directors and Supervisors – Service Contracts";

8. the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the PRC data compliance memorandum issued by Commerce & Finance Law Offices, our PRC Data Compliance Legal Advisor, in respect of PRC data compliance law;

10. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this document; and

11. the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures, together with their respective unofficial English translations.