

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-39742

**17 Education & Technology Group Inc.**

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

**Cayman Islands**

(Jurisdiction of Incorporation or Organization)

**16/F, Block B, Wangjing Greenland Center**

**Chaoyang District, Beijing 100102**

**People's Republic of China**

(Address of Principal Executive Offices)

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**Chaoyang District, Beijing 100102**

**People's Republic of China**

(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>American Depositary Shares, each representing ten Class A ordinary shares, par value US\$0.0001 per share</b>	<b>YQ</b>	<b>The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)</b>
<b>Class A ordinary shares, par value US\$0.0001 per share*</b>		<b>The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)</b>

\* Not for trading, but only in connection with the listing our American depositary shares on the Nasdaq Global Select Market, each American depositary shares representing ten Class A ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2021, there were 508,031,685 ordinary shares outstanding, being the sum of 449,578,517 Class A ordinary shares and 58,453,168 Class B ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer and large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Emerging Growth Company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes  No

Indicate by check mark which basis of accounting the registrant has been to prepare the financial statements included in this filing:

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="checkbox"/>	Other <input type="checkbox"/>
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If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

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## INTRODUCTION

Unless otherwise indicated or the context otherwise requires, references in this annual report on Form 20-F to:

- “17 Education & Technology,” “we,” “us,” “our company” and “our” are to 17 Education & Technology Group Inc., our Cayman Islands holding company and its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIEs and the subsidiaries of the VIEs;
- “ADRs” are to the American depositary receipts that may evidence the ADSs;
- “ADSs” are to the American depositary shares, each of which represent ten Class A ordinary shares. Except as otherwise indicated, all ADS and per ADS data in this annual report give retroactive effect to the change in the ratio of ADSs to Class A ordinary shares (the “ADS Ratio”) from two ADSs to five Class A ordinary shares to one ADS to ten Class A ordinary shares, which became effective on November 17, 2021;
- “average MAUs” for a certain period is calculated by dividing (i) the sum of MAUs for each month of such period by (ii) the number of months in such period;
- “average number of homework assignments each active verified teacher user issued per week” for any period is calculated by dividing (i) the sum of number of homework assignments issued per active verified teacher user using our in-school teacher applications for each week of such period, by (ii) the number of weeks in such period;
- “average number of sessions of use each active student user maintained per week” for any period is calculated by dividing (i) the sum of number of times of launching our in-school student applications per active user for each week of such period, by (ii) the number of weeks in such period;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “CGI” are to computer-generated imagery;
- “Class A ordinary shares” are to our Class A ordinary shares, par value US\$0.0001 per share;
- “Class B ordinary shares” are to our Class B ordinary shares, par value US\$0.0001 per share;
- “gross billings” for a specific period are to the sum of cash received from each enrollment of our online K-12 tutoring courses in such period inclusive of the applicable VAT and surcharges, net of the total amount of refunds in such period;
- “MAUs” are to monthly active users, which is the number of users that logged in to the relevant in-school application(s) in a given month at least once. We treat each account as a distinct user when calculating MAUs;
- “our WFOEs” are to Shanghai Yiqi Zuoye Information Technology Co., Ltd., Guangzhou Qixiang Technology Co., Ltd., Guangzhou Qixuan Education & Technology Co., Ltd., Beijing Yiqi Education & Technology Co., Ltd. and Beijing Yiqi Hangfan Technology Co., Ltd. (each of which, “our WFOE”);
- “paid courses” are to our online K-12 large-class after-school tutoring courses that are charged not less than RMB99.00 per course;

- “paid course enrollments” for a certain period are to the cumulative number of paid courses enrolled in and paid for by our students, including multiple paid courses enrolled in and paid for by the same student;
- “primary beneficiary of VIEs” are to Shanghai Yiqi Zuoye Information Technology Co., Ltd., Guangzhou Qixiang Technology Co., Ltd., Guangzhou Qixuan Education & Technology Co., Ltd., and Beijing Yiqi Hangan Technology Co., Ltd.;
- “promotional courses” are to our online K-12 large-class after-school tutoring courses that are free;
- “registered parent users” are to users that have registered and logged onto our in-school parent application at least once since registration;
- “RMB” and “Renminbi” are to the legal currency of China;
- “SaaS” are to software as a service;
- “shares” or “ordinary shares” are to our Class A and Class B ordinary shares, par value US\$0.0001 per share;
- “trial courses” are to our online K-12 large-class after-school tutoring courses that are free or priced lower than RMB99.00 per course;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” are to the legal currency of the United States;
- “verified student users” are to users of our in-school student applications that have completed at least three homework assignments;
- “verified teacher users” are to users of our in-school teacher applications that have fulfilled our verification requirements with respect to user information provided, number of students enrolled in his or her virtual class(es) and level of student activity, such as having at least three homework assignments issued and completed by at least eight student users enrolled in his or her virtual class(es); and
- “VIEs” are to variable interest entities, and “the VIEs” are to Shanghai Hexu Information Technology Co., Ltd., Beijing Yiqi Education Information Consultation Co., Ltd., Beijing Qili Technology Co., Ltd., and Beijing Yiqi Education Technology Development Co., Ltd. (each of which, “a VIE”).

Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our reporting currency is Renminbi because our business is mainly conducted through the VIEs and their subsidiaries in China. This annual report on Form 20-F contains translations from RMB to U.S. dollars solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at a rate of RMB6.3726 to US\$1.00, the exchange rate in effect as of December 30, 2021 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. The forward looking statements are contained principally in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” and “Item 5. Operating and Financial Review and Prospects.” Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- relevant government policies and regulations relating to our industry;
- our mission, goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the industries we operate in;
- our expectations regarding the prospects of our business model and the demand for and market acceptance of our products and services;
- our expectations regarding maintaining and strengthening our relationships with students, teachers, parents, schools, business partners and other stakeholders;
- competition in the industries we operate in;
- general economic and business conditions globally and in China; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” “Item 5. Operating and Financial Review and Prospects,” and other sections in this annual report. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

**PART I.**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**Our Holding Company Structure and Contractual Arrangements with the VIEs**

17 Education & Technology is not an operating company in China but a Cayman Islands holding company with no equity ownership in the VIEs. We conduct our business in China through (i) our PRC subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements, and (iii) the subsidiaries of the VIEs. PRC laws and regulations restrict and impose conditions on foreign investment in value-added telecommunications services and certain other businesses. Accordingly, we operate these businesses in China through the VIEs, and rely on contractual arrangements among our PRC subsidiaries, the VIEs and their respective shareholders to control the business operations of the VIEs and their subsidiaries. Revenues contributed by the VIEs and their subsidiaries accounted for 89.2%, 95.0% and 99.2% of our total revenues for 2019, 2020 and 2021, respectively. As used in this annual report, “we,” “us,” “our company” and “our” refers to 17 Education & Technology, our Cayman Islands holding company and its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIEs and the subsidiaries of the VIEs. Investors in the ADSs are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

A series of contractual agreements, including proxy agreement and powers of attorney, equity interest pledge agreement, exclusive management services and business cooperation agreement, and exclusive call option agreement, have been entered into by and among our WFOEs, the VIEs and their respective shareholders. Terms contained in each set of contractual arrangements with the VIEs and their respective shareholders are substantially similar. As a result of the contractual arrangements, we have effective control over and are considered the primary beneficiary of the VIEs, and we have consolidated the financial results of the VIEs in our consolidated financial statements. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in China courts. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with the VIEs and their shareholders for our business operations, which may not be as effective as direct ownership in providing operational control.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—The shareholders of the VIEs may have actual or potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the VIEs and their respective shareholders. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. If we or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the

relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

Our corporate structure is subject to risks associated with our contractual arrangements with the VIEs. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries and the VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a whole. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure.”

#### **Other Risks related to Our PRC Operations**

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China through the VIEs and their subsidiaries, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, as well as the lack of inspection by the Public Company Accounting Oversight Board, or the PCAOB, on our auditors as determined by the announcement of the PCAOB issued on December 16, 2021. This may impact our ability to conduct certain businesses, accept foreign investments, or list in the United States. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, please refer to risks disclosed under “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security or anti-monopoly related regulations, in this nature may cause the value of such securities to significantly decline. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s significant oversight over our business operations could result in a material adverse change in our operations and the value of our ADSs.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

#### **Permissions Required from the PRC Authorities for Our Operations**

Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and VIEs have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company and the VIEs in China, including, among others, a Value-added Telecommunications Business Operating License and a Publication Operation License. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We face uncertainties with respect to the development of regulatory requirements on operating licenses and permits for our online education services in China. Failure to renew and maintain requested licenses or permits in a timely manner or obtain newly required ones due to adverse changes in regulations or policies could have a material adverse impact on our business, financial condition and results of operations.”



Furthermore, recent legal developments in China mainland have created compliance uncertainty regarding issuances of securities to foreign investors. The PRC governmental authorities have recently promulgated PRC laws, regulations and regulatory rules (as well as draft versions of the foregoing, which have been issued for public comment), relating to cybersecurity review and overseas listing. In connection with our historical issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the VIEs, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or were denied any requisite permissions by any PRC authority

However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas by, and foreign investment in, China-based issuers, such that we may be required to complete filing with or obtain permissions from the CSRC, CAC or other PRC authorities in connection with any future overseas capital raising activities. Any such action could significantly limit or completely hinder our ability to conduct future offerings of securities to investors and accept foreign investments. We cannot assure you that we would be able to comply with such regulatory guidance or any other new requirements relating to any of our potential future overseas capital raising activities. Any failure to obtain or delay in obtaining such approval or completing such procedures would subject us to sanctions by the CSRC, the CAC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our PRC subsidiaries or the VIEs or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs.

For more information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such other requirements.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We are subject to a variety of laws and other obligations regarding data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any actual or alleged failure to comply with applicable laws and obligations could have a material adverse effect on our business, financial condition and results of operations.”

### **The Holding Foreign Companies Accountable Act**

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange. Since our auditor is located in China mainland, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB, which may impact our ability to remain listed in the United States. The related risks and uncertainties could cause the value of our ADSs to significantly decline or become worthless.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023. Furthermore, on December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCAA, pursuant to which the SEC will identify a “Commission-Identified Issuer” if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections”

and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

### **Cash Flows through Our Organization**

17 Education & Technology is a holding company with no operations of its own. We conduct our business in China through our subsidiaries and the VIEs in China. As a result, although other means are available for us to obtain financing at the holding company level, 17 Education & Technology’s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and service fees paid by the VIEs. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to 17 Education & Technology. In addition, our PRC subsidiaries are permitted to pay dividends to 17 Education & Technology only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries and VIEs are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5. Operating and Financial Review and Prospects— B. Liquidity and Capital Resources—Holding Company Structure.”

Under PRC laws and regulations, our PRC subsidiaries and VIEs are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the State Administration of Foreign Exchange, or the SAFE. The amounts restricted include the paid-in capital and the statutory reserve funds of our PRC subsidiaries and the VIEs in which we have no legal ownership, totaling RMB1,602.5 million, RMB2,632.6 million and RMB4,117.3 million (US\$646.1 million) as of December 31, 2019, 2020 and 2021, respectively. For risks relating to the fund flows of our operations in China, see “Item 3. Key Information— D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

We have established stringent controls and procedures for cash flows within our organization. Each transfer of cash between our Cayman Islands holding company and a subsidiary, the VIEs or the subsidiaries of the VIEs is subject to internal approval. Under PRC law, 17 Education & Technology may provide funding to our PRC subsidiaries only through capital contributions or loans, and to the VIEs only through loans, subject to satisfaction of applicable government registration and approval requirements. For the years ended December 31, 2019, 2020 and 2021, 17 Education & Technology made capital contributions in the amount of RMB671.6 million, RMB1,024.6 million and RMB1,478.5 million (US\$232.0 million) to our subsidiaries, respectively. For the years ended December 31, 2019, 2020 and 2021, the VIEs received debt financing of nil, nil and RMB18.4 million (US\$2.9 million) from the primary beneficiary of VIEs, respectively. The VIEs may transfer cash to the primary beneficiary of the VIEs by paying service fees according to the exclusive management services and business cooperation agreements. For the years ended December 31, 2019, 2020 and 2021, cash paid by the VIEs to the primary beneficiary of the VIEs for service fees were RMB15.6 million, RMB337.8 million and RMB618.6 million (US\$97.0 million), respectively. The relevant WFOEs will determine the service fees payable by the VIEs based on the factors stipulated in the VIE agreements. If there is any amount payable to the relevant WFOEs under the VIE agreements, the VIEs will settle the amount accordingly, in compliance with PRC laws and regulations.

17 Education & Technology has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” For PRC and United States federal income tax considerations of an investment in our ADSs, see “Item 10. Additional Information—E. Taxation.”

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within China mainland, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	<b>Tax calculation(1)</b>
Hypothetical pre-tax earnings(2)	100%
Tax on earnings at statutory rate of 25%(3)	(25)%
Net earnings available for distribution 75%	75%
Withholding tax at standard rate of 10%(4)	(7.5)%
Net distribution to Parent/Shareholders	67.5%

Note:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of VIE contractual arrangements, our WFOEs may charge the VIEs for services provided to VIEs. These service fees shall be recognized as expenses of the VIEs, with a corresponding amount as service income by our WFOEs and eliminate in consolidation. For income tax purposes, our WFOEs and VIEs file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by the VIEs and as income by our WFOEs and are tax neutral.
- (3) Certain of our subsidiaries and VIEs qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong and certain other conditions are satisfied, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the VIEs will be distributed as fees to our WFOEs under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIEs exceed the service fees paid to our WFOEs (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the VIEs could make a non-deductible transfer to our WFOEs for the amounts of the stranded cash in the VIEs. This would result in such transfer being non-deductible expenses for the VIEs but still taxable income for the WFOEs. Such a transfer and the related tax burdens would reduce our after-tax income to approximately 50.6% of the pre-tax income. Our management believes that there is only a remote possibility that this scenario would happen.

#### Financial Information Related to the VIEs

The following tables provide condensed consolidating schedules depicting the results of operations, financial position and cash flows for 17 Education & Technology, its subsidiaries, the consolidated VIEs, and any eliminating adjustments and consolidated totals (in thousands of RMB) as of and for the dates presented.

*Selected Condensed Consolidated Statements of Operations Information*

**For the Year Ended December 31, 2021**

	<b>17</b>					
	<b>Education &amp; Technology</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiary of VIEs</b>	<b>VIEs and VIEs' Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
	<b>(RMB in thousands)</b>					
Third-party net revenues	—	354	17,839	2,166,327	—	2,184,520
Inter-company net revenues	—	195,115	734,075	—	(929,190)	—
Total costs and expenses	(204,594)	(643,314)	(1,455,387)	(1,354,711)	—	(3,658,006)
Inter-company costs and expenses	—	—	—	(929,190)	929,190	—
Income (loss) from non-operations	4,002	2,187	39,133	(13,749)	—	31,573
Share of loss from subsidiaries, VIEs and VIEs' subsidiaries	(1,241,321)	(795,663)	(131,323)	—	2,168,307	—
Loss before income tax expenses	(1,441,913)	(1,241,321)	(795,663)	(131,323)	2,168,307	(1,441,913)
Less: income tax expenses	—	—	—	—	—	—
Net loss	<u>(1,441,913)</u>	<u>(1,241,321)</u>	<u>(795,663)</u>	<u>(131,323)</u>	<u>2,168,307</u>	<u>(1,441,913)</u>

**For the Year Ended December 31, 2020**

	<b>17</b>					
	<b>Education &amp; Technology</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiary of VIEs</b>	<b>VIEs and VIEs' Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
	<b>(RMB in thousands)</b>					
Third-party net revenues	—	—	65,245	1,229,126	—	1,294,371
Inter-company net revenues	—	23,350	481,248	—	(504,598)	—
Total costs and expenses	(361,638)	(245,309)	(1,081,229)	(940,311)	—	(2,628,487)
Inter-company costs and expenses	—	(8,609)	—	(495,989)	504,598	—
Income (loss) from non-operations	2,744	(9,041)	(11,776)	12,281	—	(5,792)
Share of loss from subsidiaries, VIEs and VIEs' subsidiaries	(981,014)	(741,405)	(194,893)	—	1,917,312	—
Loss before income tax expenses	(1,339,908)	(981,014)	(741,405)	(194,893)	1,917,312	(1,339,908)
Less: income tax expenses	—	—	—	—	—	—
Net loss	<u>(1,339,908)</u>	<u>(981,014)</u>	<u>(741,405)</u>	<u>(194,893)</u>	<u>1,917,312</u>	<u>(1,339,908)</u>

**For the Year Ended December 31, 2019**

	<b>17</b>					
	<b>Education &amp; Technology</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiary of VIEs</b>	<b>VIEs and VIEs' Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
	<b>(RMB in thousands)</b>					
Third-party net revenues	—	—	43,963	362,282	—	406,245
Inter-company net revenues	—	—	104,940	—	(104,940)	—
Total costs and expenses	(96,631)	—	(846,861)	(462,861)	—	(1,406,353)
Inter-company costs and expense	—	—	—	(104,940)	104,940	—
Income (loss) from non-operations	12,863	(326)	23,215	606	—	36,358
Share of loss from subsidiaries, VIEs and VIEs' subsidiaries	(879,982)	(879,656)	(204,913)	—	1,964,551	—
Loss before income tax expenses	(963,750)	(879,982)	(879,656)	(204,913)	1,964,551	(963,750)
Less: income tax expenses	—	—	—	—	—	—
Net loss	<u>(963,750)</u>	<u>(879,982)</u>	<u>(879,656)</u>	<u>(204,913)</u>	<u>1,964,551</u>	<u>(963,750)</u>

Selected Condensed Consolidated Balance Sheets Information

	For the Year Ended December 31, 2021					
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
<b>Assets</b>						
Cash and cash equivalents	597,522	91,994	251,862	239,520	—	1,180,898
Prepaid expenses and other current assets	—	9,538	36,955	115,333	—	161,826
Amount due from inter-companies	733,763	148,096	664,542	118,073	(1,664,474)	—
Property and equipment, net	—	33,357	2,600	33,854	—	69,811
Right-of-use assets	—	61,356	2,754	89,853	—	153,963
Other non-current assets	—	5,104	681	8,138	—	13,923
<b>Total assets</b>	<b>1,331,285</b>	<b>349,445</b>	<b>959,394</b>	<b>604,771</b>	<b>(1,664,474)</b>	<b>1,580,421</b>
<b>Liabilities and Shareholders' Equity</b>						
Accrued expenses and other current liabilities	59	64,504	234,615	93,115	—	392,293
Deferred revenue current and non-current	—	—	4,611	239,267	—	243,878
Amount due to inter-companies	—	257,133	607,714	799,627	(1,664,474)	—
Deficits of investments in subsidiaries, VIEs and VIEs' subsidiaries	534,190	743,732	1,543,504	—	(2,821,426)	—
Operating lease liabilities current and non-current	—	57,440	2,755	87,019	—	147,214
<b>Total liabilities</b>	<b>534,249</b>	<b>1,122,809</b>	<b>2,393,199</b>	<b>1,219,028</b>	<b>(4,485,900)</b>	<b>783,385</b>
<b>Total shareholders' equity (deficit)</b>	<b>797,036</b>	<b>(773,364)</b>	<b>(1,433,805)</b>	<b>(614,257)</b>	<b>2,821,426</b>	<b>797,036</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>1,331,285</b>	<b>349,445</b>	<b>959,394</b>	<b>604,771</b>	<b>(1,664,474)</b>	<b>1,580,421</b>

For the Year Ended December 31, 2020

	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
(RMB in thousands)						
<b>Assets</b>						
Cash and cash equivalents	2,108,582	165,094	141,316	419,970	—	2,834,962
Restricted cash	—	—	—	170	—	170
Prepaid expenses and other current assets	—	2,020	34,426	175,002	—	211,448
Amount due from inter-companies	716,696	37,633	524,072	116,194	(1,394,595)	—
Property and equipment, net	—	10,889	13,415	80,919	—	105,223
Right-of-use assets	—	79,947	9,271	110,939	—	200,157
Other non-current assets	—	7,175	132	30,475	—	37,782
<b>Total assets</b>	<b>2,825,278</b>	<b>302,758</b>	<b>722,632</b>	<b>933,669</b>	<b>(1,394,595)</b>	<b>3,389,742</b>
Accrued expenses and other current liabilities	3,768	61,206	261,332	213,481	—	539,787
Deferred revenue current and non-current	—	—	24,480	573,809	—	598,289
Amount due to inter-companies	—	262,490	606,054	526,051	(1,394,595)	—
Deficits of investments in subsidiaries, VIEs and VIEs' subsidiaries	757,360	926,687	989,860	—	(2,673,907)	—
Operating lease liabilities current and non-current	—	77,930	6,324	103,262	—	187,516
<b>Total liabilities</b>	<b>761,128</b>	<b>1,328,313</b>	<b>1,888,050</b>	<b>1,416,603</b>	<b>(4,068,502)</b>	<b>1,325,592</b>
<b>Total shareholders' equity (deficit)</b>	<b>2,064,150</b>	<b>(1,025,555)</b>	<b>(1,165,418)</b>	<b>(482,934)</b>	<b>2,673,907</b>	<b>2,064,150</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>2,825,278</b>	<b>302,758</b>	<b>722,632</b>	<b>933,669</b>	<b>(1,394,595)</b>	<b>3,389,742</b>

*Selected Condensed Consolidated Cash Flows Information*

For the Year Ended December 31, 2021

	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Totals
	(RMB in thousands)					
Net cash used in operating activities	(3,979)	(535,194)	(829,912)	(137,607)	—	(1,506,692)
Capital contribution to Group companies	(1,478,469)	(960,375)	—	—	2,438,844	—
Loans to Group companies	—	—	(18,400)	(2,000)	20,400	—
Other investing activities	—	(56,707)	(1,483)	(59,413)	—	(117,603)
Net cash used in investing activities	(1,478,469)	(1,017,082)	(19,883)	(61,413)	2,459,244	(117,603)
Capital contribution from Group companies	—	1,478,469	960,375	—	(2,438,844)	—
Borrowings under loan from Group companies	—	2,000	—	18,400	(20,400)	—
Other financing activities	4,905	—	(3,953)	—	—	952
Net cash generated from financing activities	4,905	1,480,469	956,422	18,400	(2,459,244)	952



**For the Year Ended December 31, 2020**

	<b>17 Education &amp; Technology</b>	<b>Other Subsidiaries</b>	<b>Primary Beneficiary of VIEs</b>	<b>VIEs and VIEs' Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
	(RMB in thousands)					
Net cash (used in) generated from operating activities	(4,214)	(196,602)	(669,945)	347,773	—	(522,988)
Capital contribution to Group companies	(1,024,607)	(687,431)	—	—	1,712,038	—
Loans to Group companies	—	—	—	—	—	—
Other investing activities	—	(11,279)	7,563	(85,788)	—	(89,504)
Net cash (used in) generated from investing activities	(1,024,607)	(698,710)	7,563	(85,788)	1,712,038	(89,504)
Capital contribution from Group companies	—	1,024,607	687,431	—	(1,712,038)	—
Borrowings under loan from Group companies	—	—	—	—	—	—
Proceeds from the IPO and from exercising the over-allotment option by the underwriter	2,051,695	—	—	—	—	2,051,695
Proceeds from the issuance of Series F convertible redeemable preferred shares	849,528	—	—	—	—	849,528
Other financing activities	(18,997)	—	(75,805)	(9,000)	—	(103,802)
Net cash generated from (used in) financing activities	2,882,226	1,024,607	611,626	(9,000)	(1,712,038)	2,797,421

**For the Year Ended December 31, 2019**

	<b>17</b>	<b>Other</b>	<b>Primary</b>	<b>VIEs and</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>Education</b>	<b>Subsidiaries</b>	<b>Beneficiary</b>	<b>VIEs'</b>	<b>Eliminations</b>	<b>Totals</b>
	<b>&amp;</b>	<b>Subsidiaries</b>	<b>of VIEs</b>	<b>Subsidiaries</b>	<b>Eliminations</b>	<b>Totals</b>
	<b>Technology</b>	<b>Subsidiaries</b>	<b>of VIEs</b>	<b>Subsidiaries</b>	<b>Eliminations</b>	<b>Totals</b>
	<b>(RMB in thousands)</b>					
Net cash generated from (used in) operating activities	11,529	—	(802,570)	159,753	—	(631,288)
Capital contribution to Group companies	(671,566)	(671,566)	—	—	1,343,132	—
Loans to Group companies	(60,137)	—	—	—	60,137	—
Other investing activities	—	—	9,802	(38,396)	—	(28,594)
Net cash (used in) generated from investing activities	(731,703)	(671,566)	9,802	(38,396)	1,403,269	(28,594)
Capital contribution from Group companies	—	671,566	671,566	—	(1,343,132)	—
Borrowings under loan from Group companies	—	60,137	—	—	(60,137)	—
Other financing activities	(551)	—	76,000	9,000	—	84,449
Net cash (used in) generated from financing activities	(551)	731,703	747,566	9,000	(1,403,269)	84,449

**A. Selected Financial Data**

The following selected consolidated statements of operations and selected consolidated cash flow data for the years ended December 31, 2019, 2020 and 2021, and selected consolidated balance sheet data as of December 31, 2020 and 2021 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations and selected consolidated cash flow data for the years ended December 31, 2018 is derived from our audited consolidated financial statements not included herein. The selected consolidated balance sheet data as of December 31, 2018 and 2019 is derived from our audited consolidated financial statements not included herein. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results do not necessarily indicate results expected for any future periods. You should read this Selected Consolidated Financial Data section together with our consolidated financial statements and the related notes in conjunction with “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

The following table presents our selected consolidated statements of operations for the years ended December 31, 2018, 2019, 2020 and 2021:

	For the Year Ended December 31,				
	2018 RMB	2019 RMB	2020 RMB	2021 RMB	US\$
	(in thousands, except for share amount and per share data)				
<b>Selected Consolidated Statements of Operations:</b>					
<b>Net revenues</b>	<b>310,706</b>	<b>406,245</b>	<b>1,294,371</b>	<b>2,184,520</b>	<b>342,799</b>
<b>Cost of revenues<sup>(1)</sup></b>	<b>(104,967)</b>	<b>(173,476)</b>	<b>(495,671)</b>	<b>(878,236)</b>	<b>(137,814)</b>
<b>Gross profit</b>	<b>205,739</b>	<b>232,769</b>	<b>798,700</b>	<b>1,306,284</b>	<b>204,985</b>
<b>Operating expenses<sup>(1)</sup></b>					
Sales and marketing expenses	(303,492)	(583,818)	(1,097,932)	(1,412,873)	(221,711)
Research and development expenses	(398,627)	(491,266)	(614,770)	(800,163)	(125,563)
General and administrative expenses	(203,129)	(157,793)	(420,114)	(445,440)	(69,899)
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	—	(121,294)	(19,034)
<b>Total operating expenses</b>	<b>(905,248)</b>	<b>(1,232,877)</b>	<b>(2,132,816)</b>	<b>(2,779,770)</b>	<b>(436,207)</b>
<b>Loss from operations</b>	<b>(699,509)</b>	<b>(1,000,108)</b>	<b>(1,334,116)</b>	<b>(1,473,486)</b>	<b>(231,222)</b>
Interest income	33,980	23,834	8,422	24,573	3,856
Interest expense	—	(485)	(2,925)	—	—
Foreign currency exchange gain/(loss)	8,576	12,907	(15,557)	2,326	365
Other income, net	882	102	4,268	4,674	733
<b>Loss before provision for income tax</b>	<b>(656,071)</b>	<b>(963,750)</b>	<b>(1,339,908)</b>	<b>(1,441,913)</b>	<b>(226,268)</b>
Income tax expenses	—	—	—	—	—
<b>Net loss</b>	<b>(656,071)</b>	<b>(963,750)</b>	<b>(1,339,908)</b>	<b>(1,441,913)</b>	<b>(226,268)</b>
Accretion of convertible redeemable preferred shares	(244,371)	(600,535)	(2,837,991)	—	—
<b>Net loss available to ordinary shareholders of 17 Education &amp; Technology Group Inc</b>	<b>(900,442)</b>	<b>(1,564,285)</b>	<b>(4,177,899)</b>	<b>(1,441,913)</b>	<b>(226,268)</b>
<b>Net loss per ordinary share</b>					
Basic and diluted	(18.50)	(27.25)	(44.68)	(2.92)	(0.46)
<b>Weighted average shares used in calculating net loss per ordinary share</b>					
Basic and diluted	48,676,298	57,410,827	93,503,437	494,055,703	494,055,703

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year ended December 31,				
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
<b>Share-based compensation expenses:</b>					
Sales and marketing expenses	4,911	8,737	35,077	25,776	4,045
Research and development expenses	12,254	22,508	68,688	60,002	9,416
General and administrative expense	106,365	61,845	252,273	109,436	17,173
<b>Total</b>	<b>123,530</b>	<b>93,090</b>	<b>356,038</b>	<b>195,214</b>	<b>30,634</b>

The following table presents our selected consolidated balance sheets data as of December 31, 2018, 2019, 2020 and 2021:

	As of December 31,				
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
<b>Selected Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	1,252,983	653,859	2,834,962	1,180,898	185,309
Total current assets	1,336,557	757,624	3,046,580	1,342,724	210,703
Total assets	1,441,244	918,289	3,389,742	1,580,421	248,003
Accrued expenses and other current liabilities	222,459	309,031	539,787	392,293	61,559
Deferred revenue and customer advances, current	75,737	243,521	596,307	243,878	38,270
Total current liabilities	322,727	680,704	1,205,503	683,056	107,186
Total liabilities	342,414	702,638	1,325,592	783,385	122,930
Total mezzanine equity	4,075,044	4,675,579	—	—	—
Total shareholders' (deficit)/equity	(2,976,214)	(4,459,928)	2,064,150	797,036	125,073

The following table presents our selected consolidated cash flow data for the years ended December 31, 2018, 2019, 2020 and 2021:

	For the Year Ended December 31,				
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
<b>Selected Consolidated Cash Flow Data:</b>					
Net cash used in operating activities	(418,865)	(631,288)	(522,988)	(1,506,692)	(236,433)
Net cash used in investing activities	(48,947)	(28,594)	(89,504)	(117,603)	(18,455)
Net cash generated from financing activities	1,550,372	84,449	2,797,421	952	149
Effect of exchange rate changes	72,803	(11,709)	(38,499)	(30,891)	(4,846)
Net increase/(decrease) in cash, cash equivalents and restricted cash	1,155,363	(587,142)	2,146,430	(1,654,234)	(259,585)
Cash, cash equivalents and restricted cash at the beginning of the year	120,481	1,275,844	688,702	2,835,132	444,894
Cash, cash equivalents and restricted cash at the end of the year	1,275,844	688,702	2,835,132	1,180,898	185,309

## B. Capitalization and Indebtedness

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

**Summary of Risk Factors**

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

***Risks Related to Our Business and Industry***

- Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the online private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects;
- The cessation of the K-12 Academic AST Services and other actions we have taken to comply with recent regulatory developments have materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects. Failure to effectively and efficiently manage changes of our existing and new business may materially and adversely affect our ability to capitalize on new business opportunities;
- We have a limited operating history with our current business model, which makes it difficult to predict our prospects and our business and financial performance;
- If we are not able to attract students or their families to purchase our personalized self-directed learning product or other products or services that we offer, our business and prospects will be materially and adversely affected;
- If we are unable to develop and refine our teaching and learning SaaS offerings to meet the evolving demands of schools and teachers, or if we are unable to maintain consistent quality and comprehensive grade and subject coverage of products offered to teachers, students and parents as part of our teaching and learning SaaS solution, our business and reputation may be materially and adversely affected;
- Our success depends heavily on subscriptions to our teaching and learning SaaS offerings by education authorities, and if we fail to successfully attract new education authorities to subscribe to our offerings or to maintain existing subscriptions made by education authorities, our business and prospects may be materially and adversely affected;
- If the market for our teaching and learning SaaS offerings and other business initiatives develops more slowly than we expect, our growth may slow or stall and our operating results could be harmed; and
- Our business depends on the continued success of our brand, and if we fail to maintain and enhance recognition of our brand, we may face difficulty attracting regional education authorities to our teaching and learning SaaS offerings and smart in-school classroom solution or attracting students to our self-directed learning product, which could harm our reputation and results of operations.

***Risks Related to Our Corporate Structure***

- We are a Cayman Islands holding company with no equity ownership in the VIEs, and we conduct our operations in China primarily through (i) our PRC subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements. Investors in our ADSs thus are not purchasing equity interest in our operating entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government finds that the agreements that establish the structure for operating some of our business operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we and the VIEs could be subject to severe penalties, or be forced to relinquish our interest in those operations. Our holding company in the Cayman Islands, the VIEs, and investors of us face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a whole (for a detailed description of the risks associated with our corporate structure, please refer to the risks disclosed under “—Risks Related to Our Corporate Structure”); and
- The shareholders of the VIEs may have actual or potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

***Risks Related to Doing Business in China***

- Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations;
- Uncertainties with respect to the PRC legal system could adversely affect us;
- The PRC government’s significant oversight over our business operations could result in a material adverse change in our operations and the value of our ADSs;
- The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such other requirements;
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws;
- The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections; and
- Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

***Risks Related to our ADSs and Class A Ordinary Shares***

- The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors;
- Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial;

- We currently do not expect to pay dividends in the foreseeable future and you must rely on price appreciation of our ADSs for return on your investment; and
- You may be subject to limitations on transfer of your ADSs.

## Risks Related to Our Business and Industry

***Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the online private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects.***

The PRC private education industry, and especially the after-school tutoring sector, has recently experienced intense scrutiny and has been subject to significant regulatory changes. In particular, the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education jointly promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021 (the “Alleviating Burden Opinion”), sets out a series of operating requirements on after-school tutoring institutions that provides, among other things, (i) local government authorities shall no longer approve any new after-school tutoring institutions that provide tutoring services for academic subjects to students in compulsory education, (such institutions, the “Academic AST Institutions”) or that provide tutoring on any academic subjects for pre-school-age children and students in grade ten to twelve, (ii) all existing Academic AST Institutions shall be registered as non-profit entities, and local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects; (iii) online after-school tutoring institutions that have filed with the local education administration authorities will be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iv) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities or acquiring assets of Academic AST Institutions by paying cash or issuing securities; (v) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (vi) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks; (vii) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas; (viii) fees charged for academic subjects tutoring in compulsory education will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; (ix) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; and (x) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited and (xi) non-academic tutoring shall obtain approval from relevant government authorities. The Alleviating Burden Opinion further provides that administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion, but it remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students in grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to After-School Tutoring and Online Private Education” for more details.

To implement the Alleviating Burden Opinion, in September 2021, the Chinese Ministry of Education, or the MOE, published on its official website that the MOE, together with other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021 and a circular requiring all online after-school tutoring institutions that have filed with the local education administration authorities and provide tutoring services on academic subjects to obtain the private school operating permit by the end of 2021, and all Academic AST Institutions and online after-school tutoring institutions shall, before completing

such registration or obtaining such permit as applicable, suspend enrollment of students and charging fees. On February 8, 2022, the MOE issued the 2022 Work Points of MOE providing that after-school tutoring services for senior high school students must strictly follow the Alleviating Burden Opinion (collectively with the Alleviating Burden Opinion, the “New Regulations”). See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to After-School Tutoring and Online Private Education” for more details.

Our business, financial condition, results of operations and prospects have been and will be materially and adversely affected in 2021, 2022 and subsequent periods by the actions we have taken to date and the actions may take in the future in order to be in compliance with the Alleviating Burden Opinion and its implementation measures. We are committed to complying with all applicable PRC laws and regulations, including the New Regulations. We ceased offering tutoring services related to academic subjects to students from kindergarten through the last year of senior high school (“K-12 Academic AST Services”), in China mainland at the end of 2021. In addition, we have taken other actions to restructure our business and operations, including closing certain of our corporate offices, implementing staff optimization plans and disposing some of our assets to maintain our continued operations. We have also begun to provide new educational product and service offerings, including our new teaching and learning SaaS offerings, which were launched in September 2021, and our personalized self-directed learning product, which was launched in December 2021.

We are closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Alleviating Burden Opinion and its implementation measures. We will continue to seek guidance from and cooperate with all relevant government authorities in China in connection with its efforts to comply with the policy directives of the New Regulations and will further adjust our business operations as required. However, due to the complexity and substantial uncertainty of the regulatory environment, we cannot assure you that our operations will be in full compliance with applicable laws, regulations and policies, including the Alleviating Burden Opinion and its implementation measures, in a timely manner, or at all. Although we believe our new services and products are not in violation of current PRC laws and regulations in all material respects, we cannot assure you that our new services and products, including our new teaching and learning SaaS offerings and our self-directed learning products, will not be deemed to be noncompliant in the future. We may become subject to fines or other penalties or be required to terminate certain operations, in which case our business, financial condition and results of operations could be materially and adversely affected further. In addition, we may incur material impairment and severance charges resulting from termination of leases, dismissal of employees and other actions we take in light of the latest regulatory developments, which may have material adverse impact on our financial condition, results of operations and prospects.

***The cessation of the K-12 Academic AST Services and other actions we have taken to comply with recent regulatory developments have materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects. Failure to effectively and efficiently manage changes of our existing and new business may materially and adversely affect our ability to capitalize on new business opportunities.***

Online K-12 tutoring services contributed 88.5%, 94.1% and 97.4% of our total revenues in 2019, 2020 and 2021, respectively. In light of recent regulatory developments in China, we have ceased to provide our K-12 Academic AST Services, among other changes in our business operations. At the same time, we plan to leverage our extensive knowledge and expertise accumulated through serving China’s education authorities, schools, teachers, and students over the past decade and launch new product and service offerings. In particular, we have launched a new paid teaching and learning SaaS solution that enhances in-school teaching and learning efficiency and effectiveness as an upgrade to our previous free in-school products and services. We have also launched a new personalized self-directed learning product for students to respond to the changes in the regulatory environment and market demands—this new product is not a tutoring service, but instead utilizes our technology and data insights to provide personalized content for students intended to improve their learning efficiency.

To support our new teaching and learning SaaS solution and our new personalized self-directed learning product, we will continue to invest in our technology and infrastructure to deliver highly reliable and scalable developer services and provide a broader range of developer services. We will also continue to invest in talent by recruiting, retaining and training AI specialists and data scientists to widen our technology advantage. We believe the enhancement of our research and development capabilities will enable us to develop new SaaS solutions, our



self-directed learning products and other offerings. However, we cannot assure you that we will be able to execute our business strategy or that our service offerings will be successful.

The changes to our business have resulted, and will continue to result, in substantial demands on our management, operational, technological and other resources. To manage and support changes in our business and our future growth strategy, we must continue to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional management personnel and other administrative and sales and marketing personnel, particularly as we enter into new areas. We cannot assure you that we will be able to effectively and efficiently manage our operations, recruit and retain management personnel and integrate new businesses into our operations. Any failure to effectively and efficiently manage changes of our business may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations. We cannot be sure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these risks successfully. In addition, we may not achieve sufficient revenue or maintain positive cash flows from operations or profitability in any given period, or at all.

***We have a limited operating history with our current business model, which makes it difficult to predict our prospects and our business and financial performance.***

We ceased to offer online K-12 after-school tutoring courses to comply with the New Regulations at the end of 2021. We therefore have a short operating history with our current business model, which is built around our teaching and learning SaaS offerings and our personalized self-directed learning product. Although we introduced our smart in-school classroom solution in 2012, our new in-school teaching and learning SaaS solution, was launched in September 2021. Similarly, our personalized self-directed learning product was introduced in December 2021. Our limited history with our current product and service offerings, which differ from our historical product and service offerings, may not provide you with an adequate basis for evaluating our prospects and operating results, including net revenues, cash flows and operating margins, and our past revenues and historical growth rate may not be indicative of our future performance. In particular, net revenues generated from our online K-12 tutoring services grew by 238.9% from RMB359.6 million in 2019 to RMB1,218.6 million in 2020 and increased by 74.7% to RMB2,128.6 million (US\$334.0 million) in 2021. However, because of the cessation of our online K-12 after-school tutoring courses and our new business model, we cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. We have encountered, and may continue to encounter in the future, risks, challenges and uncertainties associated with operating an education technology business, such as building and managing reliable and secure IT systems and infrastructure, expanding the adoption by schools and teachers of our in-school teaching and learning SaaS solution, addressing regulatory compliance and uncertainty, engaging, training and retaining high-quality employees such as our sales and service representatives and IT support staff and exploring additional education products. If we do not manage these risks and challenges successfully, our operating and financial results may differ materially from our expectations and our business and financial performance may suffer.

Our ability to effectively implement our strategies and grow our business will depend on a number of factors, including our ability to (i) continually develop and improve our teaching and learning SaaS offerings to make them more appealing to existing and prospective students, teachers and education authorities; (ii) maintain and increase the number of subscribers of our personalized self-directed learning products; (iii) maintain and expand the number of districts, schools and teachers that adopt our teaching and learning SaaS offerings; (iv) effectively recruit, train, retain and motivate a large number of new employees, particularly our IT support staff, educational product and content development professionals and salespersons; (v) innovate and adapt our products, services and solutions to meet evolving needs of current and potential students, including to address evolving market trends; (vi) maintain and increase our access to the data necessary for the development and performance of our solutions; (vii) maintain the proper functioning of teaching and learning SaaS solution, and other business initiatives as we continue to collect data from our user base through our smart in-school classroom solution and build up a new sales team and distribution network for our teaching and learning SaaS offerings; (viii) continuously improve the algorithms underlying the products and the technologies; (ix) adapt to a changing regulatory landscape governing privacy matters; (x) continue to improve our operational, financial and management controls and efficiencies; (xi) successfully enhance and improve our technological systems and infrastructure; (xii) protect and further develop our intellectual property rights; and (xiii) make sound business decisions in light of the scrutiny associated with

operating as a public company. These activities require significant capital expenditures and the investment of valuable management and financial resources, and our growth will continue to place significant demands on our management. There are no guarantees that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. If we do not effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be negatively impacted.

***If we are not able to attract students or their families to purchase our personalized self-directed learning product or other products or services that we offer, our business and prospects will be materially and adversely affected.***

In December 2021, we started to offer a personalized self-directed learning product to Chinese families to respond to the changes in the regulatory environment and market demands. Our ability to attract students to purchase our personalized self-directed learning product is critical to the continued success and growth of our business. This in turn will depend on several factors, including our ability to develop, adapt or enhance the quality of our self-directed learning product to meet the evolving demands of our existing or prospective students, expand the adoption of schools and teachers of our smart in-school teaching and learning SaaS solution, adapt our promotional activities to changes in market demand, legal regime and administrative practice, enhance our brand equity and awareness to a broader base of potential customers and refine our educational content offered and provide a more localized, personalized and effective learning experience for students.

Our ability to retain existing students and their parents by improving students' academic performance and delivering a satisfactory learning experience is also critical to the success of our business. Our ability to improve the academic performance of the users of our products and services is largely dependent upon the learning ability, attitude, efforts and time and resource commitments of each student, which are beyond our control. Students may feel dissatisfied with the quality of our educational content offerings or fail to perform up to expectation after using our products. In addition, our products and services may not be able to satisfy all of our users' needs. Satisfaction with our product may be affected by a number of factors, many of which may not relate to the quality or effectiveness of our offerings. If students or parents feel that we are not providing them the learning experience they have subscribed for, they may choose to not to renew their existing subscriptions or obtain a refund for customer advances for products purchases and subscriptions. Although we have not experienced any significant refund requests in the past, if an increasing number of students request refunds, our cash flow, revenues and results of operations may be adversely affected. In addition, students who fail to improve their performance after using our products or have unsatisfactory studying experiences with us may also choose not to refer other students to us, which in turn may adversely affect the number of product subscriptions.

All of these factors may contribute to reduced student engagement and increased challenges in attracting new users to purchase the products or services that we offer. We must also manage our growth while maintaining consistent and high teaching quality, and respond effectively to competitive pressures. If we are unable to attract and retain students to purchase our products and to increase the spending of the users of our products and services, our net revenues and gross billings may decline, which may have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to develop and refine our teaching and learning SaaS offerings to meet the evolving demands of education authorities, schools, teachers and students, or if we are unable to maintain consistent quality and comprehensive grade and subject coverage of products offered as part of our teaching and learning SaaS solution, our business and reputation may be materially and adversely affected.***

Our teaching and learning SaaS offerings development team works closely with education authorities, and educational experts to understand the educational needs of and the feedback from education authorities, schools and teachers help us to develop, update and improve our teaching and learning SaaS offerings to reflect the feedback received so as to better help improve education efficiency in school. We also work to continually update the educational content offered in our teaching and learning SaaS offerings to reflect the latest updates in education curricula and textbooks and specific requests from our users, as well as have expanded our use cases to cover additional key educational scenarios including in-class interaction, class preparation and delivery, homework-related activities, academic assessment and school-parent communication. The adjustments, updates and expansions of our

teaching and learning SaaS offerings and the development of new product features or content may not be accepted by existing or prospective schools and teachers and their students that utilize our solution. Even if we are able to develop acceptable new product features and content, we may not be able to introduce them as quickly as schools and teachers require or as quickly as our competitors introduce competing offerings. Furthermore, offering new product features and content or upgrading existing ones may require us to commit significant resources and make significant investments in product and content development. If we are unsuccessful in pursuing product and content development and upgrading opportunities due to the financial constraints, unable to attract product and content development personnel, or encounter other related challenges, our ability to maintain existing relationships with schools and teachers or attract new schools or teachers to adopt our teaching and learning SaaS solution and our business and reputation may be materially and adversely affected.

***Our success depends heavily on subscriptions to our teaching and learning SaaS offerings by education authorities, and if we fail to successfully attract new education authorities to subscribe to our offerings or to maintain existing subscriptions made by education authorities, our business and prospects may be materially and adversely affected;***

In September 2021, leveraging the experience and insights we gained from offering our free existing smart in-school classroom solution across China over the last decade, we launched our new teaching and learning SaaS offerings. The primary clients of our SaaS solutions are educational authorities and public schools, which typically require us to go through a stringent procurement and bidding process. The success of our business depends in large part on our ability to continue to attract new schools and teachers to choose our teaching and learning SaaS offerings. We have a dedicated sales and service team to solicit leads and bidding opportunities and provide pre-sale consultation and bidding preparation, as well as a dedicated team responsible for building and maintaining the nationwide distribution network of our SaaS solutions. However, we cannot assure that we will be successful in securing purchases from regional education authorities due to evolving government regulations, competition, failure to effectively market our new products and services and maintain their quality and consistency, or other factors. In addition, we may be unable to identify new areas with sufficient growth potential to expand our product offerings, and demand for our services and products may not increase as rapidly as we expect. Furthermore, we may be unable to develop or license additional content on commercially reasonable terms and in a timely manner, or at all, to keep pace with changes in regulatory developments and market demands. If we fail to successfully execute our business strategies, we may not be able to continue to attract regional education authorities, schools and teachers to our teaching and learning SaaS offerings.

To attract new education authorities and schools, we need to convince educational officials, school officials and teachers, many of whom are used to educating students using traditional methods and may not be used to such digital teaching methods, to invest significant time and resources to adjust the manner in which they teach students. The use of smart in-school classroom solutions and teaching and learning SaaS solutions at schools in China has just emerged in recent years, and many administrators and teachers may have concerns regarding the effectiveness of such products as well as difficulties and time associated with the change of teaching habits. Through the continued improvements of our smart in-school classroom solution and ongoing efforts of our offline teacher service representatives, the acceptance of the integration of technology and education in school and use of our smart in-school classroom solution has increased over the past few years and was further accelerated due to the impact of COVID-19 in 2021. However, it may still be difficult to overcome this resistance to adopt and become willing to purchase our teaching and learning SaaS offerings.

In addition, schools that have adopted our smart in-school classroom solution or our teaching and learning SaaS offerings may experience turnover in their management. There is no assurance that the new management will have an interest in continuing or expanding the adoption of our smart in-school classroom solution or our teaching and learning SaaS offerings in their school, and the new management may attempt to discontinue their relationship with us or ban the use of our smart in-school classroom solution and/or our teaching and learning SaaS offering. Furthermore, as the Chinese K-12 education curricula are mandated by municipal-level governments and the majority of the schools where our smart in-school classroom solutions are adopted are public schools, we face risks and challenges in maintaining our relationships with key participants in municipal public school system. If we are not successful in developing and maintaining relationships with key participants in the municipal public school system or if we are unable to cooperate with such key participants and public schools in an effective manner, we may fail in the maintenance and expansion of the network of schools and teachers adopting our smart in-school

classroom solutions and/or our teaching and learning SaaS offerings, and our business and prospects will be materially and adversely affected.

We primarily rely on our dedicated sales and service team to promote and provide customer service for our teaching and learning SaaS offerings. We must continue to recruit, train and retain qualified salespersons and build our distribution network at scale to promote our teaching and learning SaaS offerings effectively and to provide the necessary services. Our sales and service team has a limited operating history as compared to the analogous teams that we deployed for our prior businesses. If they are unable to effectively conduct promotional activities and provide customer service for teachers to help them learn to use our products or regularly communicate with teachers and schools to understand their educational needs and feedback, we may be unable to effectively promote the adoption of our teaching and learning SaaS offerings to more schools and teachers or maintain existing school and teacher relationships, which will have a material adverse effect on our business, financial condition and results of operations.

***If the market for our teaching and learning SaaS offerings and other business initiatives develops more slowly than we expect, our growth may slow or stall and our operating results could be harmed.***

The market for education SaaS businesses and other business initiatives is rapidly growing. Our future success will depend in large part on our ability to penetrate the existing market, as well as the continued growth and expansion of that market. It is difficult to predict school adoption and renewals of our subscriptions, education demand for our platform, the size, growth rate and expansion of this market, changes in educational needs and focus of the market, the entry of competitive products or the success of existing competitive products. Our ability to penetrate the existing market with our teaching and learning SaaS solution and other business initiatives any expansion of that market depends on a number of factors, including the cost, performance and perceived value associated with our service and products, as well as potential schools' willingness to adopt our service and products. If we or other education SaaS business or other providers experience security incidents, loss of customer or user data, disruptions in delivery or other problems, the market as a whole, including our business, may be negatively affected. If our services and products, especially SaaS solutions, do not achieve market adoption in line with our expectations, or there is a reduction in demand caused by a lack of acceptance, technological challenges, the changes in educational needs, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenue and our business could be adversely affected.

***Our business depends on the continued success of our brand, and if we fail to maintain and enhance recognition of our brand, we may face difficulty attracting regional education authorities to our teaching and learning SaaS offerings and smart in-school classroom solution or attracting students to our self-directed learning product, which could harm our reputation and results of operations.***

We believe that market awareness of our brand has contributed significantly to the success of our business. Maintaining and enhancing our brand is critical to our efforts to promote our teaching and learning SaaS offerings and attract students to our self-directed learning product, which are in turn critical to our business. Our ability to maintain and enhance brand recognition and reputation depends primarily on the positive outcome and feedback from districts, schools and teachers who use our teaching and learning SaaS offerings and our smart in-school classroom solution and products in their day-to-day teaching, as well as from those families and students who use our self-directed learning product. Failure to maintain and enhance our brand recognition could have a material and adverse effect on our business, operating results and financial condition. In recent years, we have devoted significant resources to ensure the high quality of our products and services, which has helped to strengthen our reputation, and to continue the expansion of the network of schools and teachers adopting our teaching and learning SaaS offerings, but we cannot assure you that these efforts will be successful. If we are unable to further enhance our brand recognition, or if our brand image is negatively impacted by any negative publicity relating to our company, solution or products, regardless of its veracity, we may not be able to expand the network of schools and teachers adopting our teaching and learning SaaS solutions or attract students to our self-directed learning product successfully or efficiently, and our business and results of operations may be materially and adversely affected.

***If we fail to keep up with rapid changes in technologies and educational needs, our future success may be adversely affected.***

We utilize our technology and data insights to facilitate the digital transformation and upgrade of Chinese schools, with a focus on improving the efficiency and effectiveness of core teaching and learning scenarios such as homework assignments and in-class teaching as well as to provide personalized and targeted learning and exercise content to improve students' learning efficiency. The success of our business will depend, in part, on our ability to adapt and respond effectively to the technology development and changes in educational needs on a timely basis. If we are unable to develop new products that satisfy schools and students' latest educational needs and provide enhancements and new features for our existing products that keep pace with rapid technological and industry change, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our teaching and learning SaaS solution currently integrates with a number of hardware and software platforms combinations and can be customized to work with even broader situations and infrastructures, and we need to continuously modify and enhance our products and services to adapt to changes and innovation in these technologies. Our SaaS offerings are based on tailored combination of a number of standardized modules covering classroom, question bank, homework assignments, self-learning content and multi-role reporting to suit the needs of different users. We may need to develop more modules to satisfy different schools' needs or changes in educational needs. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our products and services to operate effectively with evolving or new technologies could reduce the demand for our products. We must continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

***We face significant competition, and if we fail to compete efficiently, we may lose our market share or fail to gain additional market share, which would adversely impact our business, financial condition and results of operations.***

The in-school teaching and learning solutions industry and after-school education industry in China are competitive, and we expect competition in this sector to persist and intensify. We face competition in both China's educational SaaS market and after-school education market from other educational service providers and other products and services catering to similar demands. Some of our current or future competitors may have longer operating histories, greater brand recognition, or greater financial, technical or marketing resources than we do. We compete with these educational service providers across a range of factors, including, among others, the extent to which the approach and format of our products address customer needs, functions covering diversified educational scenarios and friendly user experience, high-quality content synchronized with local curriculum, textbook versions and academic assessment objectives, insights based on learning data and empowered by data analytics capabilities, application of a wide range of advanced technology in different educational scenarios, effectiveness of customer services and sales and marketing efforts, and track record, trust and brand recognition. Our competitors may adopt similar marketing approaches, with different pricing and service packages for in-school educational solutions or after-school self-directed learning products that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their product and services and respond more quickly than we can to the changes in student preferences, testing materials, admission standards, market needs or new technologies. As a result, purchases of or subscriptions to our teaching and learning SaaS offerings and self-directed study products may decrease due to intense competition. If we reduce the price of our offerings or increase spending in response to competition in order to retain or attract students and other personnel, or pursue new market opportunities, our net revenues may decrease and our costs and expenses may increase as a result of such actions that may adversely affect our operating margins. If we are unable to successfully compete for students, maintain or increase the price level of our offerings, attract and retain key personnel, maintain our competitiveness in terms of the quality of our product and service offerings in a cost-effective manner, we may lose our market share and our profitability may be adversely affected.

***Uncertainties exist in relation to the interpretation and implementation of, and proposed changes to, the PRC regulatory requirements regarding in-school educational solutions and after-school educational products and services, which may materially and adversely affect our business, financial condition and results of operations.***

The smart in-school classroom solution industry and the after-school educational products and services industry in the PRC are subject to regulation in China. Relevant rules and regulations are relatively new and evolving and could be changed to accommodate the development of the education, in particular, markets and the further adoption of smart in-school classroom solutions from time to time.

The MOE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps on August 10, 2019, or the Opinions on Educational Apps, which requires, among others, mobile apps that offer services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios, be filed with the competent provincial regulatory authorities for education. To implement the Alleviating Burden Opinion, the MOE issued a notice on its official website on December 13, 2021, which requires that the previous filing of educational apps under the Opinions on Educational Apps shall be temporarily withdrawn and be subject to review and re-approval. As of the date of this annual report, we have re-filed our in-school apps that form part of our smart in-school classroom solution as required under the Opinions on Educational Apps and the above notice. As the Opinions on Educational Apps and its relevant implementation rules are evolving, we cannot assure you that we are in full compliance with all relevant rules and will be able to complete or maintain all necessary filing requirements and comply with other regulatory requirements under the Opinions on Educational Apps and their related rules and regulations in a timely manner, or at all. The relevant governmental authorities may, from time to time, conduct inspections or impose more stringent regulatory approach on compliance with the Opinions on Educational Apps and the relevant local rules. If we fail to promptly complete or maintain any such filing and comply with other applicable regulatory requirements, we may be subject to fines, regulatory orders to suspend our apps or other regulatory and disciplinary sanctions. Furthermore, if any school that is deemed as users of our smart in-school classroom solution applications fails to file with the competent governmental authorities as required, such schools may be inquired by relevant governmental authorities, which creates uncertainties as to whether such school would continue to use our smart in-school classroom solution applications, and our business may be materially and adversely affected. We also cannot preclude the possibility that other misconduct by schools or teachers may subject us to more stringent regulatory requirements, or limits on our operation or promotional activities. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Private Education” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to After-school Tutoring and Online Private Education.”

Given the foregoing, the interpretation and application of the existing laws and regulations and the newly promulgated implementation rules and interpretations, if any, that govern the online private education industry and the smart in-school classroom solution industry would create substantial uncertainties regarding the legality of our business operation, which create risks that we may be found to violate the existing laws and regulations and any newly promulgated implementation rules and interpretations, including those laws and regulations under “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to After-School Tutoring and Online Private Education.” It is also uncertain whether and how PRC government authorities would further promulgate new laws and regulations applicable to online training institutions and the smart in-school classroom solution industry, including regulation related to in-school electronic devices and those promulgated to apply more stringent social and ethical standards in the education sector in general. There is no assurance that we can comply with any newly promulgated laws and regulations in a timely manner or at all, and any failure to comply may materially and adversely affect our business, financial condition and results of operations.

***We face uncertainties with respect to the development of regulatory requirements on operating licenses and permits for our online education services in China. Failure to renew and maintain requested licenses or permits in a timely manner or obtain newly required ones due to adverse changes in regulations or policies could have a material adverse impact on our business, financial condition and results of operations.***

The internet industry and education industry in China are highly regulated by the PRC government. As an internet-based education service provider, we are required to obtain and maintain all necessary approvals, licenses or

permits and make all necessary registration and filings applicable to our business operations in China, and we may be required to apply for and obtain additional licenses or permits for our operations as the interpretation and implementation of current PRC laws and regulations are still evolving, and new laws and regulations may also be promulgated.

We print and provide physical education materials to our users. If the government authorities deem our printing and provision of physical education materials to users as “publication of books” under Administrative Regulations on Publishing, we may be required to entrust qualified publishers to publish such physical education materials, failure of which may subject us to penalties, including orders to cease illegal activities, discontinuation of operations, correction order, condemnation, fines, civil and criminal liability. As of the date of this annual report, each of Shanghai Hexu Information Technology Co., Ltd., or Shanghai Hexu, Beijing Yiqi Science Technology Co., Ltd., a wholly owned subsidiary of Shanghai Hexu, and Beijing Qili Technology Co., Ltd, or Beijing Qili, holds a Publication Operation License. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Publishing.” We may be required to apply for and obtain additional licenses, permits or recordation or expand the scope of the licenses so obtained by us, given the significant uncertainties of the interpretation and implementation of certain regulatory requirements applicable to online education business. As of the date of this annual report, educational content providers like us are not explicitly required to obtain the License for Online Transmission of Audio-Visual Programs, the Permit for Production and Operation of Radio and TV Programs or to complete filings as an internet live-streaming platform primarily because there are no implementation rules or explicit interpretation from government authorities deeming internet education services as “internet audio-visual program services”, “radio and television program” and “internet live-streaming services” as defined in relevant rules and regulations promulgated by relevant government authorities. In addition, as of the date of this annual report, there are no implementation rules or explicit interpretation from government authorities deeming the provision of our educational content to students and teachers through our applications and online platforms as “online publishing services” which requires an Online Publishing Service Permit. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Online Publishing.” However, there is no assurance that local PRC authorities will not adopt different enforcement practice, or any PRC government will not issue more explicit interpretation and rules or promulgate new laws and regulations from time to time to further regulate the online education industry, which may subject us to additional licensing requirements to continue to operate our business. As of the date of this annual report, each of Shanghai Hexu and Beijing Yiqi Education Information Consultation Co., Ltd., or Beijing Yiqi Information, has obtained a Permit for Production and Operation of Radio and TV Programs. Furthermore, Shanghai Hexu, Beijing Yiqi Information and Beijing Qili each currently holds a Value-added Telecommunications Business Operating License for certain internet information service, or ICP License. But we cannot assure you that our ICP Licenses can be updated in a timely manner or at all with respect to business activities, websites and applications associated with our business operations because relevant laws and regulations are constantly evolving and can be subject to differing interpretations by PRC government authorities. Failures to obtain or update such licenses may subject us to fines, confiscation of relevant gains, suspend the operations of our online platforms and other liabilities. As of the date of this annual report, no material fines or other penalties have been imposed on us for failure to obtain such additional licenses, permits or filings, or to expand the scope of the licenses obtained by us.

There can be no assurance that once required, we will be able to obtain or maintain all the required approvals, licenses, permits and complete or maintain all necessary filings, recordations, renewals, expansion of scope, and registrations on a timely basis for our online education services, given the significant amount of discretion the PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. In addition, there can also be no assurance that we will be able to maintain our existing licenses, approvals, registrations or permits. If we fail to obtain and maintain required permits, to expand scope of such permits obtained by us in a timely manner or obtain or renew any permits and certificates, or fail to complete the necessary filings, recordations, renewals or registrations on a timely basis, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or claims for compensation of any economic loss suffered by the users of our products and services, and our business, financial conditions and operational results may be materially and adversely affected.

***We have a history of net losses and we may not achieve profitability in the future.***

We had net losses of RMB963.8 million, RMB1,339.9 million and RMB1,441.9 million (US\$226.3 million), respectively, in 2019, 2020 and 2021. We also had negative cash flows from operating activities of RMB631.3 million, RMB523.0 million and RMB1,506.7 million (US\$236.4 million), respectively, in 2019, 2020 and 2021. The cessation of the K-12 Academic AST Services and other measures we have taken to comply with recent regulatory developments have materially and adversely affected and will materially and adversely affect our financial condition and results of operations. We cannot assure you that we will be able to generate net profits or positive cash flow from operating activities in the future. Our ability to achieve profitability will depend in large part on our ability to generate enough revenue from our new business initiatives, increase our operating margin, either by growing our revenues at a rate faster than our costs and operating expenses increase, or by reducing our costs and operating expenses as a percentage of our net revenues. Accordingly, we intend to continue to invest to attract new students, hire educational content development professionals and other personnel, expand our sales and distribution network for teaching and learning SaaS offerings, and strengthen our educational content development and technologies and data analytics capabilities to enhance user experience. These efforts may be more costly than we expect, and our net revenues may not increase sufficiently to offset the expenses. We may continue to take actions and make investments that do not generate optimal financial results and may even result in significantly increased operating and net losses in the short-term with no assurance that we will eventually achieve our intended long-term benefits or profitability. These factors, among others set out under “Item 3. Key Information—D. Risk Factors,” may negatively affect our ability to achieve profitability in the near term, if at all.

***We may not be successful in our exploration of additional educational services.***

We started offering our teaching and learning SaaS offerings since 2021, and our personalized, self-directed learning product since 2021. We aim to continue expand the coverage of these product and service offerings to meet additional educational needs. Expansions and upgrades to our existing product and service offerings may not be well received by students, teachers and parents, and newly introduced product and service offerings and educational content may not achieve success as expected. Our teaching and learning SaaS offerings may also cover additional education services such as education informatization services for education-related government entities, schools and service providers, which are new business initiatives for us. Our operating history and experience with these new products and services are shorter than our other businesses, which may adversely affect our prospects and our ability to compete with the existing market players in any of these product and service categories. The development of new products, services and content could disrupt our ongoing business, disrupt our management’s attention, be costly and time-consuming and require us to make significant investments in research and product development, develop new technologies, and increase sales and marketing efforts, all of which may not be successful. We cannot assure you that any of such new products or services will achieve market acceptance or generate sufficient revenues to offset the costs and expenses incurred in relation to our development and promotion efforts. If we are unsuccessful in our exploration of additional educational services due to financial constraints, failure to attract qualified personnel or other reasons, our business, financial condition and results of operations could be adversely affected.

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

We believe that our patents, copyrights, trademarks and other intellectual property are essential to our success. We have devoted considerable time and energy to the development and improvement of our websites, applications, our system infrastructure and our educational content for our product and service offerings.

We rely primarily on patents, copyrights, trademarks, trade secrets and other contractual restrictions for the protection of the intellectual property used in our business. Nevertheless, these provide only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Furthermore, our pending intellectual property right applications may be rejected. Our trade secrets may become known or be independently discovered by our competitors. Third parties may in the future pirate our educational content developed in-house and may infringe upon or misappropriate our other intellectual property. Infringement upon or the misappropriation of, our proprietary technologies or other intellectual property could have a material adverse effect on our business, financial condition or results of operations. Although we have taken measures to monitoring and policing the



unauthorized use of our copyrighted educational content for our product and service offerings, policing the unauthorized use of intellectual property rights can be difficult and expensive. Some educational content development professionals may continue to use this content if they resign with us and join our competitors, which may negatively impact the attractiveness of our products to prospective students and parents, and our intellectual property rights for such content could be costly and time consuming to defend. Although we have entered into agreements with certain educational content development professionals to prohibit them from using our content without our prior consent, we cannot ensure compliance of educational content development professionals with such agreement.

Furthermore, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Such litigation may be costly and divert management's attention away from our business. An adverse determination in any such litigation would impair our intellectual property rights and may harm our business, prospects and reputation. Enforcement of judgments in China is uncertain, and even if we are successful in litigation, it may not provide us with an effective remedy. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

***We may be involved in legal and other disputes from time to time arising out of our operations, in particular for allegations relating to our infringement of intellectual property rights of third parties, which may be expensive to defend and may disrupt our business and operations.***

We have and may continue to be involved in legal and other disputes in the ordinary course of our business, including allegations against us for potential infringement of third-party copyrights or other intellectual property rights. We may also encounter disputes from time to time over rights and obligations concerning intellectual property rights and other legal rights, in particular third-party copyrights that may be infringed by us in our business operation, and we may not prevail in those disputes. Our educational content is typically subject to internal review before being approved to launch and our content moderation personnel monitor our in-school and after-school products and services. We have also adopted policies and procedures to prohibit our employees from infringing upon third-party copyrights or, other intellectual property rights. However, we cannot assure you that our efforts will be effective in preventing potential infringement of third-party intellectual property rights. The students, teachers and parents using our applications or websites may post unauthorized third-party content on our applications or websites, which we may not be able to detect in time, or at all. We may incur liability for unauthorized duplication or distribution of materials posted on our applications or websites or used in our classes. We have been and are now subject to allegations on the grounds of intellectual property rights infringement and other legal theories based on the content of the materials that we distribute or use in our business operation.

Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management's attention and resources or result in the loss of goodwill associated with our brand. The application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China, and the laws governing personal rights are still evolving and remain uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If a lawsuit against us is successful, we may be required to pay substantial damages and/or enter into royalty or license agreements with commercially unreasonable terms, or we may be unable to enter into such agreements at all. We may also lose, or be limited in, the rights to offer some of our SaaS offerings, parts of our products or be required to make changes to our educational content for our product and service offerings, applications or other software. As a result, the scope of our educational content for our product and service offerings could be reduced, which could adversely affect the effectiveness of our curriculum, limit our ability to attract new students, limit the effectiveness of and slow down the speed of adoption of our smart in-school classroom solution, harm our reputation and have a material adverse effect on our results of operations and financial condition.

***If our security measures are breached or fail, resulting in unauthorized disclosure or unintended leakage of data, we could lose existing students, fail to attract new students and be exposed to protracted and costly litigation.***

Maintaining platform security is of critical importance to us because we store and transmit proprietary and confidential information, which includes proprietary and confidential student, teacher and parent information, such as names, addresses, ID card numbers, bank account numbers and other personal information as well as personal academic learning and teaching information, all of which is primarily stored in our digital database. To ensure the confidentiality and integrity of our data, we maintain a comprehensive and rigorous data security program. For example, we have implemented advanced data encryption measures to ensure secured storage and transmission of data, and prevent any unauthorized access or use of our user data. See “Item 4. Information on the Company—B. Business Overview—Data Privacy and Security.” These measures, however, may not be as effective as we anticipate. As an education technology company, we face an increasing number of threats to our platform and computer systems, including unauthorized activity and access, system viruses, worms, malicious code, denial of service attacks, phishing attacks, and organized cyberattacks, any of which could breach our security and disrupt our platform and technology infrastructure. The techniques used by computer hackers and cyber criminals to obtain unauthorized access to data or to sabotage computer systems change frequently and generally are not detected until after an incident has occurred. We have implemented certain safeguards and processes to thwart hackers and protect the data in our platform and computer systems. However, our efforts to maintain the security and integrity of our platform, and the cybersecurity measures taken by our third-party service providers may be unable to anticipate, detect or prevent all attempts to compromise our systems. If our security measures are breached or fail as a result of third-party action, employee error, malfeasance or otherwise, it could result in the loss or misuse of or authorized third-party access to proprietary and confidential student, teacher, parent, employee and company information, which could subject us to liability, interrupt our business or adversely affect our reputation, potentially over an extended period of time.

Increased regulation of data utilization practices, including self-regulation, under existing laws that limit our ability to collect, transfer and use data, could have an adverse effect on our business. If we were to disclose data about students, teachers, parents and other users of our products and services in a manner that was objectionable to them, our business reputation could be adversely affected, and we could face potential legal claims that could impact our operating results. Failure to comply with these obligations could subject us to liability, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur additional expenses.

Any of these issues could harm our reputation, adversely affect our ability to attract and enroll prospective students, adversely affect our ability to maintain our filings, cause prospective students not to enroll or stay enrolled, cause schools and teachers to not adopt or cease their use of our smart in-school classroom solution, or subject us to third-party lawsuits, regulatory fines or other action or liability. Further, any reputational damage resulting from breach of our security measures could create distrust of our company by prospective students, teachers, parents or investors. We may be required to expend significant additional resources to protect us against the threat of security measures breaches or to alleviate problems caused by such disruptions or breaches.

***We are subject to a variety of laws and other obligations regarding data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any actual or alleged failure to comply with applicable laws and obligations could have a material adverse effect on our business, financial condition and results of operations.***

Our business generates and processes a large quantity of data. We face risks inherent in handling and protecting large volume of data. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and

- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to these data.

In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators, both domestically and globally, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving and may be subject to different interpretations or significant changes. Moreover, different PRC regulatory bodies, including the Standing Committee of the NPC, the Ministry of Industry and Information Technology, or the MIIT, the CAC, the MPS and the SAMR, have enforced data privacy and protections laws and regulations with varying standards and applications. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Internet Information Security and Privacy Protection.” The following are examples of certain recent PRC regulatory activities in this area:

#### Data Security

- In June 2021, the Standing Committee of the NPC promulgated the Data Security Law, which took effect in September 2021. The Data Security Law, among other things, provides for security review procedure for data-related activities that may affect national security. In July 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to this regulation, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, the damage, malfunction or data leakage of which may endanger national security, people’s livelihoods or the public interest. In addition, critical information infrastructure operator, or CIIO, identification rules shall be formulated and clarified by the competent departments and supervision and management departments of important industries and sectors, or CII Protection Work Departments, in future legislation. These CII Protection Work Departments will then be responsible for identifying the CII in their respective industries and notifying the operators who are identified as CIIO on timely basis. In December 2021, the CAC, together with other authorities, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaces its predecessor regulation. Pursuant to the Cybersecurity Review Measures, a CIIO that procures internet products and services or a network platform operator that conducts data processing activities must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulates that network platform operators that hold personal information of over one million users and seek to list abroad shall apply with the Cybersecurity Review Office for a cybersecurity review. As of the date of this annual report, no detailed rules or implementation rules have been issued by any authority and we have not been informed that we are a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of “critical information infrastructure operators” and the criteria for the determination of “affect or may affect national security” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be deemed to be a critical information infrastructure operator or whether our data processing activities would be deemed to affect or may affect national security under PRC law. If we are deemed to be a critical information infrastructure operator or our data processing activities are deemed to affect or may affect national security under the PRC cybersecurity laws and regulations, we may be subject to obligations in addition to what we have fulfilled under the PRC cybersecurity laws and regulations.

- In November 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that, during their data processing activities such as data collection, storage, utilization, transmission, publication and deletion, have autonomy over the purpose and the manner of data processing. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for certain activities, including, among other things, (i) the listing abroad of data processors that process the personal information of more than one million users and (ii) any data processing activity that affects or may affect national security. However, there have been no clarifications from the relevant authorities as of the date of this annual report as to the standards for determining whether an activity is one that “affects or may affect national security.” In addition, the Draft Regulations requires that data processors that process “important data” or are listed overseas must conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. As of the date of this annual report, the Draft Regulations was released for public comment only, and their respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty.

#### Personal Information and Privacy

- In August 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We update our privacy policies from time to time to meet the latest regulatory requirements of PRC government authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law elevates the protection requirements for personal information processing, and many specific requirements of this law remain to be clarified by the relevant PRC regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

Many of the data-related legislations are relatively new and certain concepts thereunder remain subject to interpretation by the regulators. If any data that we possess belongs to data categories that are subject to heightened scrutiny, we may be required to adopt stricter measures for protection and management of such data. The Cybersecurity Review Measures and the Draft Regulations remain unclear on whether the relevant requirements will be applicable to companies that are already listed in the United States, such as us. We cannot predict the impact of the Cybersecurity Review Measures and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the Cybersecurity Review Measures and the enacted version of the Draft Regulations mandate clearance of cybersecurity review and other specific actions to be taken by issuers like us, we face uncertainties as to whether these additional procedures can be completed by us timely, or at all, which may subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, and materially and adversely affect our business and results of operations. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis.

In general, compliance with the existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection, may be costly and result in additional expenses to us, and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

We have been taking and will continue to take reasonable measures to comply with such laws, regulations, announcement and provisions; however, as the laws, regulations, announcement and provisions are relatively new, it remains uncertain how these announcements and provisions will be implemented. We cannot assure you we can adapt our operations to it in a timely manner. Evolving interpretations of such laws, regulations, announcements and provisions or any future regulatory changes might impose additional restrictions on us generating and processing personal and behavioral data. We may be subject to additional regulations, laws and policies adopted by the PRC government to apply more stringent social and ethical standards in data privacy resulting from the increased global

focus on this area. To the extent that we need to alter our business model or practices to adapt to these announcement and provisions and future regulations, laws and policies, we could incur additional expenses.

Any failure, or perceived failure, by us, or by our third-party partners, to maintain the security of our user data or to comply with applicable privacy, cybersecurity, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards, and other requirements, may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Moreover, claims or allegations that we have failed to adequately protect our users' data, or otherwise violated applicable privacy, cybersecurity, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards, or other requirements, may result in damage to our reputation and a loss of confidence in us by students, teachers, parents or our partners, potentially causing us to lose product subscriptions, school partners, content providers, other business partners and revenues, which could have a material adverse effect on our business, financial condition and results of operations.

***Our business, financial condition and results of operations may be adversely affected by the COVID-19 outbreak.***

The COVID-19 pandemic has created unique global and industry-wide challenges, including challenges to our business. In early 2020, the COVID-19 pandemic resulted in the temporary closure of many corporate offices and schools across China. Given the strict quarantine measures put in place during this period, normal economic activity throughout China was sharply curtailed and normal in-school education was temporarily suspended. All of our revenues and our workforce are concentrated in China. Consequently, to the extent that COVID-19 exerts long-term negative impact on the Chinese economy, our results of operations and financial performance may be adversely affected. Since we leased offices in certain Chinese cities to support our research and development and daily operations, the COVID-19 outbreak caused temporary office closures and rotation arrangements from late January to early May 2020, causing certain of our employees to work from home from time to time, which resulted in lower work efficiency and productivity. During this period, as a result of the temporary closure of schools in China, students were prompted to engage in more online education as they study at home, which has positively affected the online after-school tutoring industry, including us. In addition, the number of schools and teachers that adopted our smart in-school classroom solution also grew more rapidly during this period of temporary school closure and more school administrators and education department officials gained insights into the benefits and advantages of our smart in-school classroom solution and products and became more open to accepting the integration of technology and teaching in the classroom. However, some of our third-party service providers may have experienced business interruptions during the period of COVID-19 outbreak, which may have led to lower efficiency and quality in services provided to us and the users of our products and services. Regional COVID-19 outbreaks in different cities may also affect our ability or our efficiency in promoting our teaching and learning SaaS offerings in that particular city or delay the progress or delivery of our solutions.

While the duration and further development of the pandemic, and the resultant future disruption to our business and related financial impact cannot be reasonably estimated at this time, our consolidated results of operations for 2020 and 2021 were not materially affected by the impact of COVID-19. However, recently, there has been an increasing number of COVID-19 cases, including cases involving the COVID-19 Delta and Omicron variants, in multiple cities in China. The Chinese local authorities have reinstated certain measures to keep COVID-19 in check, including compulsory quarantine arrangements, travel restrictions and stay-at-home orders. In addition, the highly-transmissible Delta and Omicron variants of COVID-19 have caused authorities in various countries to reimpose restrictions such as mask mandates, curfews and prohibitions on large gatherings. These reinstatement of these restrictions in early 2022 have adversely affected our operations by, for example, making it more difficult to conduct our sales and marketing and promotional efforts. The COVID-19 global pandemic has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreak is highly uncertain at this time. We cannot guarantee you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, especially our product mix, our financial condition, our cash flows or our prospects in the future.

***If third-party education materials publishers and partners refuse to grant us intellectual property rights to educational content on acceptable terms or terminate their agreements with us, or if we are unable to adequately protect their educational content rights, our business could be adversely affected.***

We rely on licenses from third-party education materials publishers and partners to distribute digital education textbook content to our school partners, teachers and students and to develop our other education products and content. The contracts or arrangements with most publishers and partners are typically subject to renewal every one to three years and thus the long-term availability of such digital content is affected by potential future changes. If we are unable to secure and maintain the rights to distribute, or otherwise use, the digital content upon terms that are acceptable to us, or if the publishers terminate their agreements with us, we would not be able to acquire such digital content from other sources and our ability to attract more schools and teachers to adopt our teaching and learning SaaS offerings and our smart in-school classroom solution or new students to subscribe to our self-directed learning product and retaining existing schools, teachers and students could be adversely impacted. Some of our licenses give the publisher the right to withdraw our rights to distribute or use the digital content without cause and/or give the publisher the right to terminate the entire license agreement without cause. If a publisher exercises such a right, this could adversely affect our business and results of operations. Moreover, to the extent we are able to secure and maintain rights to distribute, or otherwise use, the digital textbook content, our competitors may be able to obtain the same rights on more favorable terms.

In addition, our ability to distribute, or otherwise use, digital textbook content depends on publishers' belief that we include effective digital rights management technology to control access to such digital content. If the digital rights management technology that we use is compromised or otherwise malfunctions, we could be subject to claims, and publishers may be unwilling to include their content in our product and service offerings, which would adversely affect our business and prospects.

***Refunds or potential refund disputes of our service fees may negatively affect our cash flows, financial condition, and reputation.***

We offer refunds for customer advances for product purchases and subscriptions. The number of refund requests and the amount of refunds could be affected by a number of factors, many of which are beyond our control. These factors include, without limitation to, student and parent dissatisfaction with our product quality and our educational content offerings, privacy concerns relating to our services, negative publicity regarding us, and any change or development in PRC laws and regulations with respect to fees charged by educational service providers like us. Any refund payments that we may be required to make to our users, as well as the expenses we could incur for processing refunds and resolving refund disputes, could be substantial and could adversely affect our business operations and financial condition. A high volume of refunds and refund disputes may also generate negative publicity that could harm our reputation.

***The success and future growth of our business will be affected by education authorities, teacher, student and parent acceptance of and market trends in integration of technology and education.***

We operate at the intersection of the education and technology industries, and our business model features integrating technology closely with education to provide a more efficient and engaging learning experience. However, the integration of technology and education remains a relatively new concept in China, and there are limited proven methods to project user demand or preference or available industry standards on which we can rely. For example, despite the positive momentum and growing acceptance of our teaching and learning SaaS offering and smart in-school classroom solution, there is no guarantee that it will also be well received by the broader education and teaching community. We cannot assure you that our products and services will continue to be attractive to our users in the future. If our teaching and learning SaaS offering, smart in-school classroom solution and personalized self-directed learning products, all of which utilize data insights and technology, become less appealing to our users, our business, financial condition and results of operations could be materially and adversely affected.

***Any significant disruption to or failures of our information technology systems, including events beyond our control, could reduce user satisfaction and could harm our reputation and cause our education services to be less attractive to the users of our products and services.***

The performance and reliability of our information technology system is critical to our operations and reputation. Our network infrastructure is currently deployed and our data is currently mainly maintained through several third-party internet data centers and cloud computing service providers in China. Our operations depend on each of the data centers' and service providers' ability to protect its and our system in its facilities against events such as damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm our systems, criminal acts and similar events, which events are beyond our control. If our arrangements with such data centers and service providers are terminated or if there is a lapse of service or damage to any of their facilities, we could experience interruptions in our service. Although we continually back up our databases on both real-time and delayed bases, we may still lose important operating data or suffer disruption to our operations if there is a failure of the database system or the backup system. We may be required to invest significant resources in protecting against the foregoing technological disruptions, or to remediate problems and damages caused by such incidents, which could increase the cost of our business and in turn adversely affect our financial conditions and results of operations. We cannot assure you that we will be able to expand our information technology infrastructure in a timely and cost-effective manner to meet the increasing demands of our business growth. Any interruptions in the accessibility of or deterioration of the quality of access to our system could reduce teachers', students' and parents' satisfaction and reduce the attractiveness of our smart in-school classroom solution and self-directed learning products, which would result in reduction in the number of teachers using our smart in-school classroom solution and number of students purchasing our self-directed learning product. Although we have not experienced any significant disruptions to or failures of our information technology systems, we cannot assure you that such disruptions or failures will not happen in the future.

In addition, we rely on third-party mobile application distribution channels, such as the Apple App Store and Android application stores, to distribute our mobile applications to students, teachers and parents. As such, the promotion, distribution and operation of our mobile applications are subject to such distribution channels' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If the Apple App Store, Android application stores or any other major distribution channel interprets or changes its standard terms and conditions in a manner that is detrimental to us in the future, or terminate its existing relationship with us, or if any third-party infringement claims are brought against our mobile applications, our mobile applications could be temporarily or permanently removed from such third-party mobile application distribution channels and our business, financial condition and results of operations may be materially and adversely affected.

***If we fail to adopt new technologies that are important to our business, in particular the technology upgrades related to AI, our competitive position and ability to generate revenues may be materially and adversely affected.***

The technology used in internet and value-added telecommunications services in general, and in online education services in particular, may evolve and change over time. We believe our technologies are core to our success and are critical to the implementation of our business model. In particular, implementation of technologies to improve teaching efficiency is an important part of our smart in-school classroom solution and is critical to attracting new teachers to adopt our solution. As an education technology company, we must anticipate and adapt to such technological changes and adopt new technologies in a timely fashion. We also rely on our data and technology capabilities to build and maintain our platform and infrastructure. We cannot assure you that we can keep up with the fast pace of the technology industry, and continue to develop, innovate and utilize our proprietary capabilities. In particular, the application of technology in education is still at an early stage and under exploration. Our technologies may become obsolete or insufficient, and we may have difficulties in following and adapting to technological changes in the online education industry in a timely and cost-effective manner. New solutions and technologies developed and introduced by competitors could render our technology obsolete. Developing and integrating new technologies into our existing programs and algorithms could be expensive and time-consuming. We may not succeed in developing and incorporating new technologies at all. If we fail to continue to develop, innovate and utilize our technologies effectively and on a timely basis, our business, financial performance and prospects could be materially and adversely affected.

***If our AI programs or proprietary data analytics algorithms, especially those related to localized and real-time educational content generation, are flawed or ineffective, our business and reputation could be harmed.***

We rely on our proprietary data analytics algorithms to analyze student homework and academic assessment results data and based thereon to generate personalized and localized recommended study questions for students and teachers to aid in their learning and teaching, respectively, and to continually develop and improve the educational content offered in our self-directed learning product. Although we have invested substantially in the development and continued improvement of our algorithms, we cannot assure you that our algorithms do not and will not carry any flaw or defect that could compromise our data analysis results. Particularly, some of these flaws or defects may not become evident until the algorithm is put to actual usage or after its continued failure to accurately generate on-point personalized or localized study question recommendations. Even if the algorithm is properly designed, its performance may be affected by the quality and volume of student learning performance data we aggregated. We also expect to experience significant growth in the amount of data we need to process as we continue to develop our business and enlarge our user base. As the amount of data and variables we process increases, the calculations that our algorithms must process become increasingly complex and the likelihood of any defect or error increases. In addition, a significant component of our smart in-school classroom solution is powered by our AI programs, which address complex challenges such as autoscoring, speech recognition and evaluation and grammar error detection. We may incur significant expenses to remediate any defects in our AI programs or data analytics algorithms, or may not be able to correct them at all. Although we have not experienced any material defects to date, we cannot assure you that our AI programs and algorithms are flawless. If any incidents of material defects took place, our student and teacher experiences with our products and services would be significantly harmed, and they may lose confidence and trust in our products and services. As a result, we may incur significant reputational damage and market share loss.

***Any inability to adequately and promptly respond to changes in examination systems, admission standards, test materials, teaching methods and regulation changes in the PRC could render our products and services less attractive to education authorities, schools, teachers, students and parents.***

In China, school admissions rely heavily on examination results, and students' performance in these exams is critical to their education and future employment prospects. It is therefore common for students to pursue after-school learning to improve their test performance. Accordingly, the success of our business to a large extent depends on the continued use of entrance exams or tests by schools in their admissions. However, such heavy emphasis on examination scores may decline or fall out of favor with educational institutions or government authorities in China.

Admission and assessment processes undergo constant changes, in terms of subject and skill focus, question type, examination format and the manner in which the processes are administered. We are therefore required to continually update and enhance our educational contents, product features and technology focuses. Any failure to respond to the changes in a timely and cost-effective manner will adversely impact the marketability of our solutions and products, which would have a material adverse effect on our business, financial condition and results of operations.

Regulations and policies that decrease the weight of scholastic competition achievements in the admissions process mandated by government authorities or adopted by schools may have an impact on our enrollments. For example, the MOE issued certain implementation guidelines to clarify that local educational administrative departments at all levels, public schools and private schools are not allowed to use examinations to select their students for admission to middle schools from primary schools. As a result, public schools may not use various competitions or examination certificates as the criteria or basis for enrollment. Failure to track and respond to these changes in a timely and cost-effective manner would render our services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students.

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

Our educational content development team works closely with our sales and service team on developing, updating and improving our existing educational content and developing new educational content to stay abreast of the latest educational trends and changes in education curricula and textbook content in their respective subject



areas. The adjustments, updates and expansions of our existing educational content and the development of new educational content may not be accepted by existing or prospective students. Even if we are able to develop acceptable new educational content for our product and service offerings, we may not be able to introduce them as quickly as students require or as quickly as our competitors introduce competing offerings. Furthermore, offering new educational content or upgrading existing ones may require us to commit significant resources and make significant investments in educational content development. If we are unsuccessful in pursuing educational content development and upgrading opportunities due to the financial constraints, failure to attract educational content development professionals, or other factors, our ability to attract and retain students could be impaired and our financial results could suffer.

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

Although we implement various content moderation procedures, we cannot assure you that there will be no inappropriate or illegal content included in our educational content or applications and websites. In addition, certain of our educational content, which is designed internally based on our understanding of the relevant examination requirements and other factors, may be investigated by the regulatory authorities. We may face civil, administrative or criminal liability or legal or regulatory sanctions, such as requiring us to restrict or discontinue our content, products or services, if an individual or corporate, governmental or other entity believes that any of our educational content or content displayed on our applications and websites violates any laws, regulations or governmental policies or infringes upon its legal rights. Even if such a claim were not successful, defending such a claim may cause us to incur substantial costs. Moreover, any accusation of inappropriate or illegal content in our educational content offerings or our applications and websites could lead to significant negative publicity, which could harm our reputation, business, financial condition and results of operations.

***The recognition of our brand may be adversely affected by any negative publicity concerning us and our business, shareholders, affiliates, directors, officers and other employees, as well as the industry in which we operate, regardless of its accuracy, that could harm our reputation and business.***

We believe that the market recognition of our brand has significantly contributed to the success of our business and that maintaining and enhancing our brand recognition is critical to sustaining our competitive advantages. Negative publicity about us and our business, shareholders, affiliates, directors, officers, educational experts, sales and service representatives and other employees and other full-time and part-time workers supplied by third-party service providers, as well as the industry in which we operate, can harm the recognition of our brand. Negative publicity, regardless of merits, could be related to a wide variety of matters, including but not limited to:

- alleged misconduct or other improper activities committed by the users of our products and services or our directors, officers, educational experts, sales and service representatives and other employees and other full-time and part-time workers supplied by third-party service providers, including misrepresentation made by our employees or full-time and part-time workers supplied by third-party service providers to potential students, teachers and parents during sales and marketing activities, and other fraudulent activities to artificially inflate the popularity of our products or services offerings;
- false or malicious allegations or rumors about us or our directors, shareholders, affiliates, officers, educational experts, sales and service representatives and other employees and other workers supplied by third-party service providers;
- complaints by students, teachers and parents about our product and service offerings;
- refund disputes of fees between us and students and their parents or administrative penalties;
- security breaches of private user or transaction data;
- employment-related claims relating to alleged employment discrimination, wage and hour violations; and

- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws, regulations and policies, including those adopted by the government to apply more stringent social, ethical and environmental standards in connection with increased global focus on these areas.

For example, in October 2018, it was reported that certain of our self-directed learning resources contained certain interactive, multi-media features that distracted students from learning and, in some cases, caused students to spend money on certain functions. We responded quickly to such reports and conducted a thorough internal investigation of all of our applications and learning resources to modify or remove, as applicable, any potentially improper content and features in such applications and resources. We also ceased to provide such self-directed learning resources and offered to refund money that were spent by students.

In addition to traditional media, there has been an increasing use of social media platforms and similar technologies in China, including instant messaging applications, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate as is its impact without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our company, shareholders, affiliates, directors, officers, educational experts, sales and service representatives and other employees and other workers supplied by third-party service providers, may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect or misleading information cannot be completely eliminated or mitigated and may materially harm the recognition of our brand, reputation, business, financial condition and results of operations.

***If our senior management and other key personnel are unable to work together effectively or efficiently or if we lose their services, our business may be severely affected.***

The continued services of our senior management and other key personnel are important to our continued success. In particular, we rely on the expertise and experience of Mr. Andy Chang Liu, our founder, chairman and CEO. We also rely on the experience and services from other senior management. If they cannot work together effectively or efficiently, our business may be severely disrupted. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. Competition for experienced management personnel in the online education industry is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high-quality senior executives or key personnel in the future. If any of our senior management joins a competitor or forms a competing business, we may lose students, teaching staff, and other key professionals and staff members. Our senior management has entered into employment agreements with us which contain confidentiality and non-compete clauses. However, if any dispute arises between our senior management and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

Our success also depends on our having highly trained content and product development, financial, technical, human resource, sales and marketing staff and management personnel. We will need to continue to hire additional personnel as our business grows. A shortage in the supply of personnel with requisite skills or our failure to recruit them could impede our ability to increase revenues from our existing products and services, to launch new offerings and to expand our operations, and would have an adverse effect on our business and financial results.

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

We accept payments through major third-party online payment channels in China, as well as bank transfers for our customers. We may also be susceptible to fraud, user data leakage and other illegal activities in connection with the various payment methods we offer. In addition, our business depends on the billing, payment and escrow systems of the third-party payment service providers to maintain accurate records of payments by customers and collect such payments. If the quality, utility, convenience or attractiveness of these payment processing and escrow

services declines, or if we have to change the pattern of using these payment services for any reason, the attractiveness of our company could be materially and adversely affected. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and become unable to accept the current online payments solutions from our customers, and our business, financial condition and results of operations could be materially and adversely affected. Business involving online payment services is subject to a number of risks that could materially and adversely affect third-party online payment service providers' ability to provide payment processing and escrow services to us, including:

- dissatisfaction with these online payment services or decreased use of their services;
- increasing competition, including from other established Chinese internet companies, payment service providers and companies engaged in other financial technology services;
- changes to rules or practices applicable to payment systems that link to third-party online payment service providers;
- breach of customers' personal information and concerns over the use and security of information collected from buyers;
- service outages, system failures or failures to effectively scale the system to handle large and growing transaction volumes;
- increasing costs to third-party online payment service providers, including fees charged by banks to process transactions through online payment channels, which would also increase our cost of revenues; and
- failure to manage funds accurately or loss of funds, whether due to employee fraud, security breaches, technical errors or otherwise.

***Our brand image, business and results of operations may be adversely impacted by misconduct, improper activities and misuse of our product and service offerings by users, employees and workers supplied by third-party service providers, many of which are beyond our control.***

We regularly and actively monitor content and communications on our platform to ensure that we are able to identify content that may be deemed inappropriate or in violation of laws, regulations and government policies. When any inappropriate or illegal content is identified, we promptly remove the content. However, since we have limited control over the real-time and offline behavior of the users of our products and services, to the extent any improper behavior is associated with our content, applications or websites, our ability to protect our brand image and reputation may be limited. In addition, if any of students or other users suffer or allege to have suffered physical, financial or emotional harm following contact initiated through our content, applications or websites, we may face civil lawsuits or other liabilities initiated by the affected individual or governmental or regulatory actions against us. In response to allegations of illegal or inappropriate activities conducted on our applications or websites or any negative media coverage about us, PRC governmental authorities may intervene and hold us liable for non-compliance with PRC laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue some of the content, features and services provided through our applications or websites. As a result, our business may suffer and our brand image, the pace at which our SaaS solution is adopted, the number subscriptions to our self-directed learning products, results of operations and financial condition may be materially and adversely affected.

We are exposed to the risk of other types of fraud or other misconduct by employees supplied by third-party service providers. Other types of misconduct include, but are not limited to, intentionally failing to comply with government regulations, engaging in unauthorized activities when interacting with students and during the course of their work, such as mishandling student records and data, and making misrepresentation to our prospective

students, teachers and school partners during marketing activities, all of which could harm our business and reputation. It is not always possible to deter misconduct by employees supplied by third-party service providers, and such risks are greater with respect to misconduct, improper activities and misuse of our products and data by employees supplied by third-party service providers, over whom we have less control as they are not our own employees. Although we set out confidentiality and conduct requirements for such employees in our agreements with third-party service providers and third-party service providers set out similar requirements in their employment or service contracts with such employees, and we oversee the performance of such employees supplied by third-party service providers and request these third-party service companies to replace workers that engage in misconduct and illegal activities, such efforts may not be effective in controlling and deterring misconduct and improper activities. The precautions we take to prevent and detect misconduct by employees supplied by third-party service providers may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, financial condition and results of operations.

***Increases in labor costs, inflation and implementation of stricter labor laws in the PRC may adversely affect our business and results of operations.***

The currently effective PRC Labor Contract Law took effect from January 1, 2008 and was later amended on December 28, 2012. The PRC Labor Contract Law has reinforced the protection of employees who, under the PRC Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the PRC Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. As a result of the cessation of the K-12 Academic AST Services and other measures we have taken to comply with recent regulatory developments, we have implemented a staffing optimization plan and incurred significant severance costs in connection with employee layoffs. To the extent that we need to continue to significantly reduce our workforce, the PRC Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. In addition, for employees whose employment contracts include noncompetition terms, the PRC Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses. Because the PRC governmental authorities have introduced various new labor-related regulations since the PRC Labor Contract Law took effect, and the interpretation and implementation of these regulations are still evolving, our employment practices could violate the PRC Labor Contract Law and related regulations and could be subject to related penalties, fines or legal fees. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers by attracting new customers or increasing the prices of our products and services, our financial conditions and results of operations would be materially and adversely affected.

***Our results of operations are subject to seasonal fluctuations.***

Our industry generally experiences seasonality primarily due to seasonal changes in service days and course enrollments in schools. For example, we may generate higher growth in net revenues in the first and third quarters in the future because of the increase of the number of subscribers of our personalized self-directed learning products during the summer and winter holiday seasons. Overall, the historical seasonality of our business has been relatively mild due to our rapid growth, but seasonality may increase in the future. Due to our limited operating history, the seasonal trends that we have experienced in the past may not be indicative of our future operating results. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, the trading price of our ADSs may fluctuate from time to time due to seasonality.

***We have granted, and expect to continue to grant, share-based awards under our share incentive plans, which may result in increased share-based compensation expenses.***

We adopted share incentive plans in 2015, 2018 and 2020, or the 2015 Plan, the 2018 Plan and the 2020 Plan, respectively, for the purpose of granting share-based compensation awards to employees, officers, directors

and consultants to incentivize their performance and promote the success of our business. As of March 31, 2022, the maximum aggregate number of ordinary shares that may be issued under the 2015 Plan, the 2018 Plan and the 2020 Plan is 59,899,375, 25,703,602 and 42,381,965, respectively. See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plan.” We recorded RMB93.1 million, RMB356.0 million and RMB195.2 million (US\$30.6 million) in 2019, 2020 and 2021, respectively, in share-based compensation expenses. We expect to continue to grant awards under our share incentive plans, which we believe is of significant importance to our ability to attract and retain key personnel and employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

***If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus that contribute to our business.***

We believe that a critical component of our success is our corporate culture, which fosters innovation and has roots in genuine care for children’s education and a deep understanding of students, teachers and schools as well as the evolving education industry in China. As we continue to expand and grow our business, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could undermine our reputation in the marketplace and negatively impact our ability to attract and retain employees and students, which would in turn jeopardize our future success.

***We face risks related to natural and other disasters, including severe weather conditions or outbreaks of health epidemics, and other extraordinary events, which could significantly disrupt our operations.***

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting the PRC, and particularly Beijing. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures, internet failures or other operation interruptions for us and our service providers, which could cause the loss or corruption of data or malfunction of software or hardware as well as adversely affect our ability and the ability of our service providers to conduct daily operations and to deliver our products offerings. Our business could also be adversely affected if employees of ours or our service providers are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general.

Our headquarters are located in Beijing, where most of our directors and management and the majority of our employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Beijing and most of our service providers are located in Beijing. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

***We have limited business insurance coverage, which could expose us to significant costs and business disruption.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. We do not maintain any liability insurance or property insurance policies covering students, equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.***

Since our initial public offering of our ADSs on Nasdaq in December 2020, we have become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires that we include a report from

management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue an adverse report if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act. We may be unable to timely complete our evaluation testing and any required remediation.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2021. See “Item 15. Controls and Procedures.” However, there is no assurance that we will not have any material weakness in the future. Failure to discover and address any control deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud. If we fail to develop or maintain an effective system of internal control over financial reporting, our management and our independent registered public accounting firm may not conclude on an on-going basis that our internal control over financial reporting is effective. This conclusion could adversely impact the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes.

In addition, our internal control over financial reporting may not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our ADSs could decline and we could be subject to sanctions or investigations by the Nasdaq, SEC or other regulatory authorities.

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

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

***We may need additional capital in the future to pursue our business objectives. If we cannot obtain additional capital on acceptable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.***

We may need to raise additional capital to respond to business challenges or opportunities, accelerate our growth, develop new offerings or enhance our technological capacities. Due to the unpredictable nature of the capital markets and our industry, there can be no assurance that we will be able to raise additional capital on terms favorable to us, or at all, if and when required, especially if we experience disappointing results of operations. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges senior to those of existing shareholders.

***We may not be able to achieve the benefits we expect from future investments and acquisitions.***

We may make equity investments in or acquisitions of additional businesses, assets and technologies that complement our existing business in the future. This may include opportunities to expand our offerings and strengthen our technology and data capabilities. If the businesses or assets we acquire or invest in do not subsequently generate the anticipated financial performance or if any goodwill impairment test triggering event occurs, we may need to revalue or write down the value of goodwill and other intangible assets in connection with such acquisitions or investments, which would harm our results of operations. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets, significant diversion of management attention and exposure to potential unknown liabilities of the acquired business. In addition, as we often do not have control over the companies in which we only have minority stake, we cannot ensure that these companies will always comply with applicable laws and regulations in their business operations. Material non-compliance by our investees may cause substantial harms to our reputations and the value of our investment. In addition, we may be unable to identify appropriate acquisition or strategic investment targets when it is necessary or desirable to make such acquisition or investment to remain competitive or to expand our business. Even if we identify an appropriate acquisition or investment target, we may not be able to successfully negotiate the terms of the acquisition or investment, finance the proposed transaction or integrate the relevant businesses into our existing business and operations. In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

***A severe and prolonged global economic recession and the slowdown in the Chinese economy may adversely affect our business and results of operations.***

COVID-19 had a severe and negative impact on the Chinese and the global economy since early 2020. Whether this will lead to a prolonged downturn in the economy is still unknown, especially considering the multiple recent outbreaks in various countries and regions as well as the uncertainties brought by the newly launched vaccination programs. Even before the outbreak of COVID-19, the global macroeconomic environment had been facing challenges. The growth of the Chinese economy has gradually slowed down in recent years and the trend may continue. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) growth was 6.1% in 2019, 2.3% in 2020, and 8.1% in 2021. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2021. The conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns on the relationship between China and other countries, including surrounding Asian countries, which may potentially lead to foreign investors closing down their businesses or withdrawing their investments in China and, thus, exiting the China market, and other economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. Economic conditions in China are sensitive to global economic conditions, as well as

changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

***Fluctuations in exchange rates could have a material and adverse effect on the value of your investment and our results of operations.***

The conversion of Renminbi into foreign currencies, including the U.S. dollar, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar and other currencies, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar and other currencies in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and U.S. dollar in the future.

Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

***Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to adapt to or comply with the evolving expectations and standards on environmental, social and governance matters from investors and the PRC government may adversely affect our business, financial condition and results of operation.***

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our ADSs could be materially and adversely effected.

***We face certain risks relating to the real properties that we lease.***

We lease real properties from third parties primarily for our office in China, and the lease agreements for most of these leased properties have not been registered with the PRC government authorities as required by PRC law. Although the failure to do so does not in itself invalidate the leases, we may be ordered by the PRC government authorities to rectify such noncompliance and, if such noncompliance were not rectified within a given period of



time, we may be subject to fines imposed by PRC government authorities ranging from RMB1,000 and RMB10,000 for those of our lease agreements that have not been registered with the relevant PRC government authorities.

As of the date of this annual report, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the government authorities. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

In addition, some of the ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. As of the date of this annual report, we are not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without obtaining proper ownership proof. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased real properties, we could be required to vacate the properties, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

***Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.***

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. To efficiently administrate the contribution of employment benefit plans of our employees in some cities, we engage third-party agents to make the contribution for our employees. Our failure in making contributions to various employee benefit plans and in complying with applicable PRC labor-related laws may subject us to late payment penalties, and we could be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected. In addition, to the extent that we can make a reasonable estimate of the liability arising from our failure in making full contributions to various employee benefit plans, we record a related contingent liability. However, the amount of our estimates may be inaccurate, in which case our financial condition and cash flow may be adversely affected if we were to pay late fees or fines in relation to the underpaid employee benefits.

***Our advertising and promotional content may subject us to penalties and other administrative actions.***

Under PRC advertising, pricing and anti-unfair competition laws and regulations, we are obligated to monitor our advertising content to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, education or training advertisement are further prohibited from containing content such as guarantee for passing of examination or the effect of education or training, recommendation and/or endorsement by scientific research institutes, academic institutions, educational organizations, industry associations, professionals or beneficiaries using their name or image. Further, the Alleviating Burden Opinion provides that no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC government authorities may force us to terminate our advertising operations or revoke our licenses. See “Item 4.

The relevant PRC regulatory authorities have significant discretion in interpreting and implementing the PRC Advertising Law, PRC Pricing Law, the PRC Anti-Unfair Competition Law and the rules and regulations related thereto. While we have made significant efforts to ensure that our advertisements are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in our advertisements is true and accurate as required by, and complies in all aspects with, the advertising laws and regulations. We also cannot assure you that we can rectify content that is deemed in violation of such laws and regulations, in a timely manner, or at all, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may negatively affect our business, financial condition, results of operations and prospects.

### **Risks Related to Our Corporate Structure**

***If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.***

Foreign ownership in entities that provide value-added telecommunication services (except for e-commerce, domestic multi-party communications, store-and-forward and call center), is subject to restrictions under current PRC laws and regulations. Specifically, foreign ownership of an internet information service provider may not exceed 50%. We are a company registered in the Cayman Islands. Our wholly foreign owned entities, or our WFOEs, are our PRC subsidiaries and foreign-invested enterprises under PRC laws. To comply with PRC laws and regulations, we conduct such business activities in China primarily through the VIEs. Our WFOEs have entered into a series of contractual arrangements with the respective VIEs and their respective shareholders. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” As a result of these contractual arrangements, we exert control over the VIEs and consolidate financial results of the VIEs and their subsidiaries in our financial statements under U.S. GAAP. The VIEs hold the licenses, approvals and key assets that are essential for our operations.

We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements. Investors in our Class A common shares or the ADSs thus are not purchasing equity interest in our consolidated affiliated entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we and the VIEs could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the VIEs, and investors of us face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the VIEs and hence consolidate their financial results and their subsidiaries into our consolidated financial statements under U.S. GAAP. In 2019, 2020 and 2021, we derived 89.2%, 95.0 % and 99.2% of our total revenues from the VIEs, respectively.

In the opinion of our PRC counsel, Tian Yuan Law Firm, (i) the ownership structure of the VIEs and our WFOEs does not result in any violation of PRC laws and regulations currently in effect; and (ii) the contractual arrangements among each of our WFOEs, our respective VIEs and their respective shareholders governed by PRC law will not result in any violation of PRC laws or regulations currently in effect. However, we have been further advised by our PRC counsel that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, including, but not limited to, the laws and regulations governing our and the VIEs’ business, or the enforcement and performance of our contractual arrangements with the VIEs and their perspective shareholders. These laws and regulations may be subject to change, and their official interpretation and

enforcement may involve substantial uncertainty. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. Thus, the PRC government may ultimately take a view contrary to the opinion of our PRC counsel. If the PRC government otherwise find that we are in violation of any existing or future PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues; and
- shutting down our servers or blocking our application/software.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, new PRC laws, regulations, and rules may be introduced to impose additional requirements, posing additional challenges to our corporate structure and contractual arrangements. For example, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinion on July 24, 2021, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; and (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. It remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students on grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion.

We have conducted a series of compliance measures regarding the Alleviating Burden Opinion and relevant implements, such as cessation of tutoring services related to academic subjects to students from kindergarten through the last year of senior high school. We may take further necessary measures to comply with the current and future PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. If occurrences of any of these events results in our inability to direct the activities of the VIEs in China that most significantly impact its economic performance, and/or our failure to receive the economic benefits from our consolidated variable interest entities, we may not be able to consolidate their financial results in our consolidated financial statements in accordance with U.S. GAAP.

Although we believe we, our PRC subsidiaries and the VIEs are not in violation of current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government determines that we or the VIEs do not comply with applicable law, it could revoke the VIEs' business and operating licenses, require the VIEs to discontinue or restrict the VIEs' operations, restrict the VIEs' right to collect revenues, block the VIEs' websites, require the VIEs to restructure our operations, impose additional conditions or requirements with which the VIEs may not be able to comply, impose restrictions on the VIEs' business operations or on their customers, or take other regulatory or enforcement actions against the VIEs that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the VIEs' business operations or restrict the VIEs from conducting a substantial portion of their business operations, which could materially and

adversely affect the VIEs' business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of the VIEs that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of the VIEs, we may not be able to consolidate these entities in our consolidated financial statements in accordance with U.S. GAAP. In addition, our shares may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries that conduct a significant part of our operations.

***We rely on contractual arrangements with the VIEs and their shareholders for our business operations, which may not be as effective as direct ownership in providing operational control.***

We have relied and expect to continue to rely on contractual arrangements with the VIEs, and their shareholders to operate our business in China. These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. For example, the VIEs and their shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIEs in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIEs in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIEs, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIEs and their shareholders of their obligations under the contracts to exercise control over the VIEs. The shareholders of the VIEs may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with the VIEs. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.” Therefore, our contractual arrangements with the VIEs may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

***Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.***

If the VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the VIEs were to refuse to transfer their equity interests in the VIEs to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control

over the VIEs, and our ability to conduct our business may be negatively affected. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

***The shareholders of the VIEs may have actual or potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

The shareholders of the VIEs may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIEs, which would have a material and adverse effect on our ability to effectively control the VIEs and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the VIEs to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in the VIEs to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of our respective VIEs have executed powers of attorney to appoint our WFOEs or a person designated by our WFOEs to vote on their behalf and exercise voting rights as shareholders of our respective VIEs. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***Contractual arrangements in relation to the VIEs may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC consolidated variable interest entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to the VIEs were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of the VIEs in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the VIEs for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the VIEs for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIEs' tax liabilities increase or if they are required to pay late payment fees and other penalties.

***Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.***

On March 15, 2019, the National People's Congress, or NPC, promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, and it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access jointly promulgated by the Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or the NDRC, as amended from time to time. The Foreign Investment Law provides that foreign-invested entities are barred from operating in “prohibited” industries and will require market entry clearance and other approvals from relevant PRC government authorities if operating in “prohibited” industries. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Application of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the Negative List. If our control over the VIEs through contractual arrangements are deemed as foreign investment in the future, and any business of the VIEs is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over the VIEs may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

***We may lose the ability to use and enjoy assets held by the VIEs that are material to the operation of certain portion of our business if the entities go bankrupt or become subject to a dissolution or liquidation proceeding.***

As part of our contractual arrangements with the VIEs, the VIEs hold certain assets that are material to the operation of certain portion of our business, including licenses, permits, domain names and most of our IP rights. If the VIEs go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the VIEs may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If the VIEs undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

#### **Risks Related to Doing Business in China**

***Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.***

All of our operations are conducted in China, and most of our assets are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 on the Chinese and global economies in 2020 was severe. Any

adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our solutions and services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past, the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations. In addition, the increased global focus on social, ethical and environmental issues may lead to China's adoption of more stringent standards in these areas, which may adversely impact the operations of China-based companies including us.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

The PRC government has significant oversight over the conduct of our business and it has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline.

***The PRC government's significant oversight over our business operations could result in a material adverse change in our operations and the value of our ADSs.***

We conduct our business in China through the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the conduct of our business, and it may intervene or influence our operations, which could result in a material adverse change in our operation, and our ordinary shares and ADSs may decline in value or become worthless. Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. 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. From the second half of 2021, a series of other draft laws and regulations concerning cybersecurity and data security were issued for public comment, certain of which have begun to take effect. See also “—Risks Related to Our Business and Industry—We are subject to a variety of laws and other obligations regarding data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any actual or alleged failure to comply with applicable laws and obligations could have

a material adverse effect on our business, financial condition and results of operations” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Internet Information Security and Privacy Protection.” The draft laws and regulations concerning cybersecurity and data security are in the process of being formulated and there are still uncertainties on how the newly promulgated laws and regulations concerning cybersecurity and data security will be interpreted and implemented by the relevant PRC governmental authorities. In addition, on December 24, 2021, the CSRC published certain draft laws and regulations concerning overseas listing by PRC companies. See “—The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such other requirements.” for details. There remain substantial uncertainties about how these drafts will be enacted, interpreted, or implemented and how they will affect our operations and future overseas offerings.

It remains uncertain how PRC governmental authorities will regulate overseas listing in general and whether we are required to obtain any specific regulatory approvals from the CSRC, CAC or any other PRC governmental authorities for our offshore offerings. If the CSRC, CAC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our future offshore offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

***The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such other requirements.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. 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. As a follow-up, on December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments.

The Draft Provisions and the Draft Administration Measures propose to establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Draft Provisions and the Draft Administration Measures, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income,



gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. The Draft Administration Measures also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises.

As of the date of this annual report, the Draft Provisions and the Draft Administration Measures were released for public comment only. There are uncertainties as to whether the Draft Provisions and the Draft Administration Measures would be further amended, revised or updated. Substantial uncertainties exist with respect to the enactment timetable and final content of the Draft Provisions and the Draft Administration Measures. As the CSRC may formulate and publish guidelines for filings in the future, the Draft Administration Measures does not provide for detailed requirements of the substance and form of the filing documents. In a Q&A released on its official website, the respondent CSRC official indicated that the proposed new filing requirement will start with new companies and the existing companies seeking to carry out activities like follow-on financing. As for the filings for the existing companies, the regulator will grant adequate transition period and apply separate arrangements. The Q&A also addressed the contractual arrangements and pointed out that if relevant domestic laws and regulations have been observed, companies with compliant VIE structure may seek overseas listing after completion of the CSRC filings. Nevertheless, it does not specify what qualify as compliant VIE structures and what relevant domestic laws and regulations are required to be complied with. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all, or that that new rules or regulations promulgated in the future will not impose any additional requirement on us or otherwise tighten the regulations on companies with a VIE structure.

Relatedly, on December 27, 2021, the NDRC and the Ministry of Commerce, or the MOC, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the 2021 Negative List, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentages shall be subject, *mutatis mutandis*, to the relevant regulations on the domestic securities investments by foreign investors. As the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the enacted version of the revised Measures for Cybersecurity Review and the draft of Regulations on the Network Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business,

financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws.***

We are an exempted company incorporated under the laws of the Cayman Islands; however, we conduct all of our operations in China and most of our assets are located in China. In addition, most of our directors and executive officers are nationals or residents of jurisdictions other than the United States and most of their assets are located outside the United States. As a result, it may be difficult for you to effect service of process upon us or our management named in the annual report inside China mainland. It may also be difficult for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

***The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.***

Under PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application through our office automation system and the application will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or the VIEs or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

***If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.***

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or the SAT, issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organizational Management, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or Class A ordinary shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including the ADS holders) and any gain realized on the transfer of ADSs or Class A ordinary shares by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or Class A ordinary shares.

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

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. In February 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7. Pursuant to SAT Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the

withholding of nonresident enterprise income tax. We also face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises.

The PRC tax authorities may pursue non-resident enterprises involved in our previous or future private equity financing transactions with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under SAT Bulletin 7 and SAT Bulletin 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

***If our preferential tax treatments are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.***

Under the PRC Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%, but certain “high and new technology enterprises strongly supported by the state,” or HNTEs, are qualified for a preferential enterprise income tax rate of 15% subject to certain qualification criteria. Currently, Shanghai Hexu and Beijing Yiqi Education & Technology Co., Ltd., or Beijing Yiqi Education, enjoy a preferential enterprise income tax rate of 15% as they are recognized as HNTEs by the relevant PRC governmental authorities. The qualification as an HNTE is subject to annual evaluation and a three-year review by the relevant PRC governmental authorities. If Shanghai Hexu and Beijing Yiqi Education fail to maintain their HNTE status, experience any increase in the enterprise income tax rate, or face any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments currently enjoyed, our business, financial condition and results of operations could be materially and adversely affected.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

***The M&A Rules and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions.***

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress, or SCNPC, which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the MOFCOM before they can be completed. On February 7, 2021, the Anti-monopoly Commission of the State Council, published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as classifying that concentrations involving variable interest entities shall be subject to anti-monopoly review. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to

complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

In February 2012, the State Administration of Foreign Exchange, or SAFE, promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options are subject to these regulations as our company has become an overseas-listed company. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Foreign Exchange—Regulation on Stock Incentive Plans."

In addition, the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Foreign Exchange—Regulation on Stock Incentive Plans."

***PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.***

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purposes) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. The PRC residents shall, by themselves or entrusting accounting firms or banks, file with the online information system designated by SAFE with respect to its existing rights under offshore direct investment each year prior to the requisite time.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or qualified local banks or complete annual filing of its existing rights under offshore direct investment, our PRC subsidiaries may be prohibited from distributing to us its profits and proceeds from any reduction in capital, share transfer or liquidation, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have used our best efforts to notify PRC residents or entities who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents or entities to complete the foreign exchange registrations and annual filings of its existing rights under offshore direct investment. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations.

The failure or inability of such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

***We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.***

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services or any debt we may incur. If our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, which is a foreign-owned enterprise, may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting processes may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans or additional capital***

***contributions to our PRC subsidiaries and the VIEs in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and VIEs and their subsidiaries. We may make loans to our PRC subsidiaries and VIEs and their subsidiaries subject to the approval from or registration with governmental authorities and limitation on amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises, or FIEs, under PRC law, are subject to applicable foreign exchange loan registrations. In addition, an FIE shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of such FIE or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments in financial management other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015, in replacement of a former regulation. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies 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 the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or VIEs or their subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive all of our revenues in Renminbi. Under our

current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under 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 approval of the SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate 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. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and consolidated variable interest entities to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped-up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting processes are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control 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, including holders of the ADSs.

***The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.***

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. As a result, we and investors in our ADSs are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

***Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.***

The Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. After we file this annual report on Form 20-F, we may be identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completely by the PCAOB.



Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements on Form 20-F for the year ending December 31, 2023 which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor's, control. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

Furthermore, on December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCAA, pursuant to which the SEC will identify a "Commission-Identified Issuer" if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years.

***It may be difficult for overseas regulators to conduct investigations or collect evidence within China.***

Shareholder claims or regulatory investigations that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States or other jurisdictions may not be efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. In addition, the Data Security Law and the Personal Information Protection Law provide that no entity or individual within the territory of the PRC may provide any foreign judicial body and law enforcement body with any data or any personal information stored within the territory of the PRC without the approval of the competent governmental authority of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigation or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties you face in protecting your interests. See also "—Risks related to the ADS—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law" for risks associated with investing in us as a Cayman Islands company.

***Recent litigation and negative publicity surrounding China-based companies listed in the U.S. may result in increased regulatory scrutiny of us and negatively impact the trading price of our ADSs.***

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the U.S. have negatively impacted stock prices for such companies. Various equity-based research organizations have published reports on China-based companies after examining, among other things, their corporate governance practices, related party transactions, sales practices and financial statements that have led to special investigations and stock suspensions on national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could result in a diversion of management resources and energy, potential costs to defend ourselves against

rumors, decreases and volatility in the ADS trading price, and increased directors and officers insurance premiums, and could have a material adverse effect upon our business, results of operations and financial condition.

## **Risks Related to the ADS**

***The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.***

The trading price of the ADSs has been volatile since our ADSs started to trade on the Nasdaq Global Select Market, and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- actual or anticipated variations in our revenues, earnings, cash flow and changes or revisions of our expected results;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new products, services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- announcements of studies and reports relating to the quality of our product, service and SaaS offerings or those of our competitors;
- changes in the performance or market valuations of other online education companies;
- conditions in the online education market;
- detrimental negative publicity about us, our competitors or our industry;
- additions or departures of key personnel;
- release of lockup or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry;
- general economic or political conditions affecting China or elsewhere in the world;
- fluctuations of exchange rates between the RMB and the U.S. dollar; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade. For example, following the announcement of the Alleviating Burden Opinion, which contains high-level directives about requirements and restrictions related to after-school tutoring services, the trading price of our ADSs declined sharply. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our ADSs. Volatility or a lack of positive performance in the

ADS price may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

***If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.***

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

***Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.***

We have adopted a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares (with certain shares remaining undesignated, with power for our directors to designate and issue such classes of shares as they think fit). Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to thirty votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Holders of Class B ordinary shares have the ability to control matters requiring shareholders' approval, including any amendment of our memorandum and articles of association. Any future issuances of Class B ordinary shares may be dilutive to the voting power of holders of Class A ordinary shares. Any conversions of Class B ordinary shares into Class A ordinary shares may dilute the percentage ownership of the existing holders of Class A ordinary shares within their class of ordinary shares. Such conversions may increase the aggregate voting power of the existing holders of Class A ordinary shares. In the event that we have multiple holders of Class B ordinary shares in the future and certain of them convert their Class B ordinary shares into Class A ordinary shares, the remaining holders who retain their Class B ordinary shares may experience increases in their relative voting power.

As of March 31, 2022, Mr. Andy Chang Liu, our founder, chairman and chief executive officer, beneficially owned all of our issued Class B ordinary shares. These Class B ordinary shares constitute 11.4% of our total issued and outstanding share capital and 79.5% of the aggregate voting power of our total issued and outstanding share capital due to the disparate voting powers associated with our dual-class share structure. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership." As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares will have considerable influence over matters such as decisions regarding mergers and consolidations, election of directors and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

***The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.***

Certain shareholder advisory firms have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

***We currently do not expect to pay dividends in the foreseeable future and you must rely on price appreciation of our ADSs for return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

***The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.***

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. Shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

***Our seventh memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and the ADSs.***

Our seventh memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, including Class A ordinary shares represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make

removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and the ADSs may be materially and adversely affected.

***Our seventh memorandum and articles of association and the deposit agreement provide that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive judicial forum within the U.S. for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, and any suit, action or proceeding arising out of or relating in any way to the ADSs or the deposit agreement, which could limit the ability of holders of our ordinary shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary, and potentially others.***

Our seventh memorandum and articles of association provide that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than our company. The deposit agreement provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall have exclusive jurisdiction over any suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs. The enforceability of similar federal court choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. If a court were to find the federal choice of forum provision contained in our Seventh memorandum and articles of association or the deposit agreement to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our Seventh memorandum and articles of association, as well as the forum selection provision in the deposit agreement, may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary, and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits. Holders of our shares or the ADSs will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder pursuant to the exclusive forum provision in the Seventh memorandum and articles of association and deposit agreement. In addition, the forum selection provision of the deposit agreement does not affect the right of an ADS holder or the depositary to require any claim against us, including a federal securities law claim, to be submitted to arbitration or to commence an action in any court in aid of that arbitration provision or to enter judgment upon or enforce any arbitration award.

***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying Class A ordinary shares represented by your ADSs.***

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting where we asked the depositary to solicit your instruction, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares unless you cancel and withdraw such Class A ordinary shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the underlying Class A ordinary shares represented by your ADSs and become the registered holder of such Class A ordinary shares to allow you to attend the general meeting and to vote directly with respect to any

specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our Seventh memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying Class A ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to requisition a shareholders' meeting.

Further, under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings if:

- we have instructed the depositary that we wish a discretionary proxy to be given;
- we have confirmed to the depositary that there is no substantial opposition as to a matter to be voted on at the meeting; and
- we have confirmed to the depositary that a matter to be voted on at the meeting would not have a material adverse impact on shareholders.

The effect of this discretionary proxy is that you cannot prevent our underlying Class A ordinary shares represented by your ADSs from being voted under the circumstances described above. This may adversely affect your interests and make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

***You may not receive cash dividends or other distributions if the depositary decides it is impractical to make them available to you.***

The depositary will pay cash distributions or other distributions on the ADSs only to the extent that we decide to make distributions on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our Class A ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary has agreed to pay you the cash dividends or other distributions it or the custodian receives on our shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs

generally when our share register or the books of the depository are closed, or at any time if we or the depository thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may experience dilution of your holdings due to inability to participate in rights offerings.***

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depository will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depository may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our seventh memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (apart from the memorandum and articles of association, the register of mortgages and charges and special resolutions of the shareholders) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our seventh amended and restated articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law.”

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands exempted company and most of our assets are located in China. All of our current operations are conducted in China. In addition, most of our current directors and senior executive officers are nationals and residents of jurisdictions other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in

bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, subject to the depositary's right to require a claim to be submitted to arbitration, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York) shall have exclusive jurisdiction to hear and determine claims arising out of or relating in any way to the deposit agreement (including claims arising under the Exchange Act or the Securities Act) and in that regard, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waives the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depositary from our respective obligations to comply with the Securities Act and the Exchange Act nor serve as a waiver by any holder or beneficial owner of ADSs of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***An ADS holder's right to pursue claims against the depositary is limited by the terms of the deposit agreement.***

Under the deposit agreement, any legal suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York), and a holder of our ADSs, will have irrevocably waived any objection which such holder may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. However, the enforceability of similar federal court choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. Accepting or consenting to this forum selection provision does not



represent you are waiving compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder. Furthermore, investors cannot waive compliance with the U.S. federal securities laws and rules and regulations promulgated thereunder.

The deposit agreement provides that the depository or an ADS holder may require any claim asserted by it against us arising out of or relating to our Class A ordinary shares, the ADSs or the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude you from pursuing any claim, including claims under the Securities Act or the Exchange Act, in the United States District Court for the Southern District of New York (or such state courts if the United States District Court for the Southern District of New York lacks subject matter jurisdiction). The exclusive forum selection provisions in the deposit agreement also do not affect the right of any party to the deposit agreement to elect to submit a claim against us to arbitration, or our duty to submit that claim to arbitration, as provided in the deposit agreement, or the right of any party to an arbitration under the deposit agreement, to commence an action to compel that arbitration, or to enter judgment upon or to enforce an award by the arbitrators, in any court having jurisdiction over an action of that kind. The arbitration provisions apply to actions arising under the Securities Act and the Exchange Act. Accepting or consenting to the arbitration provisions does not constitute a waiver by investors of our or the depository's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.***

As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. Therefore, we may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. As a result, if we elect not to comply with such reporting and other requirements, in particular the auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we need to comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq listing standards.***

As a Cayman Islands exempted company listed on the Nasdaq Global Select Market, we are subject to the Nasdaq listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. Nasdaq Rule 5620 requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end. However, Nasdaq Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We followed home country practice and did not hold an annual meeting of shareholders in 2021. In March 2022, our board of directors approved the amended and restated 2020 share incentive plan. We relied on the home country practice exemption and did not convene a shareholder meeting to approve the amended and restated 2020 share incentive plan. Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the Nasdaq Stock Market certifying that under Cayman Islands law, we are not required to obtain shareholder approval in respect of the adoption of a stock

option or other equity compensation arrangement, or an amendment to the stock option or other equity compensation plan. As a result of this and other home country practice we may follow in the future, our shareholders may be afforded less protection than they would otherwise enjoy if we complied fully with the Nasdaq listing standards.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD; and
- certain audit committee independence requirements in Rule 10A-3 of the Exchange Act.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the Nasdaq. Press releases relating to financial results and material events are also furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC is less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

***We are a “controlled company” within the meaning of the Nasdaq Stock Market Rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.***

We are a “controlled company” as defined under the Nasdaq Stock Market Rules because Mr. Andy Chang Liu, our founder, chairman and chief executive officer, beneficially owns more than 50% of our total voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely on, and may rely on, certain exemptions from corporate governance rules. In reliance on such exemptions, the majority of our board of directors are not independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

***There can be no assurance that we will not be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or ordinary shares.***

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for any taxable year if either (1) at least 75% of its gross income for such year consists of certain types of “passive” income (the “income test”); or (2) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”). Although the law in this regard is not entirely clear, we treat our consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it

were determined, however, that we are not the owner of our consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year. Assuming that we are the owner of our consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we do not believe we were a PFIC for the taxable year ended December 31, 2021 and we do not expect to be or become a PFIC for the current taxable year or the foreseeable future.

However, while we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we are or will become a PFIC for any taxable year is a fact-intensive inquiry made annually that depends, in part, upon the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to be or become a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). In particular, recent declines in the market price of our ADSs significantly increased our risk of becoming a PFIC. The market price of our ADSs may continue to decline and, consequently, we may be or become classified as a PFIC for the current taxable year or future taxable years. The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets.

If we were to be or become a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) holds our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

***We incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”***

We have become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly.

As a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. Operating as a public company may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we may incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In addition, after we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

We set up Shanghai Hexu Information Technology Co., Ltd., or Shanghai Hexu, in December 2012.

Our holding company, 17 Education & Technology Group Inc., was incorporated in October 2012. In December 2012, 17 Education & Technology Group Inc. established a wholly-owned subsidiary in Hong Kong, Sunny Education (HK) Limited. In April 2013, Sunny Education (HK) Limited established a wholly-owned subsidiary in China, Shanghai Yiqi Zuoye Information Technology Co., Ltd., or Shanghai WFOE. In May 2013, we

gained control over Shanghai Hexu through Shanghai WFOE by entering into a series of contractual arrangements with Shanghai Hexu and its shareholders. Subject to the change of shareholders of Shanghai Hexu, the contractual arrangements by and among Shanghai WFOE, Shanghai Hexu and its shareholders was respectively amended and restated in May 2020 and September 2020.

To expand our business operations, we established Beijing Yiqi Education Information Consultation Co., Ltd., or Beijing Yiqi Information, in February 2019, and further entered into a series of contractual arrangements with Beijing Yiqi Information and its shareholders in May 2020, through which our wholly owned subsidiary Beijing Yiqi Education & Technology Co., Ltd., or Beijing Yiqi Education, established in July 2019, effectively controls Beijing Yiqi Information. Subject to the change of shareholders of Beijing Yiqi Information, the contractual arrangements by and among Beijing Yiqi Education, Beijing Yiqi Information and its shareholders was amended and restated in September 2020. Sunny Education (HK) Limited established a wholly-owned subsidiary in China, Guangzhou Qixuan Education & Technology Co., Ltd., or Guangzhou Qixuan, in December 2021. As part of our efforts to streamline our corporate structure, Beijing Yiqi Education entered into a termination agreement with Beijing Yiqi Information and its shareholders to terminate certain contractual arrangements between Beijing Yiqi Education and Beijing Yiqi Information, Beijing Yiqi Information's shareholders and other relevant parties, and meanwhile our wholly-owned subsidiary Guangzhou Qixuan entered into a series of contractual arrangements with Beijing Yiqi Information and its shareholders in March 2022 through which Guangzhou Qixuan gained control over Beijing Yiqi Information.

To further expand our business operations, we established Beijing Xiaofeng Online Technology Co., Ltd., or Beijing Xiaofeng, in March 2019, and we gained control over Beijing Xiaofeng through Shanghai WFOE by entering into a series of contractual arrangements with Beijing Xiaofeng and its shareholders in August 2020, and the contractual arrangements are deemed effective from the incorporation of Beijing Xiaofeng. We wound down and deregistered Beijing Xiaofeng in April 2021, because it was not engaged in material business activities.

On November 17, 2021, we changed the ratio of ADSs to Class A ordinary shares (the "ADS Ratio") from two ADSs to five Class A ordinary shares to one ADS to ten Class A ordinary shares. Except as otherwise indicated, all ADS and per ADS data in this annual report give retroactive effect to such change of ADS ratio to one ADS to ten Class A ordinary shares.

We ceased offering tutoring services related to K-12 Academic AST Services in China mainland by December 31, 2021.

To further expand our business operations, we set up Beijing Qili Technology Co., Ltd., or Beijing Qili, in October 2021 and further entered into a series of contractual arrangements with Beijing Qili and its shareholders through which our wholly owned subsidiary Shanghai WFOE gained control over Beijing Qili in October 2021. Further, we established a wholly-owned subsidiary in the British Virgin Islands, 17 Educational Products Limited, in September 2021. 17 Educational Products Limited established a wholly-owned subsidiary in Hong Kong, 17 Glory Limited, in October 2021. 17 Glory Limited established a wholly-owned subsidiary in China, Guangzhou Qixiang Technology Co., Ltd., or Guangzhou Qixiang, in December 2021. As part of our efforts to streamline our corporate structure, we terminated the aforesaid contractual arrangements by and among Shanghai WFOE, Beijing Qili and Beijing Qili's shareholders, and our wholly-owned subsidiary Guangzhou Qixiang entered into a series of contractual arrangements with Beijing Qili and its shareholders in March 2022 through which Guangzhou Qixiang gained control over Beijing Qili since Guangzhou Qixiang's establishment in December 2021.

To further expand our business operations, we set up Beijing Yiqi Education Technology Development Co., Ltd., or Beijing Yiqi Development, in April 2021 as a subsidiary of Shanghai Hexu. Subject to the change of shareholders of Beijing Yiqi Development, we entered into a series of contractual arrangements with Beijing Yiqi Development and its shareholders through which our wholly owned subsidiary Shanghai WFOE gained control over Beijing Yiqi Development in November 2021. Further, in September 2021, we established a wholly-owned subsidiary in the Cayman Islands, 17 Technology Limited. In October 2021, 17 Technology Limited established a wholly-owned subsidiary in the British Virgin Islands, 17 Inspire Limited. In October 2021, 17 Inspire Limited established a wholly-owned subsidiary in Hong Kong, 17 Legend Limited, which established a wholly-owned subsidiary in China, Beijing Yiqi Hangfan Technology Co., Ltd., or Beijing Yiqi Hangfan, in December 2021. As part of our efforts to streamline our corporate structure, we terminated the aforesaid contractual arrangements by and

among Shanghai WFOE, Beijing Yiqi Development and Beijing Yiqi Development's shareholders, and our wholly-owned subsidiary Beijing Yiqi Hangfan entered into a series of contractual arrangements with Beijing Yiqi Development and its shareholders in March 2022 through which Beijing Yiqi Hangfan gained control over Beijing Yiqi Development since Beijing Yiqi Hangfan's establishment in December 2021.

Our principal executive offices are located at 16/F, Block B, Wangjing Greenland Center, Chaoyang District, Beijing 100102, People's Republic of China. Our telephone number at this address is +86 (10) 5945-1082. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). You can also find information on our website at <https://ir.17zuoye.com/investor-relations>. The information contained on our website is not a part of this annual report.

## **B. Business Overview**

### **Overview**

We are a leading education technology company in China. We offer smart, in-school, teaching and learning SaaS products to students, teachers, schoolmasters and educational authorities across China to help deliver data-driven teaching, learning and assessment. We also offer a personalized self-directed learning product that complement students' in-school learning. Leveraging the content, data insights and brand recognition that we have accumulated over the past decade, both of our in-school and self-learning products have seen significant progress growth since their launch in late 2021, after we transformed our business following the implementation of the Alleviating Burden Opinion in July 2021.

### **In-School**

At our founding, we believed that delivering truly effective education in China requires a focus on the in-school learning that is core to the K-12 school system, and as such, we strategically began building our smart in-school classroom solution, including homework and academic assessment products, for K-12 schools in 2012 to empower in-school learning. Over the past nine years, we have significantly expanded the product portfolio within our smart in-school classroom solution to encompass class preparation and delivery, homework-related activities and academic assessment, delivering significant efficiency improvements to teachers, students and parents in all of their key daily educational activities and enabling them to engage in ways that would be impossible using traditional offline methods. Beginning in September 2021, we launched our paid teaching and learning SaaS offerings to complement our existing smart in-school classroom solution, which had previously been free of charge for teachers, students and parents to use. Our teaching and learning SaaS offerings integrate software and hardware to provide data-driven recommendations and other value-added functions that cater to the needs of various participants of the teaching, learning and management scenarios at schools, including students, teachers, schoolmasters and educational authorities. The purchasers of our teaching and learning SaaS offerings are primarily regional education authorities on behalf of a group of schools. We price our teaching and learning SaaS products based on a number of factors, including the number of students and schools using our solutions, the particular combination of functions and hardware and the payment structure.

Our massive and proprietary content library features localized homework assignments, academic assessments and teaching and learning materials that closely track the local curriculum and educational objectives at schools across the country. In particular, our content library currently has a deep reserve of high-quality written and multimedia educational resources, including over 18 million homework questions, assessment sets, supplementary teaching and learning guides, self-directed learning videos, in-class teaching content kits and digital picture books that have been accurately tagged to meet educational needs under all major K-12 academic subjects and textbook versions. The widespread adoption of our existing smart in-school classroom solution and the high quality of our educational content offerings, as well as their daily integration into the in-school learning environment, have solidified our brand recognition and enabled us to win enduring trust from all stakeholders – teachers, students and parents. The high-frequency interactions we have across our products and our unique access to a large amount of

mission-critical learning data also give us deep insight across all of our user groups. As of December 31, 2021, we had cumulatively serviced over 1.0 million verified teacher users, 56.9 million verified student users and 49.4 million registered parent users, and our free smart in-school classroom solution had cumulatively been used at over 70,000 K-12 schools in over 300 cities across all provincial-level regions in China mainland.

Our new teaching and learning SaaS offerings serve as an upgrade to our existing smart in-school classroom solution. Leveraging the AI capabilities, data insights, content and brand power that we have gained over the past ten years, our new teaching and learning SaaS offerings are modularized to cover distinct in-school learning scenarios, such as classroom solutions, question banks, homework assignments, self-learning contents and multi-role reporting, among others. The system helps schools and teachers digitalize traditional teaching resources to build an “internet + education” platform, achieve data synchronization across education function, and gain holistic insights. This digitalization helps increase the efficiency and effectiveness of homework assignments and core teaching and learning scenarios. We are currently in discussions with a number of regional education authorities across China regarding the adoption of our new teaching and learning SaaS offerings. For example, in October 2021, we secured a “precision teaching and adaptive learning system based on intelligent homework” contract with the Minhang District of Shanghai.

In addition to our in-classroom solution and teaching and learning SaaS offerings, we are also exploring and developing hardware offerings and integration to enhance the user experience and efficiency of our in-school offerings, through better data collection and interaction.

We believe our in-school solutions provide substantial benefits for teachers, students, parents and education authorities:

*For teachers.* We believe school teachers are the pillars of the education system. We provide teachers with comprehensive educational content that we have fine-tuned over the past eight years, as well as a range of powerful tools that allow them to more efficiently execute their daily activities, including assigning personalized homework assignments, as encouraged by the Alleviating Burden Opinion, freeing them to concentrate on improving the quality of their teaching. With our products, teachers can easily track student performance during the semester and throughout different grades, empowering them to offer a significantly higher level of personalization and elicit better results from students.

*For students.* Our ultimate goal is to improve learning efficiency and outcomes. Our products enable students to engage with a massive, proprietary library of localized learning content, access and complete their assignments online, and receive personalized homework and feedback based on issues identified in their homework and assessments

*For parents.* We offer parents an effective, user-friendly way to monitor the academic performance and progress of their children. We also provide parents with up-to-date analysis on the areas where their children face challenges, as well as individualized study plans designed to tackle these areas of academic weakness, enabling them to take a more active role in the learning process.

*For educational authorities.* We offer education authorities and schoolmasters comprehensive data-driven management tools to track the performance of students and teachers across classes and schools. Such tools assist school managers to form a more holistic and accurate evaluation of teaching and learning progress, which in turn helping them to form more targeted planning and improvements.

### ***Personalized self-directed learning product***

Historically, online K-12 after-school tutoring courses were our core offerings for the after-school learning scenario. However, in order to ensure compliance with the latest PRC regulations, we ceased offering the K-12 Academic AST Services by the end of December 2021. Currently, we address market needs by offering a personalized self-directed learning product to Chinese families. We are actively refining our products and adapting them based on interactions with students and parents to better satisfy their needs. For more information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—The cessation of the K-12

Academic AST Services and other actions we have taken to comply with recent regulatory developments have materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects. Failure to effectively and efficiently manage changes of our existing and new business may materially and adversely affect our ability to capitalize on new business opportunities.”

To respond to changes in the regulatory landscape and market demand, we launched a personalized self-directed learning product in late 2021. This product is not a tutoring service and was designed by leveraging our profound insights into student academic performance in school and understanding of local curricula. Our significant presence in K-12 schools across China allows us to align our personalized self-directed learning product and learning modules with local curriculum and assessment objectives, as well as students’ learning profiles, which emerge as they use our products. Moreover, the trusted relationships we have developed with students and parents provide us with a large and familiar pool of prospective customers for our new products, as well as a community of supporters that provide organic word-of-mouth referrals.

### **Our Smart In-School Teaching and Learning SaaS Offerings**

#### ***Our Existing Smart In-School Classroom Solution***

Over the past nine years, we have significantly expanded the product portfolio of our smart in-school classroom solution to encompass class preparation and delivery, homework-related activities and academic assessment, delivering significant efficiency to teachers, students and parents in all of their key daily educational activities and enable them to perform tasks that are otherwise impracticable using traditional offline methods. Our existing smart in-school classroom solution covers most of the major subjects of K-12 education in China, including nine subjects required in the *Gaokao*. The core functions of our existing smart in-school classroom solution are free of charge for teachers, students and parents to use.

#### ***Our New Teaching and Learning SaaS Offerings***

In September 2021, leveraging the experience and insights we gained from offering our free existing smart in-school classroom solution across China over the last decade, we launched our new teaching and learning SaaS offerings. These offerings are provided as a paid solution to schools and education authorities, and integrate software and hardware to provide data-driven recommendations and other value-added functions that cater to the needs of schools, especially the needs associated with in-school homework scenarios, which have been heightened by the Alleviating Burden Opinion issued in July 2021.

We developed our teaching and learning SaaS offerings by building upon our deep understanding of teaching and learning scenarios, AI capabilities, data insights, content and brand power that we have accumulated over the past ten years. These offerings help schools and teachers digitalize traditionally teaching resources to build an “internet + education” platform, achieve data synchronization across different education functions, and gain holistic insights about their teaching and students’ learning. Our teaching and learning SaaS offerings are built around independently configurable modules, with each module covering a distinct in-school learning scenario. The scenarios covered include classroom solutions, question banks, homework assignments, self-directed learning and multi-role reporting, among others. This digitalization helps to increase the efficiency and effectiveness of homework assignments, as well as core teaching and learning scenarios. Our teaching and learning SaaS offering is intended to reduce the burden of both teachers and students as it is designed to improve the efficiency of homework assignments and related teaching and learning scenarios.

#### ***School Coverage and User Base***

We have established a strong national footprint within China’s K-12 education system through almost a decade of expansion and growth. Through our high-quality and effective free in-school products, we have amassed a large and highly engaged user community for our existing smart in-school classroom solution. As of December 31, 2021, we had cumulatively serviced over 1.0 million verified teacher users, 56.9 million verified student users and 49.4 million registered parent users, and our free smart in-school classroom solution had cumulatively been used at over 70,000 K-12 schools in over 300 cities across all provincial-level regions in China mainland. In 2021, each

active verified teacher user on average issued approximately eight homework assignments per week, and each active user of our in-school student applications on average maintained approximately seven sessions of user per week. In addition, the average MAUs of our in-school applications for students reached 14.1 million, 19.7 million and 14.4 million in 2019, 2020 and 2021, respectively, with the decrease from 2020 to 2021 largely due to the impact of the Alleviating Burden Opinion.

In addition, we launched our new teaching and learning SaaS offerings in September 2021. As the date of this annual report, our new teaching and learning SaaS offerings have been adopted by a number of regional education authorities across China, including the Shanghai Minhang District and Beijing Xicheng District. We are also in discussion with the education authorities of multiple other cities and districts regarding the adoption of our teaching and learning SaaS offerings. We are also seeing increasing acceptance of the SaaS subscription model, compared with the previously more dominant one-time purchase model in the industry.

### *Use Cases*

Our smart in-school classroom solution and our teaching and learning SaaS offerings cover all of the key activities related to K-12 in-school education in China, both in its in-school and after-school segments, including class preparation and delivery, homework-related activities, academic assessment and self-directed learning and multi-role reporting, among others. The underlying technology architecture of our teaching and learning SaaS offerings consists of up to seven modules that can be independently selected, configured, or augmented together. Compared to a traditional monolithic design, such modularized design makes our education management SaaS system adaptable for the needs of different users. Some of the key use cases of teaching and learning SaaS offerings are described in more detail below.

#### *Class Preparation and Delivery*

Given recent developments in technological capabilities and consumer behavior, technology has increasingly become a part of K-12 education. Our *17 Smart Class* software is a comprehensive content creation tool that seamlessly integrates with the software school teachers use to teach. When preparing presentations and other course materials, teachers can instantly access hundreds of thousands of pieces of highly modularized, accurately labeled, readily usable and easily customizable educational content from our database. Our proprietary content library is frequently updated and is organized across a number of easy-to-navigate classifications, including subject, learning objective, grade level, textbook version, and content type, among others. Teachers are also able to incorporate homework and assessment data from our in-school applications when preparing teaching materials for class, and in this way can make sure to take into account common mistakes on past homework questions and examinations. By using our high-quality content and our in-school data to create customized class materials, teachers are able to easily deliver an engaging, interactive learning experience for their students with more effective results.

#### *Homework-Related Activities*

To provide an integrated education experience, our existing, free smart in-school solution matches the corresponding teacher, student and parent accounts to streamline homework assignments, synchronize updates on learning progress and outcomes and facilitate communications among them.

Our applications give teachers the ability to easily access our massive, proprietary content library when assigning homework to their students. Leveraging our state-of-the-art algorithm technologies, our applications automatically generate and recommend to teachers a wide variety of homework sets sourced from our proprietary content library. These homework sets are tailored according to a number of corresponding local and personal factors. For more information on the related algorithm technologies, see “—Technology—Big Data—Algorithms.” We also provide teachers with the flexibility to create their own customized homework sets using questions sourced from our content library. In addition, our applications for students and parents recommend highly personalized exercises that complement homework assigned by teachers for additional learning at students’ own pace.



Our applications allow students to submit the answers to their homework and other evaluation questions digitally. Our teacher applications automatically grades or, at a minimum, generates preliminary marks for all homework sourced from our content library as soon as students complete their assignments. Our powerful automatic speech recognition and computer vision technologies enable real-time answer evaluation and grading of both spoken and written text formats with high accuracy and reliability. For more information on the related technologies, see “—Technology—Automatic Speech Recognition and Evaluation” and “—Technology—Computer Vision.” We also enable parents to supervise their children’s homework in real-time.

For each homework assignment, our teacher applications automatically generate a comprehensive report based on insights from a wide variety of data, enabling teachers to identify the weaknesses and areas of improvement of students both on a class-wide and an individual level. Our algorithm technologies also learn on this data to constantly fine-tune our homework recommendations for each teacher, creating a self-reinforcing cycle that rewards long-term, repeated use of our products. Through their respective applications, students and parents can also access detailed compilations of all the mistakes students have made in the past, which constitute valuable personalized learning materials for students’ review and reference for parents’ guidance and supervision.

### *Academic Assessment*

We assist teachers in various forms of academic assessment catering to their diverse needs. Leveraging our highly localized content library and powerful applications, teachers can design, distribute and easily grade assessments with ease in a range of assessment scenarios, from short quizzes to mid-term and final exams. Purely online academic assessments have become increasingly popular among teachers and schools since the COVID-19 pandemic. In addition, we also help teachers digitize, grade and review examinations distributed and completed in offline settings. Using our powerful algorithm technologies, we also provide teachers, schools and parents detailed post-assessments analysis reports to help them better understand and contextualize the academic performance of their students. For more information on the related algorithm technologies, see “—Technology—Big Data—Algorithms.”

### **Our After-School Personalized Self-directed Learning Product**

From December 2021, we launched a personalized self-directed learning product, with the goal of satisfying families’ educational needs after the implementation of Alleviating Burden Opinion. The product utilizes our technology and data insights to provide personalized and targeted learning and exercise content that is designed to improve students’ learning efficiency help them form good learning habits. This is not a tutoring service and is designed to be compliant with the current PRC regulatory landscape.

Our personalized self-directed learning product is designed to supplement the in-school studies of primary and middle school students. It leverages the significant educational content and school-and-district-level data insights that we have accumulated across China from our in-school business over the last decade. These insights have enabled us to gain a deep understanding about our users and the content of local exams so that we can develop personalized exercise books, which are coupled with sophisticated automated grading and analysis capabilities through with our mobile app, allowing us to cater to each student’s learning needs. In addition, we have designed a set of effective systems to motivate children to develop good self-directed learning habits.

Each month, our users will receive a package consisting of customized exercises based on their personal academic profile, diversified learning tools, expanded learning, family education magazines, among others. The monthly package provides the basic materials and elements for parents to guide their children’s learning process which is designed to be used together with our mobile app. Through the mobile app, students can upload their daily exercises, autoscore their exercise results and watch solution videos online on a daily basis. Each month’s learning and exercise materials are formulated based on last month’s learning progress and the weakness of the students’ academic profile, which are recorded online in the mobile app. At the same time, we also assign a personal learning plan consultant to each of our users and provide them with learning plan customization and learning habit formation guidance. Each student’s daily learning plan and results are recorded and maintained in the mobile app. All the above formed an integral self-directed learning experience and routine to help our users to improve their learning efficiency in a personalized way.

Our development professionals combine our accumulated education experience and our multi-dimensional, in-school learning data to develop content of our product. For example, they synthesize and incorporate the key knowledge points tested in-school and common weaknesses and areas for improvements among students within a certain region. To make sure our data-driven insights are translated into effective educational content, our development professionals apply their in-depth education experience and know-how to the design, testing and refinement of exercise book for each month. We continually update and improve our products' content based on students' and parents' use and feedback and the latest insights we have gained from our in-school products.

### **Our After-School Tutoring Services (Ceased to be provided at the end of 2021)**

Historically, we offered online K-12 after-school tutoring courses in a large-class dual-teacher format from 2017. We leveraged our profound insights into student academic performance in school to design our online after-school tutoring courses. However, in order comply with the latest PRC regulations, which prohibit the provision of tutoring services relating to academic subjects to K-12 students, we ceased offering the K-12 Academic AST Services in December 2021. The following descriptions of our K-12 tutoring courses on academic subjects describe services that we offered prior to December 31, 2021.

#### **Course Offerings**

We offered a comprehensive library of tutoring courses covering all grades and major subject matters required in high school and college entrance exams. We offered our courses in four semesters. We generally livestreamed our classes during weekends or during after-school hours on weekdays in the two school semesters in Spring and Fall and for a consecutive period of seven to ten days in the two holiday semesters in Summer and Winter. The following table provides our previous course offerings based on grades and subjects as of December 31, 2021:

	Primary School					Middle School				High School		
	1	2	3	4	5	6	7	8	9	10	11	12
Mathematics	•	•	•	•	•	•	•	•	•	•	•	•
English	•	•	•	•	•	•	•	•	•	•	•	•
Chinese	•	•	•	•	•	•	•	•	•	•	•	•
Physics								•	•	•	•	
Chemistry									•	•	•	
History									•			
Science								•				
Political Science									•			

• Historically offered by us

By capitalizing on our proprietary content library and profound insights gained from in-school learning data, we were able to efficiently provide a large number of highly localized courses covering a wide range of regions. These courses catered to students' learning needs based on a variety of factors, including, among others, specific geographic location, version of textbook and level of difficulty. For example, we offered, at varying difficulty levels, middle school mathematics courses specifically tailored to eight different regional textbook versions in China.

#### **Our Dual-Teacher Model**

We adopted a dual-teacher model to improve student engagement and learning effectiveness. We divided each large class into multiple smaller groups and assign a tutor to each group to closely assist and guide each student throughout the entire period of a course. Each tutor typically was assigned to work with 200 to 300 students. Our tutors played an in-depth, overarching role in supplementing our instructors' teaching efforts and closely guiding students and parents with data-driven insights. Their responsibilities included supervising students' in-class

performance, reviewing after-class assignments and recommending personalized exercises, and advising parents on their children's learning progress.

### *Support System*

Our instructors were guided by our data-driven insights and assisted by the tutors in preparing and delivering courses. During course preparation, our instructors were able to reference students' common questions and mistakes by the large amount of learning data we accumulated. During course delivery, the tutors kept our instructors updated on students' learning progress and feedback, based on which our instructors continually fine-tune their teaching. We empowered our tutors with a modularized program to help them channel our data-driven insights into their services for students and parents throughout each stage of our courses. Tutors capitalized on the strong algorithm capabilities of the program to provide parents highly contextualized and detailed evaluation of their children's performance and provided personalized consultation accordingly throughout and upon the completion of each course. We only used insights from students' in-school academic performance data for after-school tutoring services if we have obtained the requisite prior consent.

### *Recruitment*

We historically onboarded seasoned instructors with extensive local teaching experience and strong reputations, as well as high-quality recent graduates from top universities in China and abroad. We were highly selective in recruiting our instructors. Applicants went through multiple rounds of screening processes, including preliminary interviews, teaching skills demonstrations and re-examinations. To continually strengthen the pool of tutors for our courses, we engaged third-party service providers to regularly enlist recent graduates of reputable universities and experienced candidates with relevant educational experience based on a number of stringent criteria and a multi-stage screening process.

### *Development*

Before they were approved to formally teach our online classes, our newly-hired instructors were required to complete rigorous, standardized training programs to ensure they have the requisite teaching skills and understanding to deliver our systematically developed content effectively. We closely supervised our instructors' performance. We also utilized our data analytics technologies to help analyze and refine their teaching skills. Tutors were required to complete a comprehensive onboarding program. To further improve their ability to manage their relationships with students and parents throughout each stage of our courses, they were also subject to continued, periodic trainings.

### *Evaluation and Compensation*

Our instructors and tutors were subject to comprehensive evaluations on a quarterly basis, in addition to the on-going evaluation processes in place. Adopting a holistic approach, we considered a wide variety of quantitative and qualitative criteria, including student learning outcomes, student retention, parent feedback and contributions to other related areas, such as content development and staff training. Our instructors and tutors received competitive performance-based bonuses and hourly course fees.

### **Class Experience (Ceased to be provided at the end of 2021)**

Our state-of-the-art, multi-functional interface created a highly engaging, immersive and interactive experience for the users of our products and services. Students could use the 17 Online School application, or log onto the website of our after-school tutoring services, to participate in live-streaming classes and review recorded classes. In addition to interacting with each other in the live-chat box, students, instructors and tutors were able to efficiently conduct a variety of real-time activities using our pre-set modules to simulate a real-world classroom experience. To ensure the effectiveness of our online courses, our live-streaming system was designed to encourage students' participation through a variety of measures, such as virtual animated effects.

To further simulate a real-world classroom experience, we started to provide a full-screen interface for a majority of our paid courses in July 2020. The full-screen interface featured a live-streaming feed that occupies the entire default viewer interface. This format was conducive to creating a more immersive and engaging learning environment that is similar to an offline classroom setting for students.

## **Content Development**

Our integrated, data-driven content development capability is critical to the quality of all our product offerings. Underlying this distinctive capability are our highly systemized and streamlined development processes and best practices, which, in turn, are executed by our multidisciplinary development team in a closely coordinated fashion. As of December 31, 2021, we had 101 content development professionals, many of whom have extensive practical experience in a variety of related fields, such as teaching, educational statistics, algorithms and visual design.

### ***In-School Content***

The content in our massive, proprietary content library primarily includes localized homework and academic assessment questions sets and multimedia, interactive educational materials. Development of the questions sets generally involves two major stages:

- *Preparation.* Our development professionals source, reconfigure, collate, proofread and input questions that address local educational needs of different regions across China, and further contextualize, catalogue and categorize them on our system.
- *Recommendation.* We leverage our powerful algorithm technologies to tag each question for mapping the knowledge points it covers, and to automatically recommend question sets based on the tags in relation to students' weaknesses and areas for improvements. For more information on the related algorithm technologies, see “—Technology—Big Data—Algorithms.”

For our interactive, multimedia educational materials, our dedicated multidisciplinary professionals carry out series of scripting, designing and testing processes to maximize their effectiveness in stimulating students' interest and improving learning outcomes. We constantly update our content library according to updates in local educational requirements and trends, as well as learning and behavioral data generated by our users.

### ***After-School Content***

Our development professionals combine our accumulated education experience and our multi-dimensional, mission-critical in-school learning data to develop content of our personalized self-directed learning product. For example, they synthesize and incorporate the key knowledge points tested in-school and common weaknesses and areas for improvements among students within a certain region. To make sure our data-driven insights are translated into effective educational content, our development professionals apply their in-depth education experience and know-how to the design, testing and refinement of each month's study package. As an integral part of our after-school content offerings, we also utilize our algorithm and data analytics capabilities to develop and recommend highly personalized after-class exercises and academic assessments that are complementary to students' in-school education for our tutors to administer. We continually update and improve content of our product after each semester based on students' and parents' feedback and the latest insights we have gained from our in-school products.

## **Technology**

Technology is at the core of our business, driving our content development, product innovation and operational optimization. As of December 31, 2021, we had a team of 475 technology professionals, whose expertise spans a broad range of related fields, from automatic speech recognition and evaluation, computer vision, algorithm engineering, big data analytics to operational and infrastructure maintenance. Many of our technology experts have prior work experience at leading internet and technology companies in both China and the rest of the

world. We are committed to continually strengthening our technological capabilities and attracting and developing high-quality technology talents.

### ***Automatic Speech Recognition and Evaluation***

We have accumulated extensive expertise in developing and applying automatic speech recognition and evaluation technologies, which are primarily used for real-time grading of English-speaking exercises on our in-school applications. In addition to pronunciation and fluency, we are also able to evaluate vocabulary, grammar, expression and other semantic elements of speech with high accuracy by integrating our speech recognition and evaluation and language processing capabilities. Historically, the highest number of audio messages that our automatic recognition and evaluation technologies evaluated on a daily basis surpassed 300 million. Such a large amount of audio data enables us to train our AI engine to adjust to the evaluation criteria of different schools and teachers, and therefore significantly improves the accuracy of evaluation at local levels. In addition, we have developed a strong expertise in automatic recognition and evaluation of younger children's speech, using accumulated data and experience with respect to their differences in pronunciation, vernacular and speech pattern. As a testament to our strong capabilities in automatic speech recognition and evaluation, we have entered into a strategic partnership with PEP Digital Publishing Corporation Limited, a subsidiary of People's Education Press, China's largest publisher of K-12 public school textbooks and other educational materials, that focuses on digitalization of educational materials. Through the partnership, we help improve their language learning and assessment programs with our accumulated expertise and technologies.

### ***Computer Vision***

We have also developed strong computer vision technologies. They are used in a wide variety of offline-to-online homework- and academic assessment-related scenarios, such as automatic evaluation of handwritten dictation, short-answer and essay questions for English and Chinese education and computational and word problems for mathematics education. We continually improve the accuracy of, and broaden the capabilities of, our computer vision technologies leveraging the vast amount of visual data we process.

### ***Big Data***

#### ***Algorithms***

Our algorithm technologies significantly improve the efficiency and precision of our content development and recommendation efforts. When identifying all the knowledge points that each question in our content library covers, our algorithm technologies, in conjunction with our natural language technologies, have significantly improved the efficiency of our data tagging efforts compared to manual tagging. Further, our algorithm-based recommendation system provides the foundation for our capabilities to automatically recommend homework sets to teachers and extra exercises to students and teachers. Through in-depth analysis of weaknesses and areas for improvement on class-wide and personal levels and the identification of the underlying commonalities among questions in terms of difficulty levels and knowledge points, the recommendation system allows our in-school products to recommend homework sets tailored to maximize the effectiveness and efficiency of learning.

Our item response theory-based algorithm technologies are extensively used in analyzing the results of academic assessments conducted through our in-school applications and in our after-school tutoring services. The algorithm model factors in each assessment question's difficulty levels and knowledge points in relation to students' learning progress and other attributes. We are therefore able to provide to teachers, schools and parents highly contextualized assessment analysis reports showing the academic performance of students underlying their assessment scores.

### ***Infrastructure***

Our servers are hosted in our own internet data centers in different regions in China, including Beijing and Guangzhou. We continually back-up our databases on both real-time and delayed bases. Our IT and operation professionals continually monitor the performance of our websites, applications and network infrastructure to

promptly respond to potential risks. We also partner with leading cloud service providers in China to host our computing functions.

## **Sales, Marketing and Customer Service**

### ***Teaching and Learning SaaS Offerings***

The primary clients of our teaching and learning SaaS Offerings are education authorities and public schools, which typically require us to go through a stringent procurement and bidding process. To that end, we primarily rely on our dedicated sales and service team to solicit leads and bidding opportunities, provide pre-sale consultation and prepare for the bidding process. We also have a dedicated team responsible for building and maintaining the nationwide distribution network of our SaaS solutions.

### ***Personalized Self-directed Learning Product***

We market our personalized self-directed learning product and strengthen our brand recognition primarily through our proprietary user community at the moment. We leverage word-of-mouth referrals generated based on our general brand recognition and trust from prior users of our various products.

## **Other Educational Services**

We also offer a variety of other educational services bolstered by our exceptional capability to create educational content and our advanced technologies, primarily including membership-based premium educational content subscriptions to our selected proprietary offerings, including à la carte workbooks, study plans and associated services, available on our parent application.

## **Data Privacy and Security**

We are committed to protecting the large amount of user data that we collect, process, store and use on a daily basis. We have implemented advanced data encryption measures to ensure secured transmission of data, encrypt confidential personal information for storage and apply classified encryption methodology based on the level of risk. In addition, we have established stringent internal protocols to prevent any unauthorized access or use of our user data. We have obtained the Level III Certification in Information Security and Protection issued by the relevant local branch of Ministry of Public Security. Our back-end security system is capable of handling malicious attacks to safeguard the security of our operations and to protect the privacy of the users of our products and services. All our employees and tutors are required to strictly follow our detailed internal rules, policies and protocols to ensure the privacy of our user data. We limit the types of personal information that our employees and products are allowed to collect to only those strictly necessary for conducting our operations. Our user data is ranked by level of risk, and our risk department works with our various operating departments to delineate the types and scope of user data that employees are allowed to access based on their work scope and job responsibility. Our employees' and tutors' access and use of user data are automatically recorded and routinely reviewed. We also conduct system-wide vulnerability scanning and penetration test every year to continually improve our data security measures.

## **Content Moderation**

We are committed to maintaining a healthy and positive educational environment for students and other users. Our educational content is typically subject to internal review and testing by multiple levels of our operational and management teams before being approved to launch. Our dedicated content moderation and risk management personnel monitor our content on our in-school and after-school products.

## **Corporate Social Responsibility**

Deeply rooted in China's K-12 education ecosystem, we regularly engage in corporate social responsibility initiatives under the brand 17 Cares to promote educational equality. 17 Cares focuses on using our experience,

technologies and resources to improve the quality of K-12 education in impoverished regions in China. In cooperation with local authorities, non-profit organizations, schools and other community stakeholders, we have sponsored a wide variety of charitable events and public interest activities, ranging from providing pro bono educational informatization and training services, donating funds and educational resources, to facilitating the exchange between students from rural and urban areas.

## Competition

We compete with other providers on, and continually strengthen our advantages in, the following principal competitive factors:

- functions covering diversified educational scenarios and friendly user experience;
- high-quality content synchronized with local curriculum, textbook versions and academic assessment objectives;
- insights based on learning data and empowered by data analytics capabilities;
- application of a wide range of advanced technology in different educational scenarios;
- effectiveness of customer services and sales and marketing efforts; and
- track record, trust and brand recognition.

The online educational product market is relatively new in China, rapidly evolving and highly competitive. We believe the principal competitive factors in our business include the following:

- overall philosophy of the educational products and the effectiveness in improving learning results;
- localized content and effective study personalized plans;
- trust and brand recognition;
- ability to grow the number of paid users on a large scale and in a cost-efficient way; and
- operational efficiency guided by data-driven insights.

We believe that we are well-positioned to effectively compete on the factors listed above. For a discussion of risks relating to competition, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We face significant competition, and if we fail to compete efficiently, we may lose our market share or fail to gain additional market share, which would adversely impact our business, financial condition and results of operations.”

## Intellectual Property

We highly value our intellectual property rights, which are fundamental to our success and competitiveness. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with employees to protect our intellectual property rights. We have also adopted a comprehensive set of internal rules for intellectual property management. These guidelines set the obligations of our employees and create a reporting mechanism in connection with our intellectual property protection. As of December 31, 2021, we had registered 304 trademarks, 137 patents, 96 software copyrights and 109 domain names in China.

In addition, under the employment agreements we enter into with our employees, they acknowledge that the intellectual property developed by them in connection with their employment with us, including our in-house developed content and technologies and recorded courses, are our property.

## **Insurance**

We provide certain employees supplemental health insurance. We do not maintain any liability insurance or property insurance policies covering students, equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance.

## **Regulations**

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the NPC, the country's highest legislative body, the State Council, the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MOE, the MIIT, the State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce), or the SAMR, and the National Press and Publication Administration (formerly known as the State Administration of Press Publication Radio Film and Television). This section summarizes the principal PRC regulations related to our business.

### ***Regulation Related to Private Education***

#### *Education Law of the PRC*

The PRC Education Law, or the Education Law, which was promulgated on March 18, 1995, and last amended on April 29, 2021, sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other types of educational institutions, and in principle, enterprises, institutions, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations.

#### *The Law for Promoting Private Education and its Implementing Rules*

On December 28, 2002, the SCNPC promulgated the Law for Promoting Private Education, or the Private Education Law and was last amended on December 29, 2018 with such amendment effective on the same date. Under the amended Private Education Law, sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion and the private schools shall obtain a private school operating permit issued by relevant government authorities and registered with relevant registration authorities.

On April 7, 2021, the State Council published the amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC, or the Amended Implementation Rules, which became effective on September 1, 2021. These rules stipulate that online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management. Private schools using internet technology shall obtain the private school operating permit, as well as the internet operating permit. Private schools shall also establish and implement internet security management systems and take technical security measures. Upon the discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading. Records pertaining to the situation shall be kept and reported to the appropriate authorities. The Amended Implementation Rules also clarifies that social organizations and individuals are prohibited from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements. The Amended Implementation Rules further stipulate that a private school



providing compulsory education is prohibited from conducting transactions with its related parties. The relevant government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis.

Uncertainties exist with respect to the interpretation and application of the existing and future laws and regulations that govern the online private education industry, as well as how the local government would promulgate implementing rules relating to the specific requirements applicable to online education service providers like us. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the online private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects.”

#### ***Regulation Related to After-School Tutoring and Online Private Education***

On August 6, 2018, the General Office of the State Council issued the Opinion on the Regulation of the Development of After-school Training Institutions, or State Council Circular 80, which primarily regulates the after-school training institutions targeting students in elementary and middle schools. State Council Circular 80 reiterates prior guidance that after-school training institutions must obtain a private school operating permit, and further requires such institutions to meet certain minimum requirements. For example, after-school training institutions are required to (i) have a training premise that satisfies specific safety criteria, with an average area per student of no less than three square meters during the applicable training period; (ii) comply with relevant requirements relating to fire safety, environmental protection, hygiene, food operation and others; (iii) purchase personal safety insurance for their students to reduce safety risks; and (iv) avoid hiring any teachers who are working concurrently in primary or secondary schools, and ensure that teachers tutoring in academic subjects (such as Chinese, mathematics, English, physics, chemistry and biology) have the corresponding teacher qualification licenses. Teachers in primary and secondary schools cannot force or compel students to participate in tutoring provided by after-school training institutions, which is consistent with the principle of the PRC Compulsory Education Law that primary and secondary schools cannot promote or disguise products or services to students for their profit. In addition, after-school training institutions are prohibited from carrying out exam-oriented training, training that goes beyond the school syllabus, training in advance of the corresponding school schedule or any training activities associated with student admission, and they are not allowed to organize any level test, rank examination or competition on academic subjects for primary and secondary students. The training content of after-school training institutions cannot exceed the corresponding national curricular standards and training progress shall not be more accelerated than the corresponding progress of local schools.

According to State Council Circular 80, after-school training institutions are also required to disclose and file relevant information regarding the institution, including their training content, schedule, targeted students and school timetable to the relevant education authority, and their training classes may not end later than 8:30 p.m. each day or otherwise conflict with the teaching time of local primary and secondary schools. Course fees can only be collected for courses in three months or shorter installments.

Moreover, State Council Circular 80 requests that competent local authorities formulate relevant local standards for after-school training institutions within their administrative area. If an overseas listed after-school training institution publicizes overseas any periodical report, or any interim report on material adverse effect on its operation, it must concurrently publish the information in Chinese on its official website (or on the disclosure platform for securities exchange information in the absence of an official website). With respect to online education service providers, State Council Circular 80 provides a principle that regulatory authorities of networking, culture, information technology, radio and television industries should cooperate with regulatory authorities of education in supervising online education in their relevant industry.

On May 6, 2020, the General Office of the MOE promulgated the Notice on the Negative List of Advanced Trainings for Six Compulsory Education Subjects (for Trial Implementation), which, in accordance with the State Council Circular 80, prohibits after-school training institutions from providing advanced trainings that do not follow

the formal school curricula to the students in primary school and secondary school, and further defined activities that will be regarded as advanced training in the subjects of Chinese, mathematics, English, physics, chemistry and biology.

On August 30, 2018, the MOE, SAMR, and certain other government authorities issued the Comprehensive Implementation Plan for Myopia Control in Children and Teenagers, which requires, among others, that the schools (i) shall use electronic devices based on the principal of necessity, shall not rely on electronic devices for teaching and homework assignment and shall rather assign paper-based homework in principle, and shall limit use of electronic devices to no more than 30% of total teaching time; and (ii) shall strictly implement the learning and development guidelines for children aged from 3 to 6, pay attention to the importance of child life and play and avoid “primary school” teaching.

On November 20, 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of the Ministry of Emergency Management jointly issued the Notice on Improving the Specific Governance and Rectification Mechanisms of After-school Education Institutions, which provides that provincial regulatory authorities of education should be responsible for being filed with the training institutions that use internet technology to provide online training and target primary and secondary school students. Provincial regulatory authorities of education should supervise the online after-school training institutions based on the policies regulating the offline after-school training institutions. In addition, online after-school training institutions are required to file the information of their courses, such as names, content, target students, syllabi and schedules with the relevant provincial regulatory authorities of education and publish the name, photo, class schedule and certificate number of the teacher qualification license of each teacher on their websites.

On December 25, 2018, the General Office of the MOE issued the Notice on Strictly Forbidding Harmful Apps in Primary and Secondary Schools, which stipulates, among other things, that (i) local primary schools, secondary schools and education departments, should conduct comprehensive investigations on Apps in their campus, and should call off using any Apps containing harmful content (such as commercial advertisements and internet games) or increasing the burden to the students, and (ii) a filing and reviewing system of learning Apps should be established.

The MOE, jointly with certain other PRC government authorities, promulgated the Implementation Opinions on Regulating Online After-School Training, or the Online After-School Training Opinions, effective on July 12, 2019. The Online After-School Training Opinions are intended to regulate academic after-school training involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Training Opinions requires that online after-school training institutions shall file with the competent provincial education regulatory authorities and that such education regulatory authorities shall, jointly with other provincial government authorities, review such filings and the qualification of the online after-school training institutions submitting such filings.

With respect to the filing requirements, the Online After-School Training Opinions provides, among others: (i) an online after-school training institution shall file with the competent provincial education regulatory authorities at the place of its domicile after it has obtained the ICP License and the certificate and the grade evaluation report for the graded protection of cyber security; (ii) the online after-school training institutions shall file, among others, (x) the materials related to the institution itself, including the information on their respective ICP License and other relevant licenses and the materials related to certain management systems regarding the protection of personal information and cyber security, (y) the materials related to the training content, and (z) the materials related to the training personnel; and (iii) the competent provincial education regulatory authorities shall promulgate local implementing rules about the filing requirements, focusing on the training institutions, training content and training personnel.

On August 10, 2019, the MOE, jointly with certain other PRC government authorities, issued Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps, or the Opinions on Educational Apps, which require, among others, for mobile apps that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios (the “Educational Apps”), be filed with competent provincial regulatory authorities for education. The Opinions on Educational Apps also require,

among others, that: (i) before such filing, the Educational App's provider shall have obtained ICP License or completed ICP License filing and obtained the certificate and grade evaluation report for graded protection of cybersecurity; (ii) Educational Apps with main users under the age of 18 shall limit the users' usage time, specify the range of suitable ages, and strictly monitor content; (iii) before an Educational App is introduced as a mandatory app to students, such Educational App shall be approved by the applicable school through collective decision-making process and be filed with the competent education authority; and (iv) Educational Apps adopted by education authorities and schools as their uniformly used teaching or management tools shall not charge the students or parents any fees, and shall not offer any commercial advertisements or games. On November 11, 2019, the MOE issued the Management Rules on Filing of Educational Mobile Apps, which supplement the filing requirements of the Educational Apps.

On September 19, 2019, the MOE, jointly with certain other PRC government authorities, issued the Guidance Opinions on Promoting the Healthy Development of Online Education, which provides, among others, that (i) social forces are encouraged to establish online education institutions, develop online education resources, and provide high quality education services; and (ii) an online education negative list shall be promulgated and industries not included in the negative list are open for all types of entities to enter into.

On June 10, 2020, the General Office of MOE and the General Office of the State Administration for Market Regulation, or SAMR, promulgated the Notice on Issuing the Form of Service Contract for After-school Training Provided to Primary and Secondary School Students, which requires the local competent regulatory authorities to guide the relevant parties to use the form of service contract for after-school training activities provided to primary and secondary school students. The form of service contract covers the obligations and rights of parties involved in the after-school training, including detailed provisions on training fees, refund arrangement and default liabilities. On September 27, 2021, the General Office of MOE and the General Office of SAMR revised and updated such form of service contract.

On August 17, 2020, the MOE and certain other PRC government authorities jointly promulgated the Opinion on Further Strengthening and Regulating the Management of Educational Fees, or the Education Fees Opinions, pursuant to which all fees collected by private schools shall be paid into the school's bank account filed with the education authority, be unified managed, and mainly used for educational and teaching activities, improving the operational conditions, protection of teachers' and staffs' treatment and allocating development fund according to relevant laws and regulations. The fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collecting regulatory policies for non-profit private schools shall be formulated by the provincial governments. The Education Fees Opinions further clarify that private schools established prior to November 7, 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collecting policies until the completion of the classification registration procedures. Besides, the Education Fees Opinions propose to explore a special audit system for school education fees, in particular for non-profit private schools. The Education Fees Opinions underline that sponsors of non-profit private schools shall not obtain proceeds from schools' operating profits, distribute the operating surplus or residual assets, or transfer operating profits through related-party transactions or related parties.

On October 16, 2020, the General Office of the MOE and the General Office of the SAMR jointly promulgated the Notice on the Centralized Rectification of After-school Tutoring Institutions' Illegal Acts of Infringing Consumers' Rights by Using Unfair Standard Terms. The Notice stipulates that local education and market regulation authorities shall increase the efforts for the investigation of after-school tutoring institutions' illegal acts which infringes consumers' rights by using unfair standard terms/ to exempt them from their own responsibility, increase consumers' liability and exclude consumers' legal rights.

The Law for Protection of Minors issued by The Standing Committee of the National People's Congress on December 29, 2006, was recently amended on October 17, 2020, which took effect on June 1, 2021. According to the amended Law for Protection of Minors, online education products and services which are targeted at minors shall not include any links to online games or push any advertisements and other information irrelevant to teaching. In addition, schools shall not use public holidays, weekends, winter and summer break periods to organize students in primary and secondary schools to take lessons collectively, which will aggregate students' burden of study and after-school tutoring service providers may not provide primary school curriculum education to the preschool-aged minors

On November 27, 2020, the MOE and the Office of the Central Cyberspace Affairs Commission jointly promulgated the Notice on Further Strengthening the Standardized Management of Online Course Platforms for Minors. The Notice emphasizes that local cyberspace authorities and education authorities shall regularly organize screening of the training platforms for minors and take measures such as suspending or removing training platforms or requiring training platforms to rectify within a given time limit. After such rectification is completed, the education authorities will review the filings.

On March 30, 2021, the Basic Education Department of the MOE promulgated the Circular on Further Strengthening the Sleep Management of Primary and Secondary School Students, which restates that offline after-school trainings shall end no later than 8:30 p.m. and online live trainings shall end no later than 9:00 p.m., and provides that no homework shall be arranged in any form.

On July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Alleviating Burden Opinion, which provides that, among other things, (i) local government authorities shall no longer approve new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education, and the existing after-school tutoring institutions providing tutoring services on academic subjects shall be registered as non-profit; (ii) online after-school tutoring institutions that have filed with the local education administration authorities providing tutoring services on academic subjects shall be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; and (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities. Any violation of the foregoing must be rectified.

Moreover, the Alleviating Burden Opinion specifies a series of operating requirements that after-school tutoring institutions must meet, including, among other things, (i) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks; (ii) for online tutoring, each session shall be no more than thirty minutes and the training shall end no later than 9:00 p.m.; (iii) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas; (iv) the provision of overseas education courses is strictly prohibited; (v) fees charged for academic subjects tutoring in compulsory education shall be included into government-guided price management, and excessive high fees and excessive profit-seeking behaviors will be suppressed; (vi) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; (vii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited; (viii) no more approval of new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students on grade ten to twelve will be granted; and (ix) administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. On February 8, 2022, the MOE issued the 2022 Work Points of MOE, which specifies that administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be strictly implemented by reference to the relevant provisions of the Alleviating Burden Opinion.

On July 28, 2021, the General Office of MOE promulgated the Notice on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-School Tutoring in the Compulsory Education, which specifies that according to the national curriculum on compulsory education, when after-school institutions carry out tutoring, morality and rule of law, Chinese, history, geography, mathematics, foreign language (including English, Japanese, Russian), physics, chemistry and biology are classified as academic subjects, while sports (or sports and health), art (or music, art), and comprehensive practical activities (including information technology education, labor and technology education) are classified as non-academic subjects.

On August 25, 2021, the General Office of MOE issued the Administrative Measures for After-School Tutoring Materials for Primary and Secondary School Students (for Trial Implementation), which provide that, among others, (i) after-school tutoring materials for primary and secondary school students and staff preparing such tutoring materials shall meet certain requirements specified in such measures, which include, among others, tutoring materials shall follow the national curriculum standard and shall not provide content in advance of the school curriculum; (ii) after-school tutoring institutions shall establish internal management system for the tutoring materials and the staff preparing such tutoring materials; (iii) after-school tutoring institutions shall conduct internal review of the tutoring materials and the local education administrations shall conduct external review of the tutoring materials; (iv) after-school tutoring institutions may only use tutoring materials that have been internally and externally reviewed or if the materials have been officially published; (v) after school tutoring institutions shall file with the relevant education administrations the tutoring materials and the staff preparing such materials; (vi) after-school tutoring institutions in violation of the measures will be subject to rectification and shall not use the relevant tutoring materials during the rectification period; if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

On September 9, 2021, the MOE published on its official website that the MOE, together with two other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021, and all Academic AST Institutions shall, before completing such registration, suspend enrollment of students and charging fees.

On September 9, 2021, the General Office of MOE and the General Office of the Ministry of Human Resources and Social Welfare jointly issued the Administrative Measures for Practitioners of the After-School Tutoring Institutions (for Trial Implementation), which set out a series of requirements for the after-school tutoring institutions with respect to their employed teachers, research staff and teaching assistants. After-school tutoring institutions in violation of such requirements will be subject to rectification. If an after-school tutoring institution violates the requirements several times or violates several requirements, such after-school tutoring institution is prohibited from enrollment of students and shall not conduct tutoring activities during the rectification period; and if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

On September 18, 2021, the MOE further published on its official website that the General Office of MOE, together with five other government authorities, issued a circular requiring all online after-school tutoring institutions that have filed with the local education administration authorities providing tutoring services on academic subjects to obtain the private school operating permit by the end of 2021, and all online after-school tutoring institutions shall, before obtain such permit, suspend enrollment of students and charging fees.

On October 21, 2021, the MOE jointly with certain other PRC government authorities, promulgated the Notice on Strengthening the Supervision of After-School Tutoring Institutions Pre-collection of Fees, which requires the pre-collection of fees by Academic AST Institution and non-Academic AST Institution shall be supervised. Local government will adopt bank custodians or risk reserves to control such risk with the consideration of local situation.

On March 3, 2022, the MOE jointly with SAMR and NDRC promulgated the Notice on Regulating Non-Academic After-school Training Institutions, which provide that, among others, (i) non-academic after school tutoring institutions shall have the corresponding qualifications and their staffs shall have the corresponding proofs for their profession; (ii) non-academic after school tutoring institutions shall ensure that training content and training methods are suitable for the age, mental and physical characteristics and cognitive level of students; (iii) the training content, training hours, charging items, charging standards and other information of non-academic after school tutoring institutions shall be made public and subject to public supervision; (iv) non-academic after school tutoring institutions shall use the form of service contract for after-school training activities provided to primary and secondary school students, strictly performing contractual obligations and regulating its charging behaviors; (v) non-academic after school tutoring institutions' unfair competition by fictitious original prices, false discounts, false publicity, monopolistic behaviors and any form of price fraud are prohibited; (vi) the pre-collection of fees by non-academic after school tutoring institutions shall be deposited to the special account for fee collection and tuition fees shall not be collected in a lump sum, or in disguised form of recharging or measured cards for more than 60 classes

or for a course length of more than three months; and (vii) non-academic after school tutoring institutions shall comply with requirements relating to premise, facilities and fire safety.

We are closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with these regulations and implementation measures and we have been taking necessary measures to comply with the above requirements. Although we believe our new services and products are not in violation of current PRC laws and regulations in all material respects, as many of these regulations for online education are relatively new and the enforcement practices are evolving, we cannot assure you that our current services will not be deemed to be noncompliant in the future. For detailed discussion, please see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the online private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects.”

### ***Regulation Relating to Foreign Investment***

On March 15, 2019, the NPC promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The foreign-invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate forms, among other things, within five years after January 1, 2020. Pursuant to the Foreign Investment Law, “foreign investors” means natural persons, enterprises, or other organizations of a foreign country, “foreign-invested enterprises”, or FIEs, means any enterprise established under PRC law that is wholly or partially invested by foreign investors and “foreign investment” means any foreign investor’s direct or indirect investment in China mainland, including: (i) establishing FIEs in China mainland either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, other similar interests in Chinese domestic enterprises; (iii) investing in new projects in China mainland either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions.

The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a license is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. In addition, foreign investors or FIEs are required to file information reports and foreign investment shall be subject to the national security review. In addition, the Implementation Rules of the Foreign Investment Law, effective on January 1, 2020, clarifies that the Foreign Investment Law and its implementation rules also apply to investments by FIEs in China.

On December 26, 2019, the Supreme People’s Court of China promulgated the Interpretations on Certain Issues Regarding the Application of Foreign Investment Law, effective on January 1, 2020, pursuant to which “investment contracts” are defined as relevant agreements formed as a result of direct or indirect investments in China by foreign investors, namely, foreign individuals, foreign enterprises or other foreign organizations, including contracts for establishment of foreign investment enterprises, share transfer contracts, equity transfer contracts, contracts for transfer of property or other similar interests, contracts for newly-built projects and etc. Any claim to invalidate an investment contract will be supported by courts if such investment contract is decided to be entered into for purposes of making foreign investments in the “prohibited industries” under the negative list or for purposes of investing in the “restricted industries” without satisfaction of conditions set out in the negative list.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment, effective on January 18, 2021, which sets forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment, or the Office of the Working Mechanism, will be established under the NDRC, who will carry out routine work of security review on foreign investment. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target's business decisions, human resources, accounting and technology, etc.

### ***Regulation Relating to Foreign Investment Restrictions***

According to the latest Special Administrative Measures for the Entry of Investment (Negative List), or the Negative List, promulgated by the MOFCOM and the NDRC, effective on January 1, 2022, the provision of value-added telecommunications services falls in the restricted industries and the percentage of foreign ownership cannot exceed 50% (except for e-commerce, domestic multi-party communication, store-and-forward and call center). The latest negative list further provides that domestic companies engaged in foreign investment prohibited business that intend to offer and list securities in overseas markets shall obtain approval from relevant government authorities.

The Regulations on Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, as last amended on March 29, 2022, are the key regulations for foreign direct investment in telecommunications companies in China. The FITE Regulations stipulates that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in an FIE that provides value-added telecommunications services. An FIE that intends to operate the value-added telecommunications business must obtain approvals from the MIIT and obtain a Telecommunications Business Operating License.

On July 13, 2006, the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, which requires that (i) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (ii) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (iii) value-added telecommunications services providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (iv) each value-added telecommunications services provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (v) all value-added telecommunications services providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, may revoke the value-added telecommunications business operation licenses of those who fail to comply with the above requirements or fail to rectify such noncompliance within specified time limits.

### ***Regulation Relating to Value-added Telecommunications Services***

On September 25, 2000, the State Council issued the PRC Regulations on Telecommunications, or the Telecommunications Regulations, as last amended on February 6, 2016, to regulate telecommunications activities in China. The Telecommunications Regulations divided the telecommunications services into two categories, namely "infrastructure telecommunications services" and "value-added telecommunications services." Pursuant to the

Telecommunications Regulations, operators of value-added telecommunications services, or VATS, must first obtain a Value-added Telecommunications Business Operating License, or VATS License, from the MIIT or its provincial level counterparts. On July 3, 2017, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses, which set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

The Classified Catalog of Telecommunications Services (2015 Version), or the 2015 MIIT Catalog, effective on March 1, 2016 and as amended on June 6, 2019, defines information services as “the information services provided for users through public communications networks or internet by means of information gathering, development, processing and the construction of the information platform.” Moreover, information services continue to be classified as a category of VATS and are clarified to include information release and delivery services, information search and query services, information community platform services, information real-time interactive services, and information protection and processing services under the 2015 MIIT Catalog.

The Administrative Measures on Internet Information Services, or the ICP Measures, promulgated by the PRC State Council and as last amended on January 8, 2011, sets forth more specific rules on the provision of internet information services. According to the ICP Measures, any company that engages in the provision of commercial internet information services must obtain a sub-category VATS License for Internet Information Services, or the ICP License, from the relevant government authorities before providing any commercial internet information services within the PRC. Pursuant to the above-mentioned regulations, “commercial internet information services” generally refer to provision of specific information content, online advertising, web page construction and other online application services through the internet for profit making purpose. According to the ICP Measures, internet information service providers cannot produce, duplicate, publish or disseminate information that (i) is against any fundamental principles set out in the Constitution Law of China; (ii) endangers the national security, leaks the national secrets, incites to overthrow the national power, or undermines the national unity; (iii) damages the national honor or interests; (iv) incites the ethnic hatred and ethnic discrimination or undermines the solidarity among all ethnic groups; (v) undermines the national policies on religions and advocates religious cults and feudal superstition; (vi) disseminates rumors to disrupt the social order and undermines the social stability; (vii) disseminates the obscene materials, advocates gambling, violence, killing and terrorism, or instigates others to commit crimes; (viii) humiliates or defames others or infringes the legitimate rights and interests of others; and (ix) is otherwise prohibited by laws and regulations.

In addition to the Telecommunications Regulations and the other regulations discussed above, the provision of commercial internet information services on mobile internet apps is regulated by the Administrative Provisions on Mobile Internet Applications Information Services, which was promulgated by the Cyberspace Administration of China, or the CAC, on June 28, 2016 and came into effect on August 1, 2016. The providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications and complying with other requirements provided by laws and regulations and being responsible for information security.

#### ***Regulation Relating to Online Transmission of Audio-Visual Programs***

To regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the State Administration of Press Publication Radio Film and Television, or the SAPPRFT (currently known as National Radio and Television Administration), and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which was last amended on August 28, 2015. Under the Audio-Visual Program Provisions, “internet audio-visual program services” is defined as activities of producing, redacting and integrating audio-visual programs, providing them to the general public via the internet, and providing service for other people to upload and transmit audio-visual programs, and providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by the SAPPRFT, or complete certain registration procedures with the SAPPRFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the SAPPRFT.



On March 10, 2017, the SAPPRFT issued the Provisional Implementation of the Tentative Categories of Internet Audio-Visual Program Services, or the Categories, which revised the previous version issued on March 17, 2010. According to the Categories, there are four categories of internet audio and video programs services which are further divided into seventeen sub-categories. The third sub-category to the second category covers the making and editing of certain specialized audio-visual programs concerning, among other things, educational content, and broadcasting such content to the general public online.

#### ***Regulation Relating to Production and Distribution of Radio and Television Programs***

The Administrative Measures on the Production and Operation of Radio and Television Programs, or the Radio and TV Programs Measures, promulgated by the SAPPRFT are applicable for establishing institutions that produce and distribute radio and television programs or for the production of radio and television programs like programs with a special topic, column programs, variety shows, animated cartoons, radio plays and television dramas and for activities like transactions and agency transactions of program copyrights. Pursuant to the Radio and TV Programs Measures, any entity that intends to produce or operate radio or television programs must first obtain the Permit for Production and Operation of Radio and TV Programs from the SAPPRFT or its local branches.

#### ***Regulation Relating to Internet Culture Activities***

The Interim Administrative Provisions on Internet Culture, or the Internet Culture Provisions, which was promulgated by the Ministry of Culture, or MOC (currently known as the MOCT), on February 17, 2011 and last amended on December 15, 2017, requires internet information services providers engaging in commercial “internet culture activities” to obtain an internet culture business operating license from the MOC. “Internet cultural activity” is defined under the Internet Culture Provisions as an act of provision of internet cultural products and related services, which includes (i) the production, duplication, importation, and broadcasting of the internet cultural products; (ii) the online dissemination whereby cultural products are posted on the internet or transmitted via the internet to end-users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users’ browsing, use or downloading; and (iii) the exhibition and competition of the internet cultural products. In addition, “internet cultural products” is defined under the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the internet, which mainly include internet cultural products especially produced for the internet, such as online music entertainment, online games, online shows and plays (programs), online performances, online works of art and online cartoons, and internet cultural products produced from cultural products such as music entertainment, games, shows and plays (programs), performances, works of art, and cartoons through certain techniques and duplicating those to internet for dissemination.

On May 14, 2019, the General Office of MOC promulgated the Notice on Adjusting the Scope of Internet Culture Business Operating License and Further Standardize the Approval Work, which provides that online music, online shows and plays, online performances, online works of art, online cartoons, displays and games are the activities that fall in the scope of internet culture business operating license, and further clarifies that educational live streaming activities are not deemed as online performances.

#### ***Regulation Relating to Online Publishing***

On February 4, 2016, the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (currently reformed into the State Administration of Press and Publication (National Copyright Bureau) under the Propaganda Department of the Central Committee of the Communist Party of China) and the MIIT jointly issued the Administrative Provisions on Online Publishing Services, or the Online Publishing Provisions, which came into effect on March 10, 2016. Under the Online Publishing Provisions, any entity providing online publishing services shall obtain an Online Publishing Services Permit. “Online publishing services” refer to the provision of online publications to the public through information networks; and “online publications” refer to digital works with publishing features such as having been edited, produced or processed and are available to the public through information networks, including: (i) written works, pictures, maps, games, cartoons, audio/video reading materials and other original digital works containing useful knowledge or ideas in the field of literature, art, science or other fields; (ii) digital works of which the content is identical to that of any published book, newspaper, periodical, audio/video product, electronic publication or the like; (iii) network literature databases or other digital works,

derived from any of the aforesaid works by selection, arrangement, collection or other means; and (iv) other types of digital works as may be determined by the SAPPRFT.

### ***Regulation Relating to Internet Information Security and Privacy Protection***

The PRC Constitution states that the PRC laws protect the freedom and privacy of communications of citizens and prohibit infringement of such rights. PRC governmental authorities have enacted laws and regulations on internet information security and protection of personal information from any abuse or unauthorized disclosure. The Decisions on Maintaining Internet Security which was enacted by the SCNPC on December 28, 2000 and amended on August 27, 2009, may subject violators to criminal punishment in the PRC for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security, or MPS, has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an information service provider violates these measures, the MPS and the local security bureaus may revoke its operating license and shut down its websites.

Pursuant to the Decision on Strengthening the Protection of Online Information issued by the SCNPC on December 28, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT on July 16, 2013, 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. “Personal information” is defined as information that identifies a citizen, the time or location for his/her use of telecommunication and internet services or involves privacy of any citizen such as his/her birth date, ID card number, and address. An internet information service provider must also keep information collected strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Notice of the Supreme People’s Court, the Supreme People’s Procuratorate and the MPS on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens, issued on April 23, 2013, and the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens, which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen’s personal information: (i) providing a citizen’s personal information to specified persons or releasing a citizen’s personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen’s consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen’s personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen’s personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Pursuant to the Ninth Amendment to the Criminal Law issued by the SCNPC on August 29, 2015, which became effective on November 1, 2015, any person or entity that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders is subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client’s information; (iii) any serious loss of criminal evidence; or (iv) other severe situation, and any individual or entity that (x) sells or provides personal information to others in a way violating the applicable law, or (y) steals or illegally obtain any personal information is subject to criminal penalty in severe situation.

Pursuant to the PRC Cyber Security Law issued by the SCNPC on November 7, 2016, effective as of June 1, 2017, “personal information” refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals’ personal information, including but not limited to: individuals’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The PRC Cyber Security Law also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity,

disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; and (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception.

Pursuant to the Provisions on Internet Security Supervision and Inspection by Public Security Organs, which was promulgated by the MPS on September 15, 2018 and became effective on November 1, 2018, the public security departments are authorized to carry out internet security supervision and inspection of the internet service providers from the following aspects, among others: (i) whether the service providers have completed the recordation formalities for online entities, and filed the basic information on and the changes of the accessing entities and users; (ii) whether they have established and implemented the cybersecurity management system and protocols, and appointed the persons responsible for cybersecurity; (iii) whether the technical measures for recording and retaining users' registration information and weblog data are in place according to the law; (iv) whether they have taken technical measures to prevent computer viruses, network attacks and network intrusion; (v) whether they have adopted preventive measures to tackle the information that is prohibited to be issued or transmitted by the laws and administrative regulations in the public information services; (vi) whether they provide technical support and assistance as required by laws to public security departments to safeguard national security and prevent and investigate on terrorist activities and criminal activities; and (vii) whether they have fulfilled the obligations of the grade-based cybersecurity protection and other obligations prescribed by the laws and administrative regulations. In particular, public security departments shall also carry out supervision and inspection on whether an internet service provider has taken required measures to manage information published by users, adopted proper measures to handle the published or transmitted information that is prohibited to be published or transmitted, and kept the relevant records.

In addition, the Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued an Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps on January 23, 2019 to implement special rectification works against mobile Apps that collect and use personal information in violation of applicable laws and regulations, where business operators are prohibited from collecting personal information irrelevant to their services, or forcing users to give authorization in a disguised manner. On November 28, 2019, the National Internet Information Office, the MIIT, the MPS and the SAMR further jointly issued a notice to classify and identify illegal collection and use of personal information.

On August 22, 2019, the Office of the Central Cyberspace Affairs Commission issued the Provisions on the Cyber Protection of Children's Personal Information, which took effect on October 1, 2019. The Provisions on the Cyber Protection of Children's Personal Information apply to the collection, storage, use, transfer and disclosure of the personal information of children under the age of 14 via the internet. The Provisions on the Cyber Protection of Children's Personal Information require that network operators shall establish special rules and user agreements for protection of personal information for children under the age of 14, inform their guardians in a noticeable and clear manner, and shall obtain the consent of their guardians. When obtaining the consent of their guardians, network operators shall explicitly disclose several matters, including, without limitation, the purpose, method and scope of collection, storage, use, transfer and disclosure of such personal information, and methods for correcting and deleting such personal information. Provisions on the Cyber Protection of Children's Personal Information also require that when collecting, storing, using, transferring and disclosing such personal information, network operators shall comply with certain regulatory requirements, including, without limitation, that network operators shall designate specific personnel to take charge of the protection of such personal information and shall strictly grant information access authorization for their staff to such personal information under the principle of minimal authorization.

Pursuant to the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, which was promulgated by the CAC, the MIIT and certain other

government authorities on March 12, 2021 to be effective on May 1, 2021, “necessary personal information” refers to the personal information necessary for ensuring the normal operation of an app’s basic functional services, without which the app cannot achieve its basic functional services. For learning and education app, the basic functional services are “online tutoring, online classes, etc.” and the necessary personal information is mobile phone numbers of registered users.

The PRC Data Security Law, which was promulgated by the Standing Committee of the National People’s Congress on June 10, 2021 and took effect on September 1, 2021, requires data processing (which includes the collection, storage, use, processing, transmission, provision, publication of data, etc.) to be conducted in a legitimate and proper manner. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The PRC Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it shall cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. Moreover, the PRC Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC without the approval of the competent PRC authorities.

On August 20, 2021, the Standing Committee of the National Peoples’ Congress issued the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information refers to any recorded information related to identified or identifiable natural persons, though it excludes anonymized information. The Personal Information Protection Law also specified the rules for handling sensitive personal information, which includes biometrics, religious beliefs, specific identities, medical health, financial accounts, trails and locations, and personal information of teenagers under fourteen years old and other personal information, which, upon leakage or illegal usage, may easily infringe the personal dignity or harm of safety of livelihood and property. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered for rectification or suspension or termination of provision of services, confiscation of illegal income, subject to fines or other penalties. According to the Personal Information Protection Law.

On January 4, 2022, the CAC issued the Revised Measures for Cybersecurity Review, which became effective on February 15, 2022 and replaced the existing Measures for Cybersecurity Review that had been promulgated on April 13, 2020. The Revised Cybersecurity Review Measures provide that a critical information infrastructure operator, or CIIO, that purchases network products and services, and platform operators carrying out data processing activities which affect or may affect national security, shall apply for cybersecurity review and that a platform operator with more than one million users’ personal information aiming to list abroad must apply for cybersecurity review.

On July 30, 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure, which went into effect on September 1, 2021. Under these regulations, critical information infrastructure means important network facilities and information systems in important industries, such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, defense technology industry and others that may seriously harm national security, the national economy, people’s livelihood and public interests if damaged, disabled or whose data disclosed. CIIOs shall, based on a leveled system for cybersecurity protection, adopt technical protection measures and other necessary measures to deal with cybersecurity security events, defend against cyberattacks and criminal activities in order to ensure their safe and stable operations as well as maintain the integrity, confidentiality, and availability of their data pursuant to relevant laws, regulations and the mandatory requirements of national standards. Moreover, the competent supervisory departments of the relevant important industries abovementioned shall organize the recognition of the

CIIO and promptly notify the operators and Public Security Department of The State Council of the results of the identification.

On July 6, 2021, General Office of the State Council of the PRC together with another authority jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, or the Securities Activities Opinions, which called for the enhanced administration and supervision of overseas-listed China-based companies. These opinions proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The Securities Activities Opinions also call for improving laws and regulations on data security, cross-border data flow and management of confidential information.

According to the Civil Code of China, which has taken effect on January 1, 2021, a natural person has the right of privacy and the personal information of a natural person will be protected in accordance with law. Information processors may not divulge or tamper with the personal information collected or stored by them and may not illegally provide any natural person's personal information to others without the consent of such natural person.

The SAMR promulgated the Measures for the Supervision and Administration of Online Transactions, which became effective from May 1, 2021. The measures require that online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities by means of one-off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use. Otherwise, such online transaction operator may be subject to fines and consequences under related laws and regulations, including without limitation suspension of business for rectification and revocation of permits and licenses.

On January 4, 2022, the CAC published the Administrative Provisions on Internet Information Service Algorithm Recommendation on its website, or the Algorithm Recommendation Provisions, which became effective on March 1, 2022 and introduce certain new compliance requirements for internet information service providers that use algorithm recommendation technology. Specifically, the Algorithm Recommendation Provisions require that such service providers shall provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services.

### ***Regulation Relating to Publishing***

Under the Administrative Provisions on the Publications Market, which was jointly promulgated by the SAPPRFT and the MOFCOM on May 31, 2016 and became effective on June 1, 2016, any enterprise or individual who engages in publishing activities shall obtain a publishing license from SAPPRFT or its local counterpart. Without licensing, such entity or individual may be ordered to cease illegal acts by the competent administrative department of publication and be concurrently subject to fines.

### ***Regulation Relating to Advertising and Promotion***

The principal regulations governing advertising businesses in China are the PRC Advertising Law, as last amended on April 29, 2021, and the Advertising Administrative Regulations issued on October 26, 1987. These laws, rules and regulations require companies that engage in advertising activities to obtain a business license that explicitly includes advertising in the business scope from the SAMR or its local branches.

Applicable PRC advertising laws, rules and regulations contain certain prohibitions on the content of advertisements in China (including prohibitions on misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest). Education and/or training advertisements shall not contain the following content: (i) explicit or implicit guarantee for successful enrolment to a higher grade, passing of examination, obtaining of degree qualification or passing certificate, or the effect of education or training; (ii) explicit or implicit expression of participation by the relevant examination body or its personnel, personnel setting examination questions in the education or training; and

(iii) recommendation and/or endorsement by scientific research institutes, academic institutions, educational organizations, industry associations, professionals or beneficiaries using their name or image.

Advertisers, advertising operators and advertising distributors are required by applicable PRC advertising laws, rules and regulations to ensure that the content of the advertisements they prepare or distribute is true and in compliance with applicable laws, rules and regulations. Violation of these laws, rules and regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAMR or its local branches may revoke the violator's license or permit for advertising business operations. In addition, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe the legal rights and interests of third parties, such as infringement of intellectual proprietary rights, unauthorized use of a name or portrait and defamation.

The Alleviating Burden Opinion provides that no advertisements for after-school tutoring may be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas. Further, the SAMR jointly with other government authorities promulgated the Notice on the Control of Advertisements for After-school Tutoring on November 3, 2021 which specifies that the requirements under the Alleviating Burden Opinion applies to advertisements for both academic and non-academic tutoring, and relevant local authorities shall implement measures to achieve such requirements.

In addition, the Anti-Unfair Competition Law promulgated by the Standing Committee of the National People's Congress, last amended on April 23, 2019 requires that business operators shall not make false or misleading commercial promotion for the performance, functions, quality, sales, user evaluation, accolades, etc. as to defraud or mislead customers.

### ***Regulation Relating to Intellectual Property Rights***

#### ***Copyright and Software Registration***

The SCNPC promulgated the PRC Copyright Law in 1990 and last revised it on November 11, 2020 with the amendments becoming effective on June 1, 2021. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet, software products, audio-visual works and any other intellectual achievements which comply with the characteristics of the works. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration, or the NCAC, and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005, which became effective on May 30, 2005.

On December 20, 2001, the State Council promulgated the Computer Software Protection Regulations which came into effect on January 1, 2002 and was last amended on January 30, 2013. These regulations are formulated for protecting the rights and interests of computer software copyright owners, encouraging the development and application of computer software and promoting the development of software business. In order to further implement the Computer Software Protection Regulations, the NCAC issued the Computer Software Copyright Registration Procedures on February 20, 2002, as amended on May 19, 2004, which applies to software copyright registration, license contract registration and transfer contract registration.

#### ***Patents***

The SCNPC adopted the Patent Law of the PRC in 1984 and last amended on October 17, 2020, which became effective on June 1, 2021. A patentable invention, utility model or design must meet three conditions, namely novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant varieties or methods of nuclear transformation and substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a

fifteen-year term for a design, all starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, otherwise the use will constitute an infringement of the rights of the patent holder.

### *Trademark*

Trademarks are protected by the PRC Trademark Law, which was adopted in 1982, last revised in April 2019 and became effective in November 2019, as well as its implementation rules adopted in 2002 and revised in 2014. The Trademark Office of National Intellectual Property Administration under the SAMR handles trademark registrations and grants a protection term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. An application for registration of a malicious trademark not for use will be rejected and those who apply for trademark registration maliciously will be given administrative penalties of warnings or fines according to the circumstances; those who file trademark lawsuits maliciously will be punished by the people’s court according to applicable laws.

### *Domain Name*

The Administrative Measures on Internet Domain Names, or the Domain Name Measures, were promulgated by the MIIT on August 24, 2017, and came into effect on November 1, 2017. According to the Domain Name Measures, any party that has domain name root servers, and the institution for operating domain name root servers, the domain name registry and the domain name registrar within the territory of China, shall obtain a permit for this purpose from the MIIT or the communications administration of the local province, autonomous region or municipality directly under the Central Government. The registration of domain names is generally on a “first-apply-first-registration” basis and a domain name applicant will become the domain name holder upon the completion of the application procedure.

On May 28, 2020, the National People’s Congress approved the Civil Code of PRC, which took effect on January 1, 2021. Under the Civil Code, if an offender intentionally infringes upon the intellectual property rights of others and the circumstance is severe, the infringed party shall have the right to request for the corresponding punitive compensation.

## ***Regulation Relating to Employment, Social Insurance and Housing Fund***

### *Employment*

Pursuant to the PRC Labor Law effective from January 1, 1995 and last amended on December 29, 2018 and the PRC Labor Contract Law effective from January 1, 2008 and amended on December 28, 2012, a written labor contract shall be executed by an employer and an employee when the employment relationship is established, and an employer is under an obligation to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Furthermore, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. In addition, the PRC government has continued to introduce various new labor-related regulations after the PRC Labor Contract Law. Amongst other things, new annual leave requirements mandate that annual leave ranging from 5 to 15 days is

available to nearly all employees and further require that the employer compensate an employee for any annual leave days the employee is unable to take in the amount of three times his daily salary, subject to certain exceptions. Moreover, all PRC enterprises are generally required to implement a standard working time system of eight hours a day and forty hours a week, and if the implementation of such standard working time system is not appropriate due to the nature of the job or the characteristics of business operation, the enterprise may implement a flexible working time system or comprehensive working time system after obtaining approvals from the relevant authorities.

### *Social Insurance*

The Law on Social Insurance of the PRC, which was promulgated on October 28, 2010 and amended on December 29, 2018, has established social insurance systems of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulations on Work Injury Insurance, the Regulations on Unemployment Insurance and the Trial Measures on Employee Maternity Insurance of Enterprises, enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by going through social insurance registration with local social insurance authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. On July 20, 2018, the General Office of the State Council issued the Plan for Reforming the State and Local Tax Collection and Administration Systems, which stipulated that the SAT will become solely responsible for collecting social insurance premiums.

### *Housing Fund*

According to the Administrative Regulations on the Administration of Housing Fund, which was promulgated on April 3, 1999 and last amended on March 24, 2019, housing fund paid and deposited both by employee themselves and their unit employer shall be owned by the employees. An employer should undertake registration of payment and deposit of the housing fund in the housing fund management center and open a housing fund account on behalf of its employees in a commissioned bank. Employers should timely pay and deposit housing fund contributions in full amount and late or insufficient payments shall be prohibited.

On February 21, 2020, the Ministry of Housing and Urban-Rural Development of the PRC, the Ministry of Finance of the PRC and People's Bank of China jointly promulgated the Notice on Implementing the Phased Support Policies Involving Housing Fund to Properly Cope with COVID-19, which provides, among other things, that an enterprise affected by the COVID-19 pandemic may apply for postponing contribution to the housing fund by June 30, 2020 in accordance with the relevant provisions, the contribution period will be counted on a continuous basis during the postponing period, and the normal withdrawal and application for housing fund loans by employees will not be affected, and in regions seriously affected by the COVID-19 pandemic, enterprises may voluntarily contribute to the housing provident fund by June 30, 2020 on the premise of full consultation with their employees. In the event that the contribution continues, enterprises may determine the contribution ratio at their discretion; in the event of suspension of contribution, the contribution period shall continue to run and the normal withdrawal of housing fund by the employees and their application for housing fund loan will not be affected.

### ***Regulation Relating to Foreign Exchange***

#### *Regulation on Foreign Currency Exchange*

The principal regulations governing foreign currency exchange in China are the PRC Foreign Exchange Administration Regulations, or the Foreign Exchange Administration Regulations, which were promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Under the Foreign Exchange Administration Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital



account items, such as direct investment, loan or investment in securities outside China, unless prior approval of SAFE or its local counterparts has been obtained.

On March 30, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015 and was amended on December 30, 2019. According to SAFE Circular 19, the foreign exchange capital of FIEs shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily set at 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, SAFE Circular 19 stipulates that the use of capital by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for issuance of RMB entrusted loans, repayment of inter-enterprise loans (including advances by the third party) or repayment of bank loans that have been transferred to a third party; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, was promulgated by SAFE on June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides a unified standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-associated enterprises.

On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies 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.

#### *Regulation on Foreign Debt*

A loan made by a foreign entity as direct or indirect shareholder in an FIE is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions, the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of Foreign Debt, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the maximum amount of the aggregate of (i) the outstanding balance of foreign debts with a term not longer than one year, and (ii) the accumulated amount of foreign debts with a term longer than one year, of an FIE shall not exceed the difference between its registered total investment and its registered capital, or Total Investment and Registered Capital Balance.

On January 12, 2017, the People's Bank of China, or PBOC, promulgated the Notice of the People's Bank of China on Full-coverage Macro-prudent Management of Cross-border Financing, or PBOC Circular 9. PBOC

established a cross-broader financing regulation system based on the capital or net assets of the micro main body under macro prudential rules, and the legal entities and financial institutions established in China including the branches of foreign banks registered in China but excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations of such system. PBOC Circular 9 provides that, among other things, the outstanding amount of the foreign currency for the entities in cross-border financing shall be limited to the Upper Limit of the Risk Weighted Balance of such entity, which shall be calculated according to the formula provided in PBOC Circular 9. PBOC Circular 9 also provides that during the one-year period starting from January 12, 2017, foreign-invested enterprises may choose one method to carry out cross-broader financing in foreign currency either according to PBOC Circular 9 or according to the Interim Provisions on the Management of Foreign Debts. After the end of such one-year period, the method of foreign-invested enterprises to carry out cross-broader financing in foreign currency will be determined by PBOC and SAFE.

#### *Regulation on Foreign Exchange Registration of Overseas Investment by PRC Residents*

SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, to regulate foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents (including individuals and entities) for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents through SPVs, namely, establishing FIEs to obtain the ownership, control rights and management rights. The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 provides that, before making contribution into an SPV, PRC residents are required to complete foreign exchange registration with SAFE or its local branch. SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, which provides that applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE.

An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentation on or failure to disclose controllers of the FIE that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant FIE, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

#### *Regulation on Stock Incentive Plans*

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas, or the Stock Option Rules on February 15, 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company 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, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

In addition, the SAT has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas-listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

### **Regulation Relating to Taxation**

#### *Enterprise Income Tax*

On March 16, 2007, the NPC enacted the Enterprise Income Tax Law, which was last amended on December 29, 2018, and on December 6, 2007, the State Council promulgated the Implementing Rules of the Enterprise Income Tax Law, which became effective on January 1, 2008 and was amended on April 23, 2019 (or collectively, the PRC EIT Law). The PRC EIT Law applies a uniform 25% enterprise income tax rate to both FIEs and domestic enterprises, except where tax incentives are granted to special industries and projects. Enterprises qualifying as “High and New Technology Enterprises” are entitled to a preferential 15% enterprise income tax rate rather than the 25% statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its “High and New Technology Enterprise” status.

Under the PRC EIT Law, an enterprise established outside China with its “de facto management body” located in China is considered a “resident enterprise”, which means it can be treated as a domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10% and such income tax shall be subject to withholding at the source, where the payer shall act as the withholding agent. Dividends generated after January 1, 2008 and payable by an FIE in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

The Notice on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management, or the SAT Circular 82, provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. According to the SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Pursuant to the Arrangement between China mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate in respect to the payment of dividends by a China mainland enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the China mainland enterprise and certain other conditions are satisfied. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the China mainland resident enterprise; and (iii) it must have directly owned such required percentage in the China mainland resident enterprise throughout the 12 months prior to receiving the dividends.

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers or Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7, which extends its tax jurisdiction to transactions

involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity securities through a public securities market.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

#### *Value-Added Tax*

Pursuant to the Provisional Regulations on PRC Value-added Tax and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

#### ***Regulation Relating to M&A and Overseas Listings***

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC, and SAFE jointly issued the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules requires in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (i) the transaction involves an important industry in China, (ii) the transaction may affect national economic security, or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A Rules, among other things, also require that (i) PRC entities or individuals obtain MOFCOM approval before they establish or control an SPV overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV, or Share Swap, and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (ii) the SPV obtains MOFCOM's approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (iii) the SPV obtains CSRC approval before it lists overseas.

The M&A Rules further requires that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council, are triggered. Moreover, the Anti-Monopoly Law promulgated by the SCNPC requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds be cleared by the MOFCOM before they can be completed.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. 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 December 27, 2021, the NDRC and MOFCOM jointly issued the 2021 Negative List, which became effective on January 1, 2022. Pursuant to that, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's

operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Overseas Listing Administration Provisions, and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Overseas Listing Filing Measures, which are open for public comments until January 23, 2022.

The Draft Overseas Listing Administration Provisions, if adopted in its current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the draft regulations, 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. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. As implementation rules, the Draft Overseas Listing Filing Measures specifies the filing requirement and procedures. The Draft Overseas Listing Filing Measures provides that if the issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) any of the revenue, net profit, total assets or net assets of the domestic companies accounted for more than 50% of the respective audited revenue, net profit, total assets or net assets of the issuer within the latest fiscal year; (ii) a majority of the officers responsible for management of the issuer are PRC citizens or have their usual place of residence located in China mainland, the issuer's main place of operation is within China mainland. It is unclear based on the Draft Overseas Listing Filing Measures whether either or both of the above criteria need to be satisfied. Where an issuer makes an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Overseas Listing Filing Measures also requires subsequent report to the CSRC on material events, such as material change in principal business and change of control.

According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to its follow-on offering within three business days after completion of the follow-on offering, (iii) with respect to its follow-on offering for purpose of acquiring specific assets, within three business days after the first public announcement of the transaction, and (iv) with respect to listing by means of reverse takeover, share swap, acquisition and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as case may be. Non-compliance with the Draft Administration Measures or an overseas listing completed in breach of Draft Administration Measures may result in a warning on the relevant domestic companies or a fine of RMB1 million to RMB10 million on them. If the circumstances are serious, they may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors, and senior management of the domestic enterprises may be warned, or fined between RMB500,000 to RMB5,000,000 either individually or collectively.

As of the date of this annual report, the Draft Overseas Listing Administration Provisions and the Draft Overseas Listing Filing Measures were released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty.

### ***Anti-Monopoly Law***

The Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress which became effective on August 1, 2008 and the Interim Provisions on the Review of Concentrations of Undertakings promulgated by the SAMR which became effective on December 1, 2020 require that transactions

which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the SAMR before they can be completed. Where the participation in concentration of undertakings by way of foreign-funded merger and acquisition of domestic enterprises or any other method which involves national security, the examination of concentration of undertakings shall be carried out pursuant to the provisions of this Law and examination of national security shall be carried out pursuant to the relevant provisions of the State. Failure to comply with above regulations may result in an order to stop concentration, dispose the shares/assets or transfer the operation within a stipulated period, or adopt other necessary measures to reinstate the pre-concentration status, or fines.

On February 7, 2021, the Anti-Monopoly Commission of the State Council issued the Anti-Monopoly Guidelines for the Internet Platform Economy Sector that aims to specify some of the circumstances under which an activity of internet platforms may be identified as monopolistic as well as to classify that concentrations involving variable interest entities shall also be subject to anti-monopoly review.

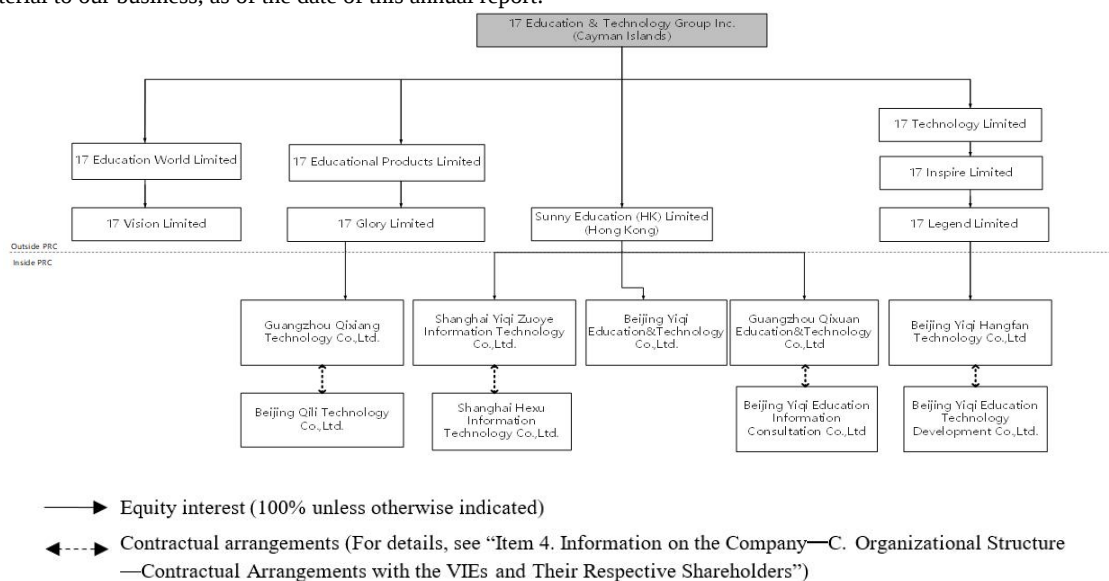
#### ***Regulations Relating to Anti Long-Arm Jurisdiction***

The MOFCOM issued the Provisions on the List of Unreliable Entities, or the MOFCOM Order No. 4 of 2020, on September 19, 2020. Pursuant to the MOFCOM Order No. 4 of 2020, a working committee shall decide whether or not to include a foreign entity concerned in the list of unreliable entities and make an announcement on such inclusion based on investigation of following factors: (i) the extent of damage caused to China's sovereignty, security and development interests; (ii) the extent of the damage to the legitimate rights and interests of Chinese enterprises, other organizations or individuals; (iii) whether or not the international economic and trade rules are followed; and (iv) any other relevant factors. If a foreign entity is included in the list of unreliable entities, the working committee may decide to take one or more of the following measures: (i) restricting or prohibiting the foreign entity from engaging in import or export activities related to China; (ii) restricting or prohibiting the foreign entity's investment within the territory of China; (iii) restricting or prohibiting the entry of the foreign entity's relevant personnel or transport vehicles into the territory of China; (iv) restricting or cancelling the work permit, stay or residence qualification of the foreign entity's relevant personnel in China; (v) imposing a fine corresponding to the seriousness of the case against the foreign entity; or (vi) any other necessary measures.

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures, or the MOFCOM Order No. 1 of 2021. Pursuant to the MOFCOM Order No. 1 of 2021, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third state (or region) or its citizens, legal persons or other organizations, he/she/it shall truthfully report such matters to the competent department of commerce of the State Council within 30 days. A working committee will take the following factors into consideration when assessing whether there exists unjustified extra-territorial application of foreign legislation and other measures: (i) whether international law or the basic principles of international relations are violated; (ii) potential impact on China's national sovereignty, security and development interests; (iii) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (iv) any other relevant factors. In case it is confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM may issue an injunction against such relevant foreign legislation and other measures. A citizen, legal person or other organization in China may apply for exemption from compliance with an injunction.

## C. Organizational Structure

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and other entities that are material to our business, as of the date of this annual report:



### Notes:

- (1) Shareholders of Shanghai Hexu and their respective shareholdings in Shanghai Hexu and relationship with our company are (i) Mr. Andy Chang Liu (99.0%), our founder, chairman and chief executive officer; and (ii) Mr. Zhan Xie (1.0%), a relative of Mr. Andy Chang Liu.
- (2) Shareholders of Beijing Yiqi Information and their respective shareholdings in Beijing Yiqi Information and relationship with our company are (i) Mr. Andy Chang Liu (99.0%), our founder, chairman and chief executive officer; and (ii) Mr. Zhan Xie (1.0%).
- (3) Shareholders of Beijing Qili and their respective shareholdings in Beijing Qili and relationship with our company are (i) Mr. Andy Chang Liu (99.0%), our founder, chairman and chief executive officer; and (ii) Mr. Zhan Xie (1.0%).
- (4) Shareholders of Beijing Yiqi Development and their respective shareholdings in Beijing Yiqi Development and relationship with our company are (i) Mr. Andy Chang Liu (99.0%), our founder, chairman and chief executive officer; and (ii) Mr. Zhan Xie (1.0%).

### Contractual Arrangements with the VIEs and Their Respective Shareholders

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services and certain other businesses. We are an exempted company incorporated in the Cayman Islands. Shanghai WFOE, Guangzhou Qixiang, Guangzhou Qixuan and Beijing Yiqi Hangfan are our PRC subsidiaries, which we refer to as our WFOEs in this annual report, and they are foreign-invested enterprises under PRC Laws. To comply with PRC laws and regulations, we conduct certain of our business in China through Shanghai Hexu, Beijing Yiqi Information, Beijing Yiqi Development and Beijing Qili, our consolidated variable interest entities in China which we refer to as the VIEs in this annual report, based on a series of contractual arrangements by and among our WFOEs, the VIEs and their respective shareholders.

Our contractual arrangements with the VIEs and their respective shareholders allow us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, and (iii) have an exclusive call option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by PRC law.

As a result of our direct ownership in our WFOEs and the contractual arrangements with the VIEs, we are regarded as the primary beneficiary of the VIEs, and we treat the VIEs and their subsidiaries as our consolidated affiliated entities under U.S. GAAP. We have consolidated the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among our WFOEs, the VIEs and their respective shareholders.

***Arrangements that provide us effective control over the VIE***

*Proxy Agreement and Powers of Attorney.* Pursuant to the proxy agreement and powers of attorney executed by Shanghai WFOE, Shanghai Hexu and Shanghai Hexu's shareholders and the respective power of attorney executed by each of Shanghai Hexu's shareholders, each of Shanghai Hexu's shareholders irrevocably authorized Shanghai WFOE or its designee(s) to act on their respective behalf as proxy attorney, to the extent permitted by law, to exercise all rights of shareholders concerning all the equity interest held by each of them in Shanghai Hexu, including but not limited to proposing to convene or attend shareholder meetings, signing resolutions and minutes of such meetings, voting at such meetings, nominating and appointing directors, receiving dividends and selling, transferring, pledging or disposing of all the equity held in part or in whole, and exercising all other rights as shareholders. The proxy agreement and powers of attorney will remain effective within the operating period of Shanghai Hexu, unless otherwise unilaterally terminated by Shanghai WFOE in its sole discretion. The proxy agreement and powers of attorney were executed in May 2013, which were amended and restated in May 2020, and the amended and restated proxy agreement and powers of attorney were deemed effective from November 2018. The proxy agreement and powers of attorney were further amended and restated in September 2020 due to the change of Shanghai Hexu's nominee shareholders.

Pursuant to the respective powers of attorney executed by each of Beijing Yiqi Information's shareholders in March 2022, each of Beijing Yiqi Information's shareholders irrevocably authorized Guangzhou Qixuan or its designee(s) to act on their respective behalf as proxy attorney and at such person's own will, to the extent permitted by law, to exercise all rights of shareholders concerning all the equity interest held by each of them in Beijing Yiqi Information, including but not limited to proposing to convene or attend shareholder meetings, signing relevant resolutions, nominating, voting and appointing on shareholder meetings, receiving dividends and selling, transferring, pledging or disposing of all the equity held in part or in whole, and exercising all other rights as shareholders. The powers of attorneys shall remain valid for the duration of the Exclusive Management Services and Business Cooperation Agreement.

In March 2022, each of Beijing Qili's shareholders entered into a power of attorney relating to the authorization of Guangzhou Qixiang, each of which includes terms substantially similar to the powers of attorneys relating to Beijing Yiqi Information as described above, respectively.

In March 2022, each of Beijing Yiqi Development's shareholders entered into a power of attorney relating to the authorization of Beijing Yiqi Hangfan, each of which includes terms substantially similar to the powers of attorneys relating to Beijing Yiqi Information as described above, respectively.

*Equity Interest Pledge Agreement.* Under the equity interest pledge agreement among Shanghai WFOE, Shanghai Hexu and Shanghai Hexu's shareholders, Shanghai Hexu's shareholders pledged all of their equity interests of Shanghai Hexu to Shanghai WFOE as security for performance of the obligations of Shanghai Hexu and Shanghai Hexu's shareholders and their spouses, as applicable, under the exclusive management services and business cooperation agreement, the exclusive call option agreement, the proxy agreement and powers of attorney, and consent letters. During the term of the equity interest pledge agreement, Shanghai WFOE has the right to receive all of Shanghai Hexu's dividends and profits distributed on the pledged equity. If any of the specified events of default occurs, Shanghai WFOE, as pledgee, will have the right to purchase, auction or sell all or part of the pledged equity interests in Shanghai Hexu and will have priority in receiving the proceeds from such disposal. Shanghai WFOE may transfer all or any of its rights and obligations under the equity interest pledge agreement to its designee(s) at any time. Shanghai Hexu and its shareholders undertake that, without the prior written consent of Shanghai WFOE, they will not transfer, or create or allow any encumbrance on the pledged equity interests. The agreement will remain in effect until the earlier of (i) the fulfillment of all the obligations under the exclusive management services and business cooperation agreement, the exclusive call option agreement, the proxy agreement and powers of attorney, and consent letters, (ii) the exercise of right of pledge by Shanghai WFOE pursuant to the terms and conditions of this equity interest pledge agreement, or (iii) that the shareholders of Shanghai Hexu transfer all the equity held in Shanghai Hexu to Shanghai WFOE or its designee(s) pursuant to the exclusive call option agreement. The equity interest pledge agreement was executed in May 2013, which was amended and restated in



May 2020, and the amended and restated equity interest pledge agreement was deemed effective from November 2018. The equity interest pledge agreement was further amended and restated in September 2020 due to the change of Shanghai Hexu's nominee shareholders.

Under the equity interest pledge agreement entered into by and among Guangzhou Qixuan, Beijing Yiqi Information and Beijing Yiqi Information's shareholders in March 2022, Beijing Yiqi Information's shareholders pledged all of their equity interests in Beijing Yiqi Information to Guangzhou Qixuan as security for performance of the obligations of Beijing Yiqi Information and Beijing Yiqi Information's shareholders, as applicable, under the exclusive management services and business cooperation agreement, the exclusive call option agreement, the powers of attorney, and consent letters (collectively the "Master Agreements"). The pledge thereunder shall be effective from the date of registration of the pledge with competent governmental authorities to the date on which the Master Agreements are completely performed, invalidated or terminated. In the term of pledge, if Beijing Yiqi Information or its shareholders fail to perform any of their obligations under the equity interest pledge agreement or the Master Agreements, or in case of occurrence of other specified events, Guangzhou Qixuan shall have the right but not obligated to dispose the pledged equity interest in accordance with the provisions of the equity interest pledge agreement. Beijing Yiqi Information and its shareholders undertake that, without the prior written consent of Guangzhou Qixuan, they will not transfer, or create or allow any encumbrance on the pledged equity interests.

In March 2022, Guangzhou Qixiang, Beijing Qili and Beijing Qili's shareholders entered into an equity interest pledge agreement, includes terms substantially similar to the equity interest pledge agreement relating to Beijing Yiqi Information as described above.

In March 2022, Beijing Yiqi Hangfan, Beijing Yiqi Development and Beijing Yiqi Development's shareholders entered into an equity interest pledge agreement, which includes terms substantially similar to the equity interest pledge agreement relating to Beijing Yiqi Information as described above.

We have completed the registration of the equity interest pledge under the equity interest pledge agreement in relation to Shanghai Hexu with the relevant office of the State Administration for Market Regulation in accordance with the PRC Property Rights Law. We have not completed the registration of the equity interest pledge under the equity interest pledge agreement in relation to Beijing Qili, Beijing Yiqi Information and Beijing Yiqi Development.

#### ***Agreements that allow us to receive economic benefits from the VIE***

*Exclusive Management Services and Business Cooperation Agreement.* Pursuant to the exclusive management services and business cooperation agreement among Shanghai WFOE, Shanghai Hexu and certain subsidiaries of Shanghai Hexu, Shanghai WFOE has the exclusive right to provide or designate any third-party to provide, among other things, asset and business operation consultancy services, research and development services for education software and courseware, employee professional training services, human resource management services, market survey and research services, permission of intellectual property rights, and other business and technological support as needed to Shanghai Hexu and its subsidiaries. In exchange, Shanghai Hexu and its subsidiaries agree to pay service fees to Shanghai WFOE in an amount determined by Shanghai WFOE in its sole discretion and can be adjusted by Shanghai WFOE unilaterally. Without the prior written consent of Shanghai WFOE, Shanghai Hexu or its subsidiaries cannot accept services provided by, or establish similar cooperation relationship with, any third-party. Shanghai WFOE has the exclusive ownership of all intellectual property rights created as a result of the performance of this agreement unless otherwise provided by PRC laws or regulations, which remain effective whether or not the agreement is amended or terminated. The exclusive management services and business cooperation agreement has an initial term of ten years and shall automatically renew at the end of each term for a further term of ten years, unless otherwise terminated by Shanghai WFOE in its sole discretion with 10 days' prior written notice. Under no circumstances can Shanghai Hexu or its subsidiaries terminate the exclusive management services and business cooperation agreement without the written consent of Shanghai WFOE. The exclusive management services and business cooperation agreement was executed in May 2013, which was amended and restated in May 2020, and the amended and restated exclusive management services and business cooperation agreement was deemed effective from November 2018.

Pursuant to the exclusive management services and business cooperation agreement entered into by and among Guangzhou Qixuan, Beijing Yiqi Information and Beijing Yiqi Information's shareholders in March 2022, Guangzhou Qixuan was appointed as the exclusive technology and service provider to Beijing Yiqi Information and its subsidiaries of comprehensive corporate management consulting, intellectual property licensing, technical support and business support services, which are specified by Beijing Yiqi Information and its subsidiaries in accordance with scope of their business. The service fees shall be determined by Guangzhou Qixuan, if not violating the mandatory provisions of PRC laws, in accordance with the specific service content and service targets, as well as Beijing Yiqi Information and its subsidiaries' income and customer volume in a specific period, and shall be the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations. In addition, Guangzhou Qixuan is the sole and exclusive provider of services under the exclusive management services and business cooperation agreement. Without the prior written consent of Guangzhou Qixuan, during the effective period of the exclusive management services and business cooperation agreement, Beijing Yiqi Information, its subsidiaries and its shareholders shall not directly and indirectly obtain the same or similar exclusive techniques and services as provided under the exclusive management services and business cooperation agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein. Moreover, Guangzhou Qixuan has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or produced by performance of the exclusive management services and business cooperation agreement. Without Guangzhou Qixuan's consent, Beijing Yiqi Information, its subsidiaries and its shareholders enjoy no rights other than those provided in the exclusive management services and business cooperation agreement. Further, Beijing Yiqi Information and its subsidiaries grants to Guangzhou Qixuan an irrevocable and exclusive purchase right, which allows Guangzhou Qixuan to purchase, subject to compliance with the PRC laws, at its discretion, any or all of the assets and business of Beijing Yiqi Information or its subsidiaries at the lowest price as permitted under PRC laws and regulations. The exclusive management services and business cooperation agreement shall remain in force during the business operation period of Guangzhou Qixuan and Beijing Yiqi Information unless otherwise terminated earlier by consensus of the all parties to the exclusive management services and business cooperation agreement. Guangzhou Qixuan has the sole discretion and right to terminate the exclusive management services and business cooperation agreement with written notice at any time. Without Guangzhou Qixuan's written consent, Beijing Yiqi Information, its subsidiaries and its shareholders have no right to terminate the exclusive management services and business cooperation agreement.

In March 2022, Guangzhou Qixiang, Beijing Qili and Beijing Qili's shareholders entered into an exclusive management services and business cooperation agreement, which includes terms substantially similar to the exclusive management services and business cooperation agreement relating to Beijing Yiqi Information as described above.

In March 2022, Beijing Yiqi Hangfan, Beijing Yiqi Development and Beijing Yiqi Development's shareholders entered into an exclusive management services and business cooperation agreement, which includes terms substantially similar to the exclusive management services and business cooperation agreement relating to Beijing Yiqi Information as described above.

#### ***Agreements that provide us with the option to purchase the equity interests in the VIE***

*Exclusive Call Option Agreement.* Under the exclusive call option agreement among Shanghai WFOE, Shanghai Hexu and Shanghai Hexu's shareholders, each of the shareholders of Shanghai Hexu has irrevocably granted Shanghai WFOE an exclusive call option to purchase, or designate a third-party to purchase, all or any part of their equity interests in Shanghai Hexu and Shanghai Hexu has irrevocably granted Shanghai WFOE an exclusive call option to purchase, or designate a third-party to purchase, all or any part of its assets, each at a purchase price of RMB1.0 or equal to the lowest price permissible by the then-applicable PRC laws and regulations, at Shanghai WFOE's sole and absolute discretion to the extent permitted by PRC law. If the purchase price is higher than RMB1.0, the shareholders of Shanghai Hexu shall promptly give all considerations they received from the exercise of the options to Shanghai WFOE or its designee(s). Shanghai Hexu and its shareholders covenant that, without Shanghai WFOE's prior written consent, they will not, among other things, (i) create any pledge or encumbrance on their equity interests in Shanghai Hexu; (ii) transfer or otherwise dispose of their equity interests in Shanghai Hexu; (iii) amend Shanghai Hexu's articles of association or change Shanghai Hexu's registered capital; (iv) cause Shanghai Hexu to enter into or terminate any material contract to which Shanghai Hexu is a party, except in the ordinary course of business; (v) change the scope of business of Shanghai Hexu; (vi) allow Shanghai Hexu to incur,

inherit, guarantee or permit any debts, except for those payables incurred in the ordinary or usual course of business; (vii) merge or consolidate Shanghai Hexu with any other entity or acquire or invest in any other entity; (viii) distribute any dividend; (ix) sell, transfer, mortgage or otherwise dispose of any of Shanghai Hexu's assets or allow any encumbrance of any assets, except for the disposal or the encumbrances of the assets that are treated as necessary for their daily business operations; or (x) terminate, liquidate or dissolve Shanghai Hexu. The exclusive call option agreement has an initial term of ten years and shall automatically renew at the end of each term for a further term of ten years, unless otherwise terminated by Shanghai WFOE in its sole discretion with 10 days' prior written notice. Under no circumstances can Shanghai Hexu or its shareholders terminate the exclusive call option agreement. The exclusive call option agreement was executed in May 2013, which was amended and restated in May 2020, and the amended and restated exclusive call option agreement was deemed effective from November 2018. The exclusive call option agreement was further amended and restated in September 2020 due to the change of Shanghai Hexu's nominee shareholders.

Under the exclusive call option agreement entered into by and among Guangzhou Qixuan, Beijing Yiqi Information and Beijing Yiqi Information's shareholders in March 2022, Guangzhou Qixuan has the exclusive, unconditional and irrevocable right to require the shareholders of the Beijing Yiqi Information, upon occurrence of the following situations and subject to the requirements by Guangzhou Qixuan, to transfer any or all of the equity interest in Beijing Yiqi Information held by the shareholders to it and/or a third party designated by it for free or considerations equivalent to the minimum purchase price permitted under the PRC laws and regulations: (1) Guangzhou Qixuan or the third party designated by it is permitted to hold any or all of the equity interest in Beijing Yiqi Information under the PRC laws; or (2) subject to the PRC laws, any situation as Guangzhou Qixuan thinks is appropriate or necessary. The shareholders of Beijing Yiqi Information agree that they will return to Beijing Yiqi Information, Guangzhou Qixuan or its designated party any consideration received, in the event that Guangzhou Qixuan exercises the option under the exclusive call option agreement to acquire such equity interest. In addition, shareholders of Beijing Yiqi Information undertake that, subject to the PRC laws and regulations and after taxes required by PRC laws and regulations have been paid, before their transferring the equity interest in Beijing Yiqi Information to Guangzhou Qixuan, they shall deliver the dividends, bonus, or any other property distributed from Beijing Yiqi Information to Guangzhou Qixuan or any third party designated by Guangzhou Qixuan as soon as possible and within three (3) days after receipt of such dividends, bonus or any other property. Beijing Yiqi Information and its shareholders covenant that, without Guangzhou Qixuan's prior written consent, among other things, they shall not (i) transfer any equity interest in Beijing Yiqi Information to any third party, or create any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the equity interest in Beijing Yiqi Information held by them, except the pledge provided in the equity pledge agreement by and among Guangzhou Qixuan, Beijing Yiqi Information and Beijing Yiqi Information's shareholders, (ii) supplement, change or amend the articles of association and bylaws of Beijing Yiqi Information in any manner, or increase or reduce registered capital or change structure of registered capital of Beijing Yiqi Information in any other manner, (iii) enter into any material contract or change the scope of business of Beijing Yiqi Information, (iv) terminate any material contract to which Beijing Yiqi Information is a party or entered into any agreement that affect the Beijing Yiqi Information's financial status and asset value; (v) create, succeed, warrant or allow any debt except the account payable occurred in ordinary course, provided however, such account payable shall not be created by loan from any other person, (vi) announce or pay any dividend to the shareholders, (vii) sell, transfer, license or dispose in any manner any asset of Beijing Yiqi Information, or allow the encumbrance hereon of any asset of Beijing Yiqi Information, unless Beijing Yiqi Information is able to prove that the such sale, transfer, license, deposition or encumbrance is necessary for its business in ordinary course and the transaction amount of one single transaction shall not higher than RMB100,000. In the event that during the term of the exclusive call option agreement Beijing Yiqi Information liquidates or dissolves, subject to the PRC laws and regulations, Beijing Yiqi Information and its shareholders shall designate person recommended by Guangzhou Qixuan to constitute the liquidation group and manage the asset of the Beijing Yiqi Information. Further Beijing Yiqi Information and its shareholders covenant that they shall appoint persons designated by Guangzhou Qixuan as directors, supervisors and/or senior management of Beijing Yiqi Information, and/or remove the incumbent directors, supervisors and/or senior management of Beijing Yiqi Information at Guangzhou Qixuan's request and complete all relevant filing procedures.

In March 2022, Guangzhou Qixiang, Beijing Qili and Beijing Qili's shareholders entered into an exclusive call option agreement, which includes terms substantially similar to the exclusive call option agreement relating to Beijing Yiqi Information as described above.

In March 2022, Beijing Yiqi Hangfan, Beijing Yiqi Development and Beijing Yiqi Development's shareholders entered into an exclusive call option agreement, which includes terms substantially similar to the exclusive call option agreement relating to Beijing Yiqi Information as described above.

*Consent Letters.* Pursuant to the consent letters executed by each of Shanghai Hexu's shareholders and its spouse on various dates, each signing shareholder and its spouse unconditionally and irrevocably agreed that the equity interest in Shanghai Hexu held by and registered in the name of such shareholder be disposed of in accordance with the proxy agreement and powers of attorney, the equity interest pledge agreement, the exclusive management services and business cooperation agreement, and the exclusive call option agreement described above, and that such shareholder may perform, amend or terminate such agreements without any additional consent of its spouse. Additionally, the signing spouses agreed not to assert any rights over the equity interest in Shanghai Hexu held by the shareholders. In addition, in the event that the signing spouses obtain any equity interest in Shanghai Hexu held by the shareholders for any reason, they agree to be bound by and sign any legal documents substantially similar to the contractual arrangements described above, as may be amended from time to time.

Pursuant to consent letters executed by the spouse of each Beijing Yiqi Information's shareholder in March 2022, the spouse of each Beijing Yiqi Information's shareholder confirms that she is aware of and consents to the execution of the exclusive management services and business cooperation agreement, the exclusive call option agreement, the powers of attorney and the equity pledge agreement (collectively, the "Transaction Documents") by her spouse, and agrees the disposal of the equity interests in Beijing Yiqi Information in accordance with the Transaction Documents. Spouses covenant that they will not take any action at any time to hinder the disposal arrangement of such equity interest, including but not limited to claiming that the said equity interest belongs to her joint property with her spouse, and confirm that their spouses may further amend or terminate the Transaction Documents without the need for authorization or consent by them and they will execute all documents and take all actions necessary to ensure that the Transaction Documents (as amended from time to time) are properly performed. In addition, the spouse of each Beijing Yiqi Information's shareholder undertakes to unconditionally and irrevocably waive any rights or interests in the equity and corresponding assets of Beijing Yiqi Information that may be granted to her, she will be bound by Transaction Documents as amended from time to time if she has obtained any equity interests, directly or indirectly, in Beijing Yiqi Information for whatever reasons.

The spouse of each Beijing Qili's shareholder respectively executed a consent letter in March 2022, as applicable, which includes terms substantially similar to the consent letters relating to Beijing Yiqi Information as described above.

The spouse of each Beijing Yiqi Development's shareholder respectively executed a consent letter in March 2022, as applicable, which includes terms substantially similar to the consent letters relating to Beijing Yiqi Information as described above.

In the opinion of Tian Yuan Law Firm, our PRC legal counsel, save for the uncertainties disclosed in this annual report:

- the ownership structures of the VIEs and our WFOEs in China currently are not in violation of applicable PRC laws and regulations currently in effect; and
- the contractual arrangements between our WFOEs, the VIEs and their respective shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of applicable PRC laws and regulations currently in effect.

However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key

Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations,” “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

#### D. Property, Plant and Equipment

Our principal regional executive offices are located in Beijing and Shanghai, China, and we have also leased offices in a number of other cities in China. Information on our leased properties as of December 31, 2021 is summarized below.

Location	Space (in thousands of square meters)	Lease Term (years)
Beijing, China	21.5	1—5
Others	35.5	2.0—5.2
<b>Total</b>	<b>57.0</b>	

We lease our premises under lease agreements from independent third parties. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

#### ITEM 4.A. UNRESOLVED STAFF COMMENTS

Not Applicable.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report. See “Forward-Looking Information.”*

##### A. Operating Results

We are a leading education technology company in China with an “in-school + after-school” integrated model. Our smart in-school classroom solution delivers data-driven teaching, learning and assessment products to teachers, students and parents across over 70,000 K-12 schools on a cumulative basis. Leveraging our unique insights into the academic performance of tens of millions of students at these schools, we offer a personalized self-directed learning product that complement students’ in-school learning with a higher level of personalization. Historically, we generated the vast majority of our revenues from our online K-12 tutoring services, which accounted for 88.5%, 94.1% and 97.4% of our total net revenues in 2019, 2020 and 2021, respectively. However, in order to comply with the latest PRC regulations, pursuant which prohibit providing tutoring services relating to academic subjects to K-12 students, we ceased offering the K-12 Academic AST Services in December 2021.

Under our “in-school + after-school” integrated model, we leverage our profound insights into student academic performance in school to design our personalized self-directed learning product. In addition, our significant presence in K-12 schools across China allows us to align our self-directed learning product with local

curriculum and assessment objectives. Powered by our integrated model and technology, we have over 300,000 paid subscriptions to this product since we launched this product in December 2021. We also offer other educational services, which primarily include membership-based premium educational content offerings.

Our net revenues increased by 218.6% from RMB406.2 million in 2019 to RMB1,294.4 million in 2020, and further increased by 68.8 % to RMB2,184.5 million (US\$342.8 million) in 2021. We generated a net loss of RMB963.8 million, RMB1,339.9 million and RMB1,441.9 million (US\$226.3 million) in 2019, 2020 and 2021, respectively.

### **General Factors Affecting Our Results of Operations**

Our results of operations are affected by the general factors driving China's education industry. We have benefited from China's overall economic growth, significant urbanization rate, and higher per capita disposable income of households, and increased penetration of internet and mobile applications in China. Our results of operations are also subject to changes in the regulatory landscape affecting China's education industry, particularly uncertainties relating to both in-school and after-school educational services. For example, on July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinion, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (iii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to After-School Tutoring and Online Private Education" for more details. As a result, we ceased offering our online K-12 tutoring services by the end of December 2021 and have taken other measures in response to recent regulatory developments to maintain our continued operations. We may become subject to fines or other penalties or be required to terminate certain operations, and we may incur material impairment and severance charges resulting from termination of leases, dismissal of employees and other actions we take in light of the latest regulatory developments.

Our business, financial condition, results of operations and prospect have been and will be materially and adversely affected by the actions we have taken to date and consider taking to be in compliance with the Alleviating Burden Opinion and its implementation measures. See also "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the online private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospects."

In addition, the PRC government regulates various aspects of our business and operations, including the qualification, licensing or filing requirements for entities that provide education services and limitations on foreign investments in the education industry. See the risk factors presented under "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry" with the captions "Uncertainties exist in relation to new legislation or proposed changes in the PRC regulatory requirements regarding smart in-school classroom solutions, which may materially and adversely affect our business, financial condition and results of operations," "We face uncertainties with respect to the development of regulatory requirements on operating licenses and permits for our online education services in China. Failure to renew and maintain requested licenses or permits in a timely manner or obtain newly required ones due to adverse changes in regulations or policies could have a material adverse impact on our business, financial condition and results of operations," and "The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such other requirements."

## Specific Factors Affecting Our Results of Operations

Besides the general factors affecting the education industry in China, our results of operations are affected by the following specific factors relating to our business:

### ***Our ability to execute new business strategies***

We launched our new teaching and learning SaaS offerings and personalized self-directed learning products after the implementation of the Alleviating Burden Opinion in July 2021. Our results of operations are significantly affected by the success of these new business strategies. To successfully execute these new strategies, we need to develop and improve the corresponding products and services and address our customers' needs in a timely manner. Our ability to market our teaching and learning SaaS offerings will not only depend on our ability to develop functions and systems that are closely aligned with China's digital transformation of its public schools, but also on our ability to establish strong nationwide sales and services teams. The success of our personalized self-directed learning products will depend on our ability to efficiently combine our insights into the academic profiles of students of different background and our accumulated content library into a well-designed integral package that helps students effectively achieve their learning goals, as well as to attract students to subscribe to it in a cost-efficient way.

### ***Our ability to attract students to subscribe our paid study product***

Historically, our net revenues primarily consisted of course fees we charged for our online K-12 tutoring services, which was primarily driven by the increase in our paid course enrollments. Our paid course enrollments increased by 178.0% from 726 thousand in 2019 to 2,018 thousand in 2020, and decreased by 4.1% to 1,936 thousand in 2021. However, in compliance with the latest PRC regulations, pursuant to which tutoring services related to academic subject to students from kindergarten through last year of senior high school are prohibited, we ceased offering the K-12 Academic AST Services by the end of December 2021. We are exploring alternative strategic opportunities that can effectively leverage the resources and knowhow accumulated by offering online K-12 tutoring services in the past. We have also begun to offer personalized, self-directed learning product to Chinese students in response to the changes in the regulatory environment and market demands. We will continue to enhance our products and promotional activities to attract students to subscribe our personalized self-directed learning products in a cost-effective way.

### ***Our ability to manage our operational efficiency***

Our operating margins depend on our ability to control our costs and realize additional operation leverage as we continue to operate. Our business changes may result in substantial demands on our management, operational, technological, financial and other resources. To manage and support our further development, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional content development staff as well as other administrative and sales and marketing personnel, particularly as we grow outside of our existing areas. We will continue to implement additional systems and measures in order to effectively manage and support our business. If we cannot achieve these improvements, our financial condition and results of operations may be materially adversely affected.

Sales and marketing expenses have been a major component of our operating expenses. Salaries and welfare of our sales and marketing personnel, including those related to both our in-school and after-school operations, has also been one of the largest items of our sales and marketing expenses as our sales and marketing team expanded. To further lower or maintain our sales and marketing expenses as a percentage of our net revenues, we will continue to improve our efficiency and capitalize on our brand value and recognition of the high quality and effectiveness of our service and product offerings.

We have also incurred substantial amounts of research and development expenses. Salaries and welfare expenses encompass those for technology and content development staff for both of our in-school and after-school operations. The increases in such expenses are in line with our continuous efforts to enhance the quality and breadth of our in-school and after-school educational products and services, particularly including the initial expenses in

talent recruitment needed to lay the foundation in terms of technological and content development capacity to support our growth in product subscriptions. Our research and development expenses also decreased as a percentage of our net revenues from 2020 to 2021 as our operational scale expanded as well as we enhanced our cost control capabilities. We will continue to optimize our content and enhance our technologies to attract new students and schools and improve our operating efficiency.

### Impact of COVID-19 Pandemic

In addition, the COVID-19 pandemic has also broadly affected China’s education industry. Due to the public health concerns and the need for higher efficiency from relevant governmental authorities, schools and other stakeholders in the education industry, there has been an accelerating demand for smart in-school classroom solutions and online after school educational services in China since the outbreak of COVID-19. However, COVID-19 has had, and may continue to have, a negative impact on the Chinese and world’s economy in general and our operations in particular. For more information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our business, financial condition and results of operations may be adversely affected by the COVID-19 outbreak” and “—A severe and prolonged global economic recession and the slowdown in the Chinese economy may adversely affect our business and results of operations.”

### Key Components of Results of Operations

#### Net revenues

In 2019, 2020 and 2021, we derived the vast majority of our net revenues from the course fees that we charge for our large-class after-school tutoring courses. The following table sets forth a breakdown of our total net revenues by amounts and percentages for the periods presented:

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
<b>Net revenues</b>							
Online K-12 tutoring services	359,568	88.5	1,218,564	94.1	2,128,610	334,025	97.4
Other educational services	46,677	11.5	75,807	5.9	55,910	8,774	2.6
<b>Total</b>	<b>406,245</b>	<b>100.0</b>	<b>1,294,371</b>	<b>100.0</b>	<b>2,184,520</b>	<b>342,799</b>	<b>100.0</b>

Our online K-12 tutoring services contributed 88.5%, 94.1% and 97.4%, respectively, of our total revenues in 2019, 2020 and 2021. However, in compliance with the latest PRC regulations, which prohibit the provision of tutoring services relating to academic subjects to K-12 students, we ceased offering the K-12 Academic AST Services by the end of December 2021. This has materially and adversely affected and will materially and adversely affect our financial condition and results of operations in 2022 and subsequent periods. The descriptions of our K-12 courses tutoring courses cover the periods through the end of our latest fiscal year ended December 31, 2021.

Historically, we generally collected course fees in advance, which we initially recorded as deferred revenues. We recognized revenues proportionally as the classes are delivered. The majority of our courses were typically delivered within a period of four months or less. For most of our courses, we continued to provide students 36 months access to the recorded courses after the online live courses have been delivered. The related revenue for playback was recognized proportionally over the playback period. The playback revenue represented a relatively small portion of the total course fees.

Net revenues from other educational services in 2019, 2020 and 2021 consisted primarily of the subscription fees we charged for our membership-based premium educational content, with subscription periods ranging from 15 days to one year. We have determined that the membership-based premium educational content subscription services represent a performance obligation. We collect the content subscription fee in advance and records it as deferred revenue. Revenue is recognized ratably over the contract period as we concluded that the



subscription services represent a stand ready obligation to provide the services while the member simultaneously receives and consumes the benefits of such services throughout the contract period.

In September 2021, as part of our business transformation, we started to offer our teaching and learning SaaS offerings to regional education authorities, which contributed an insignificant amount of other services revenue for the year ended December 31, 2021.

### **Cost of revenues**

Our cost of revenues primarily consists of compensation costs, teaching material costs, and others. We expect our cost of revenues to decrease in absolute amounts in the foreseeable future due to our continuous cost optimization.

The following table sets forth the components of our cost of revenues by amounts and percentages of our net revenues for the periods presented:

	<b>For the Year Ended December 31,</b>						
	<b>2019</b>		<b>2020</b>		<b>2021</b>		
	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>US\$</b>	<b>%</b>
	<b>(in thousands, except for percentages)</b>						
Compensation costs	108,579	26.7	327,590	25.3	608,903	95,550	27.9
Teaching material costs	23,985	5.9	67,656	5.2	84,575	13,272	3.9
Others	40,912	10.1	100,425	7.8	184,758	28,992	8.4
<b>Total</b>	<b>173,476</b>	<b>42.7</b>	<b>495,671</b>	<b>38.3</b>	<b>878,236</b>	<b>137,814</b>	<b>40.2</b>

*Compensation costs.* Our compensation costs primarily include salaries, welfare and service fees for our instructors and tutors.

*Teaching material costs.* Our teaching material costs primarily include costs of teaching materials provided to students of our paid courses and the logistics costs.

*Others.* Our other costs of revenues primarily include rental costs for our office space, costs for the bandwidth required for our livestreaming courses, depreciation of the properties and equipment, and administrative costs for our course offerings.

### **Operating expenses**

Our operating expenses consist of sales and marketing expenses, research and development expenses, general and administrative expenses, and impairment for property and equipment, right-of-use assets and rental deposits. The following table sets forth the components of our operating expenses by amounts and percentages of our net revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
<b>Operating expenses</b>						
Sales and marketing expenses	583,818	143.7	1,097,932	84.9	1,412,873	221,711
Research and development expenses	491,266	120.9	614,770	47.5	800,163	125,563
General and administrative expenses	157,793	38.8	420,114	32.4	445,440	69,899
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	—	—	121,294	19,034
<b>Total</b>	<b>1,232,877</b>	<b>303.4</b>	<b>2,132,816</b>	<b>164.8</b>	<b>2,779,770</b>	<b>436,207</b>

*Sales and marketing expenses.* Our sales and marketing expenses primarily consist of (i) promotional course expenses, including teaching materials and promotional items provided to students of promotional courses, logistics expenses and service fees for promotional course teaching staff, (ii) salaries, benefits and commission for sales and marketing personnel of our in-school and after-school operations, and (iii) other expenses associated with our sales marketing activities, including rental, depreciation and amortization and other general expenses. We expect our sales and marketing expenses to decrease substantially in absolute amounts in the foreseeable future due to regulatory requirements and continuous cost optimization.

The following table sets forth the components of our sales and marketing expenses by amounts and percentages of our net revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
<b>Sales and marketing expenses</b>						
Promotional course expenses	240,612	59.2	487,499	37.7	697,470	109,448
Salaries and welfare	209,158	51.5	258,881	20.0	432,201	67,822
Other expenses	134,048	33.0	351,552	27.2	283,202	44,441
<b>Total</b>	<b>583,818</b>	<b>143.7</b>	<b>1,097,932</b>	<b>84.9</b>	<b>1,412,873</b>	<b>221,711</b>

*Research and development expenses.* Our research and development expenses consist primarily of (i) salaries and welfare for technology and content development personnel of our in-school and after-school operations and (ii) other expenses associated with our research and development activities, including rental, development and depreciation expenses. We expect our research and development expenses to decrease in absolute amounts in the foreseeable future primarily due to continued cost optimization. The following table sets forth the components of our research and development expenses by amounts and percentages of our net revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
<b>Research and development expenses</b>						
Salaries and welfare	375,812	92.5	480,536	37.1	639,214	100,307
Other expenses	115,454	28.4	134,234	10.4	160,949	25,256
<b>Total</b>	<b>491,266</b>	<b>120.9</b>	<b>614,770</b>	<b>47.5</b>	<b>800,163</b>	<b>125,563</b>

*General and administrative expenses.* Our general and administrative expenses consist primarily of (i) salaries and welfare for our general and administrative personnel and (ii) other general and administrative expenses, including rental and depreciation expenses. We expect our general and administrative expenses to decrease in absolute amounts in the future as we continuously improve our organizational efficiency.

The following table sets forth the components of our general and administrative expenses by amounts and percentages of our net revenues for the periods presented:

	<b>For the Year Ended December 31,</b>						
	<b>2019</b>		<b>2020</b>		<b>2021</b>		
	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>US\$</b>	<b>%</b>
	<b>(in thousands, except for percentages)</b>						
<b>General and administrative expenses</b>							
Salaries and welfare	123,689	30.4	347,090	26.8	259,272	40,685	11.9
Other expenses	34,104	8.4	73,024	5.6	186,168	29,214	8.5
<b>Total</b>	<b>157,793</b>	<b>38.8</b>	<b>420,114</b>	<b>32.4</b>	<b>445,440</b>	<b>69,899</b>	<b>20.4</b>

## **Taxation**

### ***Cayman Islands***

We and one of our subsidiaries, 17 Technology Limited, are exempted companies incorporated in Cayman Islands. Under the current laws of Cayman Islands, we are not subject to income, corporate or capital gains tax, and Cayman Islands currently have no form of estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands currently does not impose withholding tax on dividend payments.

### ***British Virgin Islands***

Our subsidiaries, 17 Education World Limited, 17 Education Products Limited and 17 Inspire Limited, are incorporated in the British Virgin Islands and are not subject to income tax.

### ***Hong Kong***

Our subsidiaries, Sunny Education (HK) Limited, 17 Vision Limited, 17 Glory Limited, and 17 Legend Limited, are located in Hong Kong and are subject to an income tax rate of 8.25% for assessable profit up to HKD2,000,000 from April 2018 onwards, and an income tax rate of 16.5% on any part of assessable profits over HKD2,000,000. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during 2019, 2020 and 2021.

### ***PRC***

Generally, our PRC subsidiaries, VIEs and VIEs' subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. Shanghai Hexu Information Technology Co., Ltd and Beijing Yiqi Education & Technology Co., Ltd. qualified as High and New Technology Enterprises, or HNTEs, in 2019 and 2021 respectively, which reduced their enterprise income tax rate to 15%. Their current HNTE statuses are set to expire in 2021 and 2023 respectively.

Our educational services are subject to VAT at the rate of 3% for small-scale-VAT-payer entities or at the rate of 6% for general-VAT-payer entities in accordance with PRC tax rules.

Dividends paid by our wholly foreign-owned subsidiaries in China mainland to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between China mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as a percentage of our net revenues for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
<b>Net revenues</b>							
Online K-12 tutoring services	359,568	88.5	1,218,564	94.1	2,128,610	334,025	97.4
Other educational services	46,677	11.5	75,807	5.9	55,910	8,774	2.6
<b>Total net revenues</b>	<b>406,245</b>	<b>100.0</b>	<b>1,294,371</b>	<b>100.0</b>	<b>2,184,520</b>	<b>342,799</b>	<b>100.0</b>
<b>Cost of revenues(1)</b>	<b>(173,476)</b>	<b>(42.7)</b>	<b>(495,671)</b>	<b>(38.3)</b>	<b>(878,236)</b>	<b>(137,814)</b>	<b>(40.2)</b>
<b>Gross profit</b>	<b>232,769</b>	<b>57.3</b>	<b>798,700</b>	<b>61.7</b>	<b>1,306,284</b>	<b>204,985</b>	<b>59.8</b>
<b>Operating expenses(1)</b>							
Sales and marketing expenses	(583,818)	(143.7)	(1,097,932)	(84.9)	(1,412,873)	(221,711)	(64.7)
Research and development expenses	(491,266)	(120.9)	(614,770)	(47.5)	(800,163)	(125,563)	(36.6)
General and administrative expenses	(157,793)	(38.8)	(420,114)	(32.4)	(445,440)	(69,899)	(20.4)
Impairment for property and equipment, right of use assets and rental deposits	—	—	—	—	(121,294)	(19,034)	(5.6)
<b>Total operating expenses</b>	<b>(1,232,877)</b>	<b>(303.4)</b>	<b>(2,132,816)</b>	<b>(164.8)</b>	<b>(2,779,770)</b>	<b>(436,207)</b>	<b>(127.3)</b>
<b>Loss from operations</b>	<b>(1,000,108)</b>	<b>(246.1)</b>	<b>(1,334,116)</b>	<b>(103.1)</b>	<b>(1,473,486)</b>	<b>(231,222)</b>	<b>(67.5)</b>
Interest income	23,834	5.9	8,422	0.7	24,573	3,856	1.2
Interest expense	(485)	(0.1)	(2,925)	(0.2)	—	—	—
Foreign currency exchange gain (loss)	12,907	3.2	(15,557)	(1.2)	2,326	365	0.1
Other income, net	102	0.0	4,268	0.3	4,674	733	0.2
<b>Loss before provision for income tax</b>	<b>(963,750)</b>	<b>(237.1)</b>	<b>(1,339,908)</b>	<b>(103.5)</b>	<b>(1,441,913)</b>	<b>(226,268)</b>	<b>(66.0)</b>
<b>Income tax expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net loss</b>	<b>(963,750)</b>	<b>(237.1)</b>	<b>(1,339,908)</b>	<b>(103.5)</b>	<b>(1,441,913)</b>	<b>(226,268)</b>	<b>(66.0)</b>

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
<b>Share-based compensation expenses</b>							
Sales and marketing expenses	8,737	2.2	35,077	2.7	25,776	4,045	1.2
Research and development expenses	22,508	5.5	68,688	5.3	60,002	9,416	2.7
General and administrative expenses	61,845	15.2	252,273	19.5	109,436	17,173	5.0
<b>Total</b>	<b>93,090</b>	<b>22.9</b>	<b>356,038</b>	<b>27.5</b>	<b>195,214</b>	<b>30,634</b>	<b>8.9</b>

## Year ended December 31, 2021 compared to year ended December 31, 2020

### *Net revenues*

Our net revenues increased from RMB1,294.4 million in 2020 to RMB2,184.5 million (US\$342.8 million) in 2021, representing a year-over-year increase of 68.8%. This increase was primarily driven by an increase in net revenues from online K-12 tutoring services.

- *Online K-12 tutoring services.* Net revenues from our online K-12 tutoring services increased from RMB1,218.6 million in 2020 to RMB2,128.6 million (US\$334.0 million) in 2021, representing a year-over-year increase of 74.7%.
- *Other educational services.* Net revenues from our other educational services decreased from RMB75.8 million in 2020 to RMB55.9 million (US\$8.8 million) in 2021.

### *Cost of revenues*

Our cost of revenues increased from RMB495.7 million in 2020 to RMB878.2 million (US\$137.8 million) in 2021. This increase was primarily due to increases in compensation costs for instructors and tutors and teaching material costs as the Company provided services to more students, which was largely in line with the growth of the Company's net revenues from online K-12 tutoring services during the same period.

- *Compensation costs.* Our compensation costs increased from RMB327.6 million in 2020 to RMB608.9 million (US\$95.6 million) in 2021, generally in line with the growth in our revenue from online K-12 tutoring services prior to the implementation of the Alleviating Burden Opinion, as well as severance costs for workforce adjustment to the instructors and tutors after the implementation of the Alleviating Burden Opinion.
- *Teaching material costs.* Our teaching material costs increased from RMB67.7 million in 2020 to RMB84.6 million (US\$13.3 million) in 2021, generally in line with the growth in our revenue from online K-12 tutoring services prior to the implementation of the Alleviating Burden Opinion.
- *Other costs.* Our other costs of revenues increased from RMB100.4 million in 2020 to RMB184.8 million (US\$29.0 million) in 2021, primarily due to increased rental and administrative costs associated with the growth of our after-school tutoring services prior to the implementation of the Alleviating Burden Opinion.

### *Gross profit*

As a result of the foregoing, our gross profit increased from RMB798.7 million in 2020 to RMB1,306.3 million (US\$205.0 million) in 2021. The increase was primarily driven by the increase in net revenues. Our gross margin decreased from 61.7% in 2020 to 59.8 % in 2021 due to the impact from the Alleviating Burden Opinion and corresponding severance costs associated with workforce adjustments.

### *Operating expenses*

Our total operating expenses increased from RMB2,132.8 million in 2020 to RMB2,779.8 million (US\$436.2 million) in 2021, including RMB195.2 million (US\$30.6 million) of share-based compensation expenses.

*Sales and marketing expenses.* Our sales and marketing expenses increased from RMB1,097.9 million in 2020 to RMB1,412.9 million (US\$221.7 million) in 2021, including RMB25.8 million (US\$4.0 million) of share-based compensation expenses. This increase was mainly driven by an increase in promotional course expenses as the Company enhanced its sales and marketing efforts to propel the growth of the Company's online K-12 tutoring services, primarily during the period prior to the implementation of the Alleviating Burden Opinion, as well as

severance costs for adjustment to the sales and marketing personnel after the implementation of the Alleviating Burden Opinion.

- *Promotional course expenses.* Promotional course expenses increased from RMB487.5 million in 2020 to RMB697.5 million (US\$109.4 million) in 2021, primarily due to expenses related to enhanced promotional efforts for our after-school tutoring services prior to the implementation of the Alleviating Burden Opinion.
- *Salaries and welfare.* Salaries and welfare for our sales and marketing personnel increased from RMB258.9 million in 2020 to RMB432.2 million (US\$67.8 million) in 2021, primarily due to the increase in the number of our sales and marketing staff members prior to the implementation of the Alleviating Burden Opinion, as well as severance costs for adjustment to the sales and marketing personnel after the implementation of the Alleviating Burden Opinion.
- *Other expenses.* Other sales and marketing expenses decreased from RMB351.6 million in 2020 to RMB283.2 million (US\$44.4 million) in 2021, primarily due to the decrease in advertising expenditures as the result of the changes in regulatory environment.

*Research and development expenses.* Our research and development expenses increase from RMB614.8 million in 2020 to RMB800.2 million (US\$125.6 million) in 2021, primarily due to an increase in salaries and welfare for research and development personnel prior to the implementation of the Alleviating Burden Opinion, as well as severance costs for adjustment to the research and development personnel after the implementation of the Alleviating Burden Opinion.

- *Salaries and welfare.* Salaries and welfare for our research and development personnel increased from RMB480.5 million in 2020 to RMB639.2 million (US\$100.3 million) in 2021. The increase was primarily due to an increase in salaries and welfare for research and development personnel prior to the implementation of the Alleviating Burden Opinion, as well as severance costs for adjustment to the research and development personnel after the implementation of the Alleviating Burden Opinion.
- *Other expenses.* Other research and development expenses increased from RMB134.2 million in 2020 to RMB160.9 million (US\$25.3 million) in 2021, primarily due to the increased rental expenses and various expenses for content development activities prior to the implementation of the Alleviating Burden Opinion.

*General and administrative expenses.* Our general and administrative expenses increased from RMB420.1 million in 2020 to RMB445.4 million (US\$69.9 million) in 2021, including RMB109.4 million (US\$17.2 million) of share-based compensation expenses.

- *Salaries and welfare.* Salaries and welfare for our general and administrative personnel decreased from RMB347.1 million in 2020 to RMB259.3 million (US\$40.7 million) in 2021, primarily due to the impact of the share-based compensation expenses. The share-based compensation expenses allocated to general and administrative expenses decreased from RMB252.3 million in 2020 to RMB109.4 million (US\$17.2 million) in 2021, primarily due to the share-based compensation expenses of RMB140.7 million related to the restricted share units granted to our founder under the 2020 Plan in 2020 as well as the incremental costs as a result of the modification to options in March 2020. The decrease of share-based compensation expense was partially offset by the increase in salaries and welfare for general and administrative personnel prior to the implementation of the Alleviating Burden Opinion, as well as severance costs for adjustment to the general and administrative personnel after the implementation of the Alleviating Burden Opinion.
- *Other expenses.* Other general and administrative expenses increased from RMB73.0 million in 2020 to RMB186.2 million (US\$29.2 million) in 2021 due to an increase in rental expenses and professional service expenses mainly prior to the implementation of the Alleviating Burden Opinion.

*Impairment for property and equipment, right-of-use assets and rental deposits.* Our impairment for property and equipment, right-of-use assets and rental deposits in 2021 was RMB121.3 million (US\$19.0 million), compared with nil in 2020. As a result of the changes in regulatory environment, the Company performed impairment assessments on its long-term assets and recognized impairment losses in 2021, which were primarily associated with the leasehold improvements of selected office spaces, early termination of rental contracts and abandoned electronic equipment while we exited the online K-12 tutoring services.

### **Loss from operations**

Our loss from operations increased from RMB1,334.1 million in 2020 to RMB1,473.5 million (US\$231.2 million) in 2021. Loss from operations as a percentage of net revenues in 2021 was negative 67.5%, narrowing from negative 103.1% in 2020. The improvement was due to improvement in overall operational efficiency.

### **Interest income**

Our interest income increased from RMB8.4 million in 2020 to RMB24.6 million (US\$3.9 million) in 2021, primarily due to a higher average excess cash balance of the year due to the IPO proceeds we received in December 2020.

### **Net loss**

As a result of the foregoing, our net loss increased from RMB1,339.9 million in 2020 to RMB1,441.9 million (US\$226.3 million) in 2021.

### **Year ended December 31, 2020 compared to year ended December 31, 2019**

In 2020, the outbreak of COVID-19 impacted China and the rest of the world. The COVID-19 pandemic had a mixed impact on our Company's operations in 2020. On the one hand, the COVID-19 pandemic resulted in schools closures across China, which created acute demand for digital technologies to enable schools to teach children online and accelerated the usage of K-12 smart in-school classroom solutions. At the same time, the school closures also led to increased demand for online after-school tutoring services and exposed many more families to the benefits of these offerings. While it is too early to say with certainty, we believe there is a possibility that this heightened exposure to online after-school tutoring will have a medium to long-term impact on consumer behavior and will bring forward the multi-year adoption curve of such offerings. On the other hand, the COVID-19 pandemic made it more difficult for our sales and service team to provide their typical customer service, negatively impacting our offline promotional efforts for our smart in-school classroom solution. It had also caused temporary closure of some of our offices.

### **Net revenues**

Our net revenues increased from RMB406.2 million in 2019 to RMB1,294.4 million in 2020. This increase was primarily driven by the significant increase in net revenues from our online K-12 tutoring services.

- *Online K-12 tutoring services.* Net revenues from our online K-12 tutoring services increased from RMB359.6 million in 2019 to RMB1,218.6 million in 2020. This increase was primarily driven by an increase in paid course enrollments and an increase in the median level of our course fees. The increase in paid course enrollments contributed RMB725.6 million of the incremental increase in net revenues from online K-12 tutoring services between 2019 and 2020. Our paid course enrollments increased by 178.0% from 726 thousand in 2019 to 2,018 thousand in 2020. The year-over-year increase in the median level of course fees for our courses from 2019 to 2020 was 34%, without taking into account the relative volume of any differently priced courses.

Net revenues from our online K-12 tutoring services indicates the pace at which we are growing our online K-12 tutoring services, the paid course enrollments measure how efficient our growth strategies have been implemented, and the median level of course fees indicates our ability to raise course fees.



All these metrics provide our management team with valuable insight into the effectiveness of our growth strategies and guidance for our future business plans.

- *Other educational services.* Net revenues from our other educational services increased from RMB46.7 million in 2019 to RMB75.8 million in 2020. This increase was primarily driven by the growth in subscriptions of our membership-based premium educational content.

### **Cost of revenues**

Our cost of revenues increased from RMB173.5 million in 2019 to RMB495.7 million in 2020. This increase was primarily due to the increases in compensation costs for instructors and tutors and teaching material costs, which are largely in line with the growth in our net revenues from online K-12 tutoring services as we provided services to more students.

- *Compensation costs.* Our compensation costs increased from RMB108.6 million in 2019 to RMB327.6 million in 2020, generally in line with the growth in our revenue from online K-12 tutoring services. The increase was primarily due to the increases in the numbers of instructors and tutors. The number of instructors increased from 206 as of December 31, 2019 to 340 as of December 31, 2020. The number of tutors increased from 1,866 as of December 31, 2019 to 3,402 as of December 31, 2020.
- *Teaching material costs.* Our teaching material costs increased from RMB24.0 million in 2019 to RMB67.7 million in 2020, primarily due to the increase in paid course enrollments of our after-school tutoring courses.
- *Other costs.* Our other costs of revenues increased from RMB40.9 million in 2019 to RMB100.4 million in 2020, primarily due to increased rental and administrative costs associated with the growth of our after-school tutoring services.

The COVID-19 pandemic caused temporary closure of some of our offices from late January to early May 2020, leading to our adoption of alternative methods for online course delivery that resulted in different user experience for students during the period. However, we did not experience any material negative impact on our cost of revenues in 2020 as a direct result of the COVID-19 pandemic. Because of the COVID-19 related relief provided by the Chinese government on our obligations of social security contributions, we received exemptions and reductions on making certain social security contributions to the government starting from February 2020, and therefore enjoyed a saving of RMB20.9 million in cost of revenues in 2020. However, such relief is temporary in nature, and we may not be able to enjoy similar relief in the future.

### **Gross profit**

As a result of the foregoing, our gross profit increased from RMB232.8 million in 2019 to RMB798.7 million in 2020. Our gross margin increased from 57.3% in 2019 to 61.7% in 2020 due to the growth of our business operations scale and improvement in operational leverage.

### **Operating expenses**

Our total operating expenses increased from RMB1,232.9 million in 2019 to RMB2,132.8 million in 2020.

*Sales and marketing expenses.* Our sales and marketing expenses increased from RMB583.8 million in 2019 to RMB1,097.9 million in 2020. This increase was mainly driven by the increase in promotional course expenses as we enhanced our sales and marketing efforts to propel the growth of our after-school tutoring services. COVID-19 temporarily caused our sales and service team to be unable to provide face-to-face customer service to our teacher users, negatively impacting our offline promotional efforts for our smart in-school classroom solution.

However, such challenges did not directly result in any material changes in our sales and marketing expenses in 2020.

- *Promotional course expenses.* Promotional course expenses increased from RMB240.6 million in 2019 to RMB487.5 million in 2020, primarily due to the increased service fees for promotional course teaching staff to support the enhanced promotional efforts for our after-school tutoring services.
- *Salaries and welfare.* Salaries and welfare for our sales and marketing personnel increased from RMB209.2 million in 2019 to RMB258.9 million in 2020, primarily due to an increase in the number of our sales and marketing staff members from 850 as of December 31, 2019 to 1,448 as of December 31, 2020.
- *Other expenses.* Other sales and marketing expenses increased from RMB134.0 million in 2019 to RMB351.6 million in 2020, primarily due to the increase in marketing and promotion expense, rental and other miscellaneous expenses to support our enhanced sales and marketing efforts.

*Research and development expenses.* Our research and development expenses increased from RMB491.3 million in 2019 to RMB614.8 million in 2020, primarily due to the increase in salaries and welfare for our research and development personnel.

- *Salaries and welfare.* Salaries and welfare for our research and development personnel increased from RMB375.8 million in 2019 to RMB480.5 million in 2020, primarily due to an increase in share-based compensation related to an incremental cost of RMB50.7 million incurred as a result of the modification to options in March 2020, and an increase in the total number of our technology and content development staff members from 704 as of December 31, 2019 to 1,026 as of December 31, 2020.
- *Other expenses.* Other research and development expenses increased from RMB115.5 million in 2019 to RMB134.2 million in 2020, primarily due to increases in various expenses for content development activities in line with the growth of our business.

*General and administrative expenses.* Our general and administrative expenses increased from RMB157.8 million in 2019 to RMB420.1 million in 2020. This increase was primarily attributable to the increase in salaries and welfare for general and administrative personnel.

- *Salaries and welfare.* Salaries and welfare for our general and administrative personnel increased from RMB123.7 million in 2019 to RMB347.1 million in 2020, primarily due to an increase in the number of our general and administrative staff members from 157 as of December 31, 2019 to 320 as of December 31, 2020. In addition, the share-based compensation expenses allocated to general and administrative expenses increased from RMB61.8 million in 2019 to RMB252.3 million in 2020, which was primarily due to the share-based compensation expenses of RMB140.7 million related to the restricted share units granted to our founder under the 2020 Plan as well as the incremental costs as a result of the modification to options in March 2020.
- *Other expenses.* Other general and administrative expenses increased from RMB34.1 million in 2019 to RMB73.0 million in 2020 due to the growth of our business operations scale and our professional service expenses.

The COVID-19 pandemic caused temporary closure of some of our offices from late January to early May 2020. Our operations continued digitally and online during the period, while we experienced temporary losses of work efficiency. The temporary closure of some of our offices did not have any material negative impact on our operating expenses in 2020. In addition, because of the COVID-19 related relief provided by the Chinese government on our obligations of social security contributions, we received exemptions and reductions on making certain social security contributions to the government starting from February 2020, and therefore enjoyed a saving

of RMB68.3 million in operating expenses in 2020. However, such relief is temporary in nature, and we may not be able to enjoy similar reliefs in the future.

#### ***Loss from operations***

Our loss from operations increased from RMB1,000.1 million in 2019 to RMB1,334.1 million in 2020.

#### ***Interest income***

Our interest income decreased from RMB23.8 million in 2019 to RMB8.4 million in 2020, primarily due to our lower average excess cash balance of the year.

#### ***Net loss***

As a result of the foregoing, our net loss increased from RMB963.8 million in 2019 to RMB1,339.9 million in 2020.

### **Non-GAAP Financial Measures**

#### ***Gross Billings of Online K-12 Tutoring Services***

Gross billings of online K-12 tutoring services is a non-GAAP financial measure. We define gross billings of online K-12 tutoring services for a specific period as the sum of cash received from each enrollment of our online K-12 tutoring courses in such period inclusive of the applicable VAT and surcharges, net of the total amount of refunds in such period. We generally bill students for the entire course fee at the time of sale of our courses and recognize revenue proportionally as the classes are delivered over a period typically lasting four months or less. We also offer students a content playback service once each of the live tutoring class is delivered. In the content playback service, students have unlimited access to recorded audio-video content of the previous live tutoring classes for three years. The related revenue for playback is recognized proportionally over the playback period. We consider gross billings to be a valuable measure for monitoring the sales of our online courses and the business performance of our after-school tutoring services in general.

This non-GAAP financial measure should not be considered in isolation from, or as a substitute for, its most directly comparable financial measure prepared in accordance with GAAP. A reconciliation of the historical non-GAAP financial measure to its most directly comparable GAAP measure has been provided in the financial statement tables included below. Investors are encouraged to review the reconciliation of the historical non-GAAP financial measure to its most directly comparable GAAP financial measure. As gross billings has material limitations as an analytical metric and may not be calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider gross billings as a substitute for, or superior to, net revenues prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

We compensate for these limitations by relying primarily on our GAAP results and using gross billings only as a supplemental measure. The table below sets forth a reconciliation of our gross billings of online K-12 tutoring services to net revenues of our online K-12 tutoring services for the periods indicated:

	<b>For the Year Ended December 31,</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
			<b>(in thousands)</b>	
<b>Net revenues of online K-12 tutoring services</b>	<b>359,568</b>	<b>1,218,564</b>	<b>2,128,610</b>	<b>334,025</b>
Add: VAT and surcharges	21,574	73,114	125,788	19,739
Add: ending deferred revenue related to online K-12 tutoring services	218,919	564,911	—	—
Add: ending refund liability related to online K-12 tutoring services	5,907	22,869	—	—
Less: beginning deferred revenue related to online K-12 tutoring services	57,155	218,919	564,911	88,647
Less: beginning refund liability related to online K-12 tutoring services	2,088	5,907	22,869	3,589
<b>Gross billings of online K-12 tutoring services (non-GAAP)</b>	<b>546,725</b>	<b>1,654,632</b>	<b>1,666,618</b>	<b>261,528</b>

As a result of the change of our business models under the latest regulatory environment, a number of operating information and non-GAAP metrics we provided previously are no longer relevant and will not be provided for future periods.

### Recently Issued Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in note 2 to our consolidated financial statements included elsewhere in this annual report.

### Inflation

To date, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

## B. Liquidity and Capital Resources

The following table sets forth a selected of our cash flows for the years presented:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash used in operating activities	(631,288)	(522,988)	(1,506,692)	(236,433)
Net cash used in investing activities	(28,594)	(89,504)	(117,603)	(18,455)
Net cash generated from financing activities	84,449	2,797,421	952	149
Effect of exchange rate changes	(11,709)	(38,499)	(30,891)	(4,846)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(587,142)	2,146,430	(1,654,234)	(259,585)
Cash, cash equivalents and restricted cash at the beginning of the year	1,275,844	688,702	2,835,132	444,894
Cash, cash equivalents and restricted cash at the end of the year	688,702	2,835,132	1,180,898	185,309

To date, we have financed our operating and investing activities primarily through cash from historical equity and debt financing activities. As of December 31, 2019, 2020 and 2021, our cash, cash equivalents and restricted cash were RMB688.7 million, RMB2,835.1 million and RMB1,180.9 million (US\$185.3 million), respectively. Our cash and cash equivalents primarily consist of cash on hand and deposits with original maturities of three months or less. As of December 31, 2019, 2020 and 2021, our prepaid expenses and other current assets were RMB66.3 million, RMB211.4 million and RMB161.8 million (US\$25.4 million), respectively. Our prepaid expenses and other current assets primarily consist of prepaid value added taxes, prepaid service fees, receivables from third-party payment platforms and prepaid rental expenses.

We believe that our current cash, cash equivalents and restricted cash and expected cash provided by operating activities will be sufficient to meet our current and anticipated working capital requirements and capital expenditures for the next twelve months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we identify and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions.

As of December 31, 2021, 47.3% and 52.7% of our cash and cash equivalents were held in China mainland and Hong Kong, respectively, of which 47.0% were denominated in Renminbi and 53.0% were denominated in U.S. dollars. As of December 31, 2021, 20.3% of cash and cash equivalents were held by the VIEs and their subsidiaries.

The COVID-19 pandemic did not result in any material impairments, allowances, charges or changes in accounting judgments on our balance sheet in 2021. In addition, the COVID-19 pandemic did not result in any change to the terms and conditions of our existing debt and other obligations, nor did it have any material negative effect on our ability to timely service them.

Although we consolidate the results of our variable interest entities and their subsidiaries, we only have access to the assets or earnings of our variable interest entities and their subsidiaries through our contractual arrangements with the VIEs and their shareholders. See “Item 4. Information on the Company—C. Organization Structure—Contractual Arrangements with the VIEs and Their Respective Shareholders.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Organizational Structure.”

All of our revenues have been, and we expect they are likely to continue to be, in the form of Renminbi. Under 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 as long as certain routine procedural requirements are fulfilled. Therefore, our PRC

subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Our PRC subsidiaries are required to set aside at least 10% of its after-tax profits after making up previous years' accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE, its local branches and certain local banks. As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, subject to the approval, filings or registration of government authorities and limits on the amount of capital contributions and loans. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries and the VIEs in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

### ***Operating activities***

Net cash used in operating activities in 2021 was RMB1,506.7 million (US\$236.4 million). The difference between net cash used in operating activities and net loss of RMB1,441.9 million (US\$226.3 million) in the same period was due to adjustments for noncash items that primarily include share-based compensation of RMB195.2 million, impairment for property and equipment, right-of-use assets and rental deposits of RMB121.3 million and noncash lease expenses of RMB100.8 million, and an increase in working capital mainly resulted from a decrease of RMB354.4 million in deferred revenue and customer advances, a decrease of RMB127.4 million in accrued expenses and other current liabilities and a decrease of RMB40.3 million in operating lease liabilities.

Net cash used in operating activities in 2020 was RMB523.0 million. The difference between net cash used in operating activities and net loss of RMB1,339.9 million in the same period was due to adjustments for noncash items that primarily include share-based compensation of RMB356.0 million and noncash lease expenses of RMB63.0 million, and a decrease in working capital mainly resulted from an increase of RMB354.1 million in deferred revenue due to our rapid business expansion, an increase of RMB213.4 million in accrued expenses and other current liabilities and an increase of RMB123.1 million in operating lease liabilities, partially offset by an increase of RMB184.5 in operating lease right-of-use assets attributable to additional leased properties to support our business expansion and an increase of RMB145.1 million in prepaid expenses and other current assets.

Net cash used in operating activities in 2019 was RMB631.3 million. The difference between net cash used in operating activities and net loss of RMB963.8 million in the same period was due to adjustments for non-cash items that primarily include share-based compensation of RMB93.1 million and noncash lease expenses of RMB41.8 million, and an increase in working capital mainly resulted from an increase of RMB168.3 million in deferred revenue due to our rapid business expansion and an increase of RMB82.7 million in accrued expenses and other current liabilities attributable to the increased accrued expenses for teaching materials and service fees to third-party service providers for online K-12 tutoring courses, partially offset by an increase of RMB63.8 million in operating lease right-of-use assets attributable to additional leased properties to support our business expansion.

### ***Investing activities***

Net cash used in investing activities in 2021 was RMB117.6 million (US\$18.5 million), primarily due to purchase of property and equipment of RMB129.4 million (US\$20.3 million), partially offset by proceeds from disposal of property and equipment of RMB11.8 million (US\$1.8 million).

Net cash used in investing activities in 2020 was RMB89.5 million, primarily due to RMB89.5 million used in purchase of property and equipment.

Net cash used in investing activities in 2019 was RMB28.6 million, primarily due to RMB48.6 million used in purchase of property and equipment, partially offset by RMB20.0 million in proceeds from maturity of short-term investments.

### **Financing activities**

Net cash generated from financing activities in 2021 was RMB1.0 million (US\$0.1 million), primarily attributable to proceeds received from exercise of share options of RMB10.5 million (US\$1.6 million), partially offset by payment for the IPO issuance cost of RMB9.6 million (US\$1.5 million).

Net cash generated from financing activities in 2020 was RMB2,797.4 million, primarily attributable to RMB2,051.7 million in proceeds from our initial public offering and from exercising the over-allotment option by the underwriters, RMB849.5 million in proceeds from the issuance of our Series F convertible redeemable preferred shares, partially offset by RMB85.0 million for repayment of bank loan.

Net cash generated from financing activities in 2019 was RMB84.4 million, primarily attributable to RMB85.0 million in proceeds from short-term borrowings.

### **Material Cash requirements**

Our material cash requirements as of December 31, 2021 and any subsequent interim period mainly include capital expenditures and operating lease obligations.

Our capital expenditures are primarily related to leasehold improvements and purchase of electronic equipment related to our educational services. Our capital expenditures were RMB48.6 million, RMB89.5 million and RMB129.4 million (US\$20.3 million) in 2019, 2020 and 2021, respectively.

Our operating lease obligations relate to our leases of offices and operation space. The following table sets forth our operating lease obligations as of December 31, 2021:

	<b>Total</b>	<b>Within one year</b>	<b>One to three years</b>	<b>Three to five years</b>	<b>More than five years</b>
	<b>(RMB in thousands)</b>				
Operating lease commitments <sup>(1)</sup>	164,085	75,134	81,775	7,176	—

Note:

(1) Represents minimum payments under non-cancelable operating leases related to offices, excluding short-term leases.

We intend to fund our existing and future material cash requirements with our existing cash balance and cash flow from operating activities. We will continue to make cash commitments, including capital expenditures, to meet the expected growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. 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 engages in product development services with us.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2021.

## **Holding Company Structure**

17 Education & Technology Group Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, the VIEs and their subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of its accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and the VIEs in China are required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. In addition, our wholly foreign-owned subsidiaries and the VIEs may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

### **C. Research and Development, Patents and Licenses, etc.**

See “Item 4. Information On the Company—B. Business Overview—Technology,” “—Data Privacy and Security” and “—Intellectual Property.”

### **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2021 to December 31, 2021 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

### **E. Critical Accounting Estimates**

We prepare financial statements in accordance with GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

#### ***Impairment of long-lived assets***

In accordance with ASC 360-10-35, we assess the potential impairment of long-lived assets, which include property and equipment and operating lease right-of-use assets (subsequent to the adoption of ASC 842, Leases) when events or changes in circumstances indicate that the carrying value may not be recoverable. We periodically evaluate whether events and circumstances have occurred that indicate possible impairment based on our judgements. Impairment indicators are determined through the exercise of judgment, and are dependent upon estimates that take into account factors such as industry and market conditions, historic or anticipated declines in



revenue or operating profit, frequency of use and anticipated changes in laws. When these events occur, we measure impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we recognize an impairment loss based on the fair value of the assets.

For the year ended December 31, 2021, we recorded impairment loss of RMB91.0 million for property and equipment and RMB13.6 million for right-of-use lease assets due to the early termination of selected lease office spaces and the disposal of our leasehold improvements and electronic equipment while we exited the online K-12 tutoring services.

### **Revenue Recognition**

We recognize revenue when control of promised goods or services is transferred to our customers in an amount of consideration to which we expect to be entitled to in exchange for those goods or services. Refund liabilities represent the customer advances collected by us which are expected to refund back to our customers as a result of our refund policy. Refund liabilities are estimated based on a historical refund ratio on a portfolio basis using the expected value method and current period experience factors, such as the anticipated cash refund that would occur in the normal course of business. The actual amount of refund may differ from our estimates.

## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **A. Directors and Executive Officers**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Andy Chang Liu	43	Founder, Chairman and Chief Executive Officer
Qin Wen	37	Director and Chief Operating Officer
Kuanghao Zhang	34	Senior Vice President
Michael Chao Du	36	Director and Chief Financial Officer
Tuck Lye Koh	50	Director
Jiawei Gan	52	Independent Director
Bing Yuan	53	Independent Director
Minghui Wu	40	Independent Director

*Mr. Andy Chang Liu* is our founder and has served as our chief executive officer since our inception and our director since February 2013. Mr. Liu worked as principal of Shenyang New Oriental School and assistant vice president at Beijing New Oriental Education & Technology Group from May 2010 to May 2011, and prior to that, as principal of Changchun New Oriental School from March 2005 to May 2010, and as an English teacher from July 2003 to February 2005. Mr. Liu received his bachelor's degree and master's degree in chemical engineering and technology from Tianjin University in 2001 and 2004, respectively.

*Mr. Qin Wen* has worked as our chief operating officer since February 2019, in which capacity he oversees our in-school business. Mr. Wen has also served as our director since December 2020. Prior to that, Mr. Wen worked at our company in several positions, including vice president of in-school solution, from May 2017 to February 2019. From 2010 to 2017, Mr. Wen worked in several positions at Meituan (HKEX: 3690), including as general manager of the retailing business unit and chief financial officer of the in-store dining business group, general manager of the in-store visits business unit, senior director of product operations department, director of sales operations department and city manager of Xi'an. Mr. Wen received his bachelor's degree in financial management from Xi'an Jiaotong University in 2007.

*Mr. Kuanghao Zhang* has worked as our senior vice president since August 2018, in which capacity he oversees our after-school business. Prior to joining us, Mr. Zhang worked in several positions at TAL Education Group (NYSE: TAL), specifically in its *www.xueersi.com* online education services business unit from 2011 to 2018 and its offline Xueersi Peiyou small class and Mobby business unit from 2008 to 2011. The key functions Mr. Zhang was in charge of at *www.xueersi.com* included instructor training, learning and internet product design and R&D, user experience and research, project management, online traffic acquisition, courseware development and question bank production. His key role at TAL Education Group's offline operations included Xueersi Peiyou small class's head of primary school content development team and head of Mobby's primary school operation. Mr. Zhang received his bachelor's degree in mathematics and applied mathematics from Liaocheng University in 2008.

*Mr. Michael Chao Du* has served as our director since July 2020 and our chief financial officer since February 2020. Prior to joining us, Mr. Du worked in the investment banking department of Deutsche Bank from 2011 to 2015 and from 2016 to 2020 in several positions, most recently as vice president. Mr. Du worked as an analyst on the investment banking team of Daiwa Capital Markets Hong Kong Limited from 2009 to 2011. From 2008 to 2009, Mr. Du worked as an analyst in the merger and acquisition team at KPMG Corporate Finance Limited. Mr. Du received his bachelor's degree in economics and finance from the University of Hong Kong in 2008.

*Mr. Tuck Lye Koh* has served as our director since June 2013. Mr. Koh co-founded Shunwei Capital, a China-based, technology-focused venture capital fund, in 2011 and has served as its chief executive officer since then. Mr. Koh has extensive investment experience, spanning early to growth stage investments in multiple industries, including TMT, manufacturing, retail and consumer and logistics. At Shunwei Capital, Mr. Koh is responsible for overall investment and management, and has led the firm's investments in a wide variety of technology-based entities. Mr. Koh also has served as a director at Agora, Inc. (Nasdaq: API) since May 2018. Mr. Koh served as a director of Xiaomi Corporation (HKEX: 1810) from August 2013 to October 2019. Mr. Koh also currently serves, and has served, as a director of multiple privately held technology companies. Before co-founding Shunwei Capital in 2011, Mr. Koh held various management positions in several international institutions including C.V. Starr, GIC, AIG and Deutsche Bank. Mr. Koh received his bachelor's degree in mechanical engineering from the National University of Singapore in 1996 and his master of science degree in industry engineering (engineering management) from Stanford University in 1999.

*Mr. Jiawei Gan* has served as our independent director since December 2020. Mr. Gan has served as an operating partner of Hillhouse Capital Group since 2018, responsible for providing consulting services to invested companies. From 2011 to 2016, Mr. Gan worked in several positions at Meituan (HKEX: 3690), including as chief operation officer and president of the in-store food voucher business unit. From 2000 to 2011, Mr. Gan worked in several positions at Alibaba Group (NYSE: BABA), including as vice president of sales, senior director of sales operation team, internet operation director and marketing director, focusing on sales and marketing. Mr. Gan received his bachelor's degree in food engineering from Zhejiang Gongshang University in 1995 and his EMBA degree from China Europe International Business School in 2011.

*Mr. Bing Yuan* has served as our independent director since December 2020. Mr. Yuan is a co-founder and the managing partner of Rockets Capital. Founded in 2022, Rockets Capital is a China-based private equity firm focused on venture and growth stage investments in Smart EV industry value chain, clean energy and frontier technology areas. Prior to co-founding Rockets Capital, Mr. Yuan served as the chief operating officer of Hony Capital, and a member of Hony Capital's executive committee, responsible for its equity investment operations. Mr. Yuan joined Hony Capital in April 2009 and has served as a managing director of private equity department since January 2010, and as head of private equity department since July 2012. Prior to joining Hony Capital, Mr. Yuan served as a managing director of the special situation group of Morgan Stanley Asia Limited from 2008 to 2009. Before that, Mr. Yuan served as a managing director of the investment banking division of Morgan Stanley Asia Limited from April 2004 to June 2008. Prior to that, Mr. Yuan served as a vice president with Credit Suisse First Boston in Hong Kong and New York from August 1998 to March 2004, focusing on corporate finance and merger & acquisitions transactions in the technology, media and telecom industry. During his investment banking time, Mr. Yuan assisted numerous prominent Chinese state-owned enterprises and private sector companies in completing their initial public offerings, corporate finance and merger & acquisition transactions. Mr. Yuan also worked as a financial analyst in project finance with Fieldstone Private Equity LLP in New York from 1993 to 1995. Mr. Yuan

received his bachelor's degree in English from Nanjing University in July 1990 and received his master's degree in international relations in June 1993 and his Juris Doctor degree in June 1998 from Yale University.

*Mr. Minghui Wu* has served as our independent director since December 2021. Mr. Wu is chairman and CEO of MiningLamp Technology Co Ltd. ("Mining Lamp"), a leading artificial intelligence ("AI") and data analytics company he founded in 2014 that helps public service organizations and businesses with digital transformation. Prior to founding MiningLamp, Mr. Wu founded Miaozen Systems in 2006, a platform for internet user behavior and marketing analytics, and served as its chairman until it was acquired by Mining Lamp in 2019. Mr. Wu is also a joint creator of the HAO AI theoretical framework. Mr. Wu has 20 years of experience in software engineering and research, and holds more than 130 patents in China and internationally. Mr. Wu received a B.S. degree in fundamental mathematics and a M.S. degree in computer software and theory from Peking University. Mr. Wu is currently a PhD candidate at the School of Software & Microelectronics at Peking University.

## **B. Compensation of Directors and Executive Officers**

For the year ended December 31, 2021, we paid an aggregate of RMB33.1 million (US\$5.2 million) in cash to our executive officers and our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

### **Share Incentive Plan**

#### ***Fifth Amended and Restated 2015 Share Option Plan***

In September 2020, we adopted the Fifth Amended and Restated 2015 Share Option Plan, which replaced and superseded the previous amended and restated 2015 share option plan and we refer to as the 2015 Plan in this annual report, to secure and retain the services of valuable employees, directors or consultants and provide incentives for such persons to exert their best efforts for the success of our business. The maximum aggregate number of ordinary shares that may be issued pursuant to all options under the 2015 Plan is 59,899,375 ordinary shares. As of March 31, 2022, options to purchase 12,082,628 ordinary shares under the 2015 Plan have been granted and remain outstanding, excluding options that were exercised, forfeited or canceled after the relevant grant dates, 2,671,699 unvested restricted shares are outstanding, and 4,779,477 ordinary shares remain available to be issued pursuant to future grants of options under the 2015 Plan.

The following paragraphs summarize the principal terms of the 2015 Plan.

*Grant of options.* The 2015 Plan permits us to grant a certain amount of options to eligible employees to subscribe for a specified number of our ordinary shares at a specified price during specified time periods.

*Plan Administration.* The 2015 Plan is subject to the administration of our board of directors, whose decision as to all matters arising in relation to the 2015 Plan or its interpretation or effect should be final and binding on all parties, except as otherwise provided under the 2015 Plan.

*Award Letter.* Options granted under the 2015 Plan are evidenced by an award letter that sets forth the terms, conditions and limitations for each award, which is subject to any modification as determined by our board of directors from time to time.

*Eligibility.* We may grant options to full-time employees or directors of our company or the subsidiaries or VIEs of our company or any other persons, who devote substantially all of their time and efforts to our business, management and operation, as determined by our board of directors.

*Vesting Schedule.* The 2015 Plan sets forth several different types of vesting schedule. The applicable vesting schedule, or other vesting schedule as may be otherwise determined by our board of directors, for each grantee is specified in the relevant award letter.

*Exercise of Options.* Subject to certain terms and conditions under the 2015 Plan, an option cannot be exercised prior to the 180th day after the completion of our initial public offering. Subject to certain terms and conditions under the 2015 Plan, an option may be exercised by the grantee at any time or times following the 180th day after the completion of our initial public offering in accordance with the applicable vesting schedule before the expiration date. Our board of directors determines the exercise price for each option grant in its absolute discretion, which in any event should not be less than the par value of the share and is stated in the relevant award letter. The date of expiration of each grant may be determined by our board of directors, which should not be later than the tenth anniversary of the date of grant in respect of such option.

*Transfer Restrictions.* Options granted under the 2015 Plan are not assignable, and grantees may not in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do, except with the prior written consent of our board of directors from time to time.

*Termination and Amendment.* Unless terminated earlier, the 2015 Plan has a term of ten years from its date of effectiveness. We may at any time terminate the 2015 Plan by an ordinary resolution of the shareholders or a resolution of our board of directors. The 2015 Plan and the terms and conditions of any outstanding option may be altered in any respect by a resolution of our board of directors in accordance with the shareholders agreement and the memorandum and articles of association of the company for the time being in force. However, no termination or alteration of the 2015 Plan may adversely affect the terms of issue of options previously granted under the 2015 Plan.

### ***Second Amended and Restated 2018 Share Option Plan***

In September 2020, we adopted the Second Amended and Restated 2018 Share Option Plan, which replaced and superseded the previous amended and restated 2018 share option plan and we refer to as the 2018 Plan in this annual report, to secure and retain the services of valuable employees, directors or consultants and provide incentives for such persons to exert their best efforts for the success of our business. The maximum aggregate number of ordinary shares that may be issued pursuant to all options under the 2018 Plan is 25,703,602 ordinary shares. As of March 31, 2022, options to purchase 5,092,998 ordinary shares under the 2018 Plan have been granted and remain outstanding, excluding options that were exercised, forfeited or canceled after the relevant grant dates, 6,130,334 unvested restricted shares are outstanding, and 4,126,232 ordinary shares remain available to be issued pursuant to future grants of options under the 2018 Plan.

The following paragraphs summarize the principal terms of the 2018 Plan.

*Grant of options.* The 2018 Plan permits us to grant a certain amount of options to eligible employees to subscribe for a specified number of our ordinary shares at a specified price during specified time periods.

*Plan Administration.* The 2018 Plan shall be subject to the administration of our board of directors, whose decision as to all matters arising in relation to the 2018 Plan or its interpretation or effect should be final and binding on all parties, except as otherwise provided under the 2018 Plan.

*Award Letter.* Options granted under the 2018 Plan are evidenced by an award letter that sets forth the terms, conditions and limitations for each award, which is subject to any modification as determined by our board of directors from time to time.

*Eligibility.* We may grant options to full-time employees or directors of our company or the subsidiaries or VIEs of our company or any other persons, who devote substantially all of their time and efforts to our business, management and operation, as determined by our board of directors.

*Vesting Schedule.* The 2018 Plan sets forth several different types of vesting schedule. The applicable vesting schedule, or other vesting schedule as may be otherwise determined by our board of directors, for each grantee is specified in the relevant award letter.

*Exercise of Options.* Subject to certain terms and conditions under the 2018 Plan, an option cannot be exercised prior to the 180th day after the completion of our initial public offering. Subject to certain terms and conditions under the 2018 Plan, an option may be exercised by the grantee at any time or times following the 180th day after the completion of our initial public offering in accordance with the applicable vesting schedule before the expiration date. Our board of directors determines the exercise price for each option grant in its absolute discretion, which in any event should not be less than the par value of the share and is stated in the relevant award letter. The date of expiration of each grant may be determined by our board of directors, which should not be later than the tenth anniversary of the date of grant in respect of such option.

*Transfer Restrictions.* Options granted under the 2018 Plan are not assignable, and grantees may not in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do, except with the prior written consent of our board of directors from time to time.

*Termination and Amendment.* Unless terminated earlier, the 2018 Plan has a term of ten years from its date of effectiveness. We may at any time terminate the 2018 Plan by an ordinary resolution of the shareholders or a resolution of our board of directors. The 2018 Plan and the terms and conditions of any outstanding option may be altered in any respect by a resolution of our board of directors in accordance with the shareholders agreement and the memorandum and articles of association of the company for the time being in force. However, no termination or alteration of the 2018 Plan may adversely affect the terms of issue of options previously granted under the 2018 Plan.

### **2020 Share Incentive Plan**

In November 2020, we adopted the 2020 share incentive plan, which was subsequently amended on March 8, 2022, to secure and retain the services of valuable employees, directors or consultants and provide incentives for such persons to exert their best efforts for the success of our business. We refer to this plan, as amended, as the 2020 Plan in this annual report. The maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2020 Plan is initially 20,521,221 ordinary shares, plus an annual increase on the first day of each fiscal year during the ten-year term of the plan commencing with the fiscal year beginning January 1, 2021, by an amount equal to 2.0% of the total number of issued and outstanding shares (on an as-converted fully diluted basis) on the last day of the immediately preceding fiscal year and the number of ordinary shares repurchased by the Company from time to time pursuant to share repurchase programs of the Company, or such lesser number as determined by the chief executive officer of the Company. As of March 31, 2022, the maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2020 Plan is 42,381,965 ordinary shares. As of March 31, 2022, options to purchase 21,995,833 ordinary shares under the 2020 Plan have been granted and remain outstanding, and 5,130,305 restricted share units under the 2020 Plan were granted to Mr. Andy Chang Liu, our founder, chairman and chief executive officer, each evidencing the rights to receive one Class B ordinary share upon vesting. The 5,130,305 restricted share units granted to Mr. Liu had become fully vested upon the completion of our initial public offering. As of the date of this report, 15,215,501 ordinary shares remain available to be issued pursuant to future grants of options under the 2020 Plan.

The following paragraphs summarize the principal terms of the 2020 Plan.

*Type of Awards.* The plan permits the awards of options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

*Plan Administration.* Our board of directors or a committee of one or more members of the board of directors will administer the plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award granted.

*Award Agreement.* Awards granted under the plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

*Eligibility.* We may grant awards to our employees, directors and consultants. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our subsidiaries.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

*Exercise of Awards.* The plan administrator determines the exercise or purchase price, as applicable, for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment.* Unless terminated earlier, the plan has a term of ten years from its date of effectiveness. Our board of directors has the authority to terminate, amend or modify the plan, provided that we shall obtain shareholder approval to the extent necessary to comply with applicable law or stock exchange rules, unless we decide to follow home country practice. However, without the prior written consent of the participant, no such action may adversely affect in any material way any outstanding award previously granted pursuant to the plan.

As of March 31, 2022, our employees other than directors and executive officers as a group held options to purchase 34,971,459 ordinary shares, each with an exercise price of US\$0.0014 per share, and are entitled to receive 3,199,999 ordinary shares subject to the applicable vesting schedules of unvested restricted shares.

The following table summarizes, as of March 31, 2022, the number of unvested restricted shares that we granted to our directors and executive officers.

Name	Unvested Restricted Shares	Date of Grant	Date of Expiration
Andy Chang Liu	—	—	—
Qin Wen		May 4, 2017	May 4, 2027
		December 1, 2018	December 1, 2028
	*	October 10, 2020	October 10, 2030
Kuanghao Zhang		August 6, 2018	August 6, 2028
		December 1, 2018	December 1, 2028
	*	October 10, 2020	October 10, 2030
Michael Chao Du		February 17, 2020	February 17, 2030
	*	October 10, 2020	October 10, 2030
Tuck Lye Koh	—	—	—
Jiawei Gan	—	—	—
Bing Yuan	—	—	—
Minghui Wu	—	—	—
<b>Total</b>	<b>5,575,034</b>	—	—

Note:

\* Less than 1% of our total ordinary shares as of March 31, 2022.

#### **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon a 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as may be agreed between the executive officer and us. The executive officer may resign at any time with a 60-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third-party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of

employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, direct or end customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; (iii) seek directly or indirectly, to solicit the employment or services of, or hire or engage, any person who is known to be employed or engaged by us; or (iv) otherwise interfere with our business or accounts.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

## C. Board Practices

### Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company is required to declare the nature of his or her interest at a meeting of our directors. Subject to the Nasdaq rules and disqualification by the chairman of the relevant board meeting, a director may vote with respect to any contract or transaction, or proposed contract or transaction, notwithstanding that he or she may be interested therein, and if he or she does so his or her vote shall be counted and he or she may be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. Our directors may exercise all the powers of our company to raise or borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

### Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee consists of Bing Yuan, Jiawei Gan and Minghui Wu. Bing Yuan is the chairperson of our audit committee. We have determined that each of Bing Yuan, Jiawei Gan and Minghui Wu satisfy the "independence" requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules and Rule 10A-3 under the Exchange Act. We have determined that Bing Yuan qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;



- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

*Compensation Committee.* Our compensation committee consists of Bing Yuan, Jiawei Gan and Minghui Wu. Jiawei Gan is the chairperson of our compensation committee. We have determined that each of Bing Yuan, Jiawei Gan and Minghui Wu satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee consists of Bing Yuan, Jiawei Gan and Minghui Wu. Minghui Wu is the chairperson of our nominating and corporate governance committee. We have determined that Bing Yuan, Jiawei Gan and Minghui Wu satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

## **Duties of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and

experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our register of members.

#### **Terms of Directors and Officers**

Our directors may be appointed by the affirmative vote of a simple majority of our board of directors present and voting at a board meeting, or by an ordinary resolution of our shareholders. The service of our independent directors has an initial term of two years and may be terminated by the director or by us with a 30-day advance written notice or such other shorter period of notice as mutually agreed. A director may be removed from office by the affirmative vote of two-thirds (2/3) of the directors then in office (except with regard to the removal of the chairman, who may only be removed from office by the affirmative vote of all directors), or by an ordinary resolution of our shareholders (except with regard to the removal of the chairman, who may only be removed from office by a special resolution of our shareholders). In addition, a director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his or her creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his or her office by notice in writing to our company; (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his or her office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

## Board Diversity Matrix

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

### Board Diversity Matrix (As of March 31, 2022)

Country of Principal Executive Offices	PRC			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	7			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	0	7	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did Not Disclose Demographic Background	1			

## D Employees

We had a total of 1,459 employees as of December 31, 2021. As of December 31, 2021, substantially all of our employees were based in China mainland. The following table sets forth the numbers of our full-time employees categorized by function as of December 31, 2021:

<b>Function</b>	<b>Number of Employees</b>
Instructors	270
Content development	101
Technology	475
Operation	112
Sales and marketing	319
General and administrative	182
<b>Total</b>	<b>1,459</b>

We enter into standard labor contracts with our full-time employees with non-compete and confidentiality provisions. In addition to salaries and benefits, we generally provide performance-based bonuses for our full-time employees and commission-based compensation for our sales and marketing staff members.

As of December 31, 2021, we had 3,201 dedicated and full-time tutors outsourced by a third-party service provider. We engaged the third-party service provider through service outsourcing agreements to help us recruit, train and manage tutors at our request and settle monthly payment of fees to tutors. The tutors entered into employment or service contracts with the third-party service provider and were not our employees.

Under the applicable regulations in China, we are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

## E Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2022 by:

- each of our directors and executive officers; and
- each of our principal shareholders who beneficially owns 5% or more of our total outstanding ordinary shares.

The calculations in the table below are based on 452,137,839 Class A ordinary shares and 58,453,168 Class B ordinary shares issued and outstanding as of March 31, 2022.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned				
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Aggregate Voting Power
<b>Directors and Executive Officers**:</b>					
Andy Chang Liu(1)	—	58,453,168	58,453,168	11.4	79.5
Qin Wen(2)	5,389,001	—	5,389,001	1.1	0.2
Kuanghao Zhang	*	—	*	*	*
Michael Chao Du	*	—	*	*	*
Tuck Lye Koh(3)	50,430,461	—	50,430,461	9.9	2.3
Jiawei Gan	*	—	*	*	*
Bing Yuan	—	—	—	—	—
Minghui Wu	—	—	—	—	—
All Directors and Executive Officers as a Group	59,710,401	58,453,168	118,163,569	23.1	82.2
<b>Principal Shareholders:</b>					
Fluency Holding Ltd.(1)	—	58,453,168	58,453,168	11.4	79.5
H Capital Entities(4)	57,973,086	—	57,973,086	11.4	2.6
Shunwei Capital Entities(3)	50,430,461	—	50,430,461	9.9	2.3
CL Lion Investment III Limited(5)	45,798,690	—	45,798,690	9.0	2.1
Esta Investment Pte. Ltd.(6)	44,100,592	—	44,100,592	8.6	2.0
Walden Investments Entities(7)	35,592,848	—	35,592,848	7.0	1.6

Notes:

\* Less than 1% of our total outstanding shares.

\*\* Except as indicated otherwise below, the business address of our directors and executive officers is 16/F, Block B, Wangjing Greenland Center, Chaoyang District, Beijing 100102, People's Republic of China. The business address of Mr. Tuck Lye Koh is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The business address of Jiawei Gan is 28/F, Building B, Ping An International Financial Center, No. 3 Xinyuan South Road, Chaoyang District, Beijing, People's Republic of China. The business address of Bing Yuan is 6th Floor, South Tower C, Raycom InfoTech Park, No. 2 Kexueyuan South Road,

- † For each person or group included in this column, percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by such person or group with respect to all outstanding shares of our Class A and Class B ordinary shares as a single class. Each holder of our Class A ordinary shares is entitled to one vote per share. Each holder of our Class B ordinary shares is entitled to thirty votes per share. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.
- (1) Represents 58,453,168 Class B ordinary shares held by Fluency Holding Ltd., a British Virgin Islands limited liability company. Fluency Holding Ltd. is wholly owned by Simple Prosperity Limited, which is wholly owned by Vistra Trust (Singapore) Pte. Limited, the trustee of Sunny Trust. Mr. Andy Chang Liu is the settler of Sunny Trust, and Mr. Andy Chang Liu and his family members are the beneficiaries of Sunny Trust. The business address of Fluency Holding Ltd. is Quastisky Building, PO Box 4389, Road Town, Tortola, British Virgin Islands. 6,611,302 Class B ordinary shares held by Fluency Holding Ltd. have been pledged as collateral for a secured loan.
  - (2) Represents 5,177,667 Class A ordinary shares held by and 211,334 Class A ordinary shares Mr. Qin Wen has the right to acquire upon exercise of share options within 60 days after March 31, 2022.
  - (3) Represents (i) 44,124,496 Class A ordinary shares held by Shunwei Ventures II Limited, a British Virgin Islands limited liability company, and (ii) 6,305,965 Class A ordinary shares held by Shunwei Growth III Limited, a British Virgin Islands limited liability company. Shunwei Ventures II Limited is wholly owned by Shunwei China Internet Fund, L.P., whose general partner is Shunwei Capital Partners GP, L.P. Shunwei Capital Partners GP Limited is the general partner of Shunwei Capital Partners GP, L.P. The shareholders of Shunwei Capital Partners GP Limited are Grand Energy Ventures Limited, a British Virgin Islands company wholly owned by Mr. Jun Lei, and Silver Unicorn Ventures Limited, a British Virgin Islands company wholly owned by Mr. Tuck Lye Koh. Shunwei Growth III Limited is wholly owned by Shunwei China Internet Opportunity Fund II, L.P. whose general partner is Shunwei Capital Partners III GP, L.P. Shunwei Capital Partners III GP Limited is the general partner of Shunwei Capital Partners III GP, L.P. The shareholders of Shunwei Growth III Limited are Grand Energy Ventures Limited, a British Virgin Islands company wholly owned by Mr. Jun Lei, and Silver Unicorn Ventures Limited, a British Virgin Islands company wholly owned by Mr. Tuck Lye Koh. The address of the principal business office for both Shunwei Ventures II Limited and Shunwei Growth III Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.
  - (4) Represents (i) 22,308,979 Class A ordinary shares held by H Capital I, L.P., (ii) 13,552,176 Class A ordinary shares represented by 950,000 ADSs, held by H Capital V, L.P. Information regarding beneficial ownership is reported as of December 31, 2021, based on the information contained in the Schedule 13G jointly filed by H Capital I, L.P., H Capital I GP, L.P., H Capital I GP, Ltd., H Capital II, L.P., H Capital II GP, L.P., H Capital II GP, Ltd., H Capital IV, L.P., H Capital IV GP, L.P., H Capital IV GP, Ltd., H Capital V, L.P., H Capital V GP, L.P. and H Capital V GP, Ltd. and Xiaohong Chen with SEC on February 16, 2021. H Capital I, L.P., H Capital II, L.P., H Capital IV, L.P. and H Capital V, L.P., or H Capital Entities, were incorporated in Cayman Islands. H Capital I, L.P. is controlled by H Capital I GP, L.P., which is controlled by H Capital I GP, Ltd. H Capital II, L.P. is controlled by H Capital II GP, L.P., which is controlled by H Capital II GP, Ltd. H Capital IV, L.P. is controlled by H Capital IV GP, Ltd. H Capital V, L.P. is controlled by H Capital V GP, L.P., which is controlled by H Capital V GP, Ltd. Xiaohong Chen is the controller of H Capital I GP, Ltd., H Capital II GP, Ltd., H Capital IV GP, Ltd. and H Capital V GP, Ltd. The business address of H Capital Entities is Floor 4, Willow House, Cricket Square, PO Box 268, Grand Cayman KY1-1104, Cayman Islands.
  - (5) Represents 45,798,690 Class A ordinary shares held by CL Lion Investment III Limited, a British Virgin Islands company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. beneficially own 86.3% and 13.7% of the equity interests of CL Lion Investment III Limited, respectively. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is Citron PE Associates II, L.P., of which the general partner is Citron PE Funds II Limited, a company wholly owned by CITICPE Holdings Limited. The largest shareholder of CITICPE Holdings Limited is CLSA Global Investments Management Limited, which beneficially owns 35% of the equity interest of CITICPE Holdings Limited. CLSA Global Investments Management Limited is wholly owned by CLSA, B.V., which is wholly owned by CITIC Securities International Company Limited. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. The registered address of CL Lion Investment III Limited is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.
  - (6) Represents 44,100,592 Class A ordinary shares held by Esta Investments Pte. Ltd., a Singapore private company. Information regarding beneficial ownership is reported as of December 31, 2021, based on the information contained in the Schedule 13G/A jointly filed by Temasek Holdings (Private) Limited, Tembusu Capital Pte. Ltd. and Esta Investments Pte. Ltd. with SEC on February 14, 2022. Esta Investments Pte. Ltd. is wholly owned by Tembusu Capital Pte. Ltd., which is wholly owned by Temasek Holdings (Private) Limited. Temasek Holdings (Private) Limited is wholly owned by the Minister of Finance in Singapore. The business address of Esta Investments Pte. Ltd. is 60B Orchard Road, #06-18, the Atrium@Orchard, Singapore 238891.
  - (7) Represents (i) 25,550,628 Class A ordinary shares (including 25,550,625 Class A ordinary shares in the form of ADSs) held by Walden Investments Group Limited, a British Virgin Islands limited liability company, (ii) 10,000,000 Class A ordinary shares represented by 1,000,000 ADSs, held by Success Tycoon Limited, a British Virgin Islands limited liability company, and (iii) 42,220 Class A ordinary shares represented by 4,222 ADSs, held by Sunwei Chen. Information regarding beneficial ownership is reported as of December 31, 2021, based on the information contained in the Schedule 13G/A jointly filed by Sunwei Chen, Walden Investments Group Limited, Jasmine City Limited and Success Tycoon Limited with SEC on February 8, 2022. Walden Investments Group Limited is wholly owned by Jasmine City Limited, a company wholly owned by Sunwei Chen. Success Tycoon Limited is a company wholly-owned by Sunwei Chen. The business address of Sunwei Chen is c/o 16/F, Shing Lee Commercial Building, 8 Wing Kut Street, Central, Hong Kong. The business address of Walden Investments Group Limited is 16/F, Shing Lee Commercial Building, 8 Wing Kut Street, Central, Hong Kong. The business address of Jasmine City Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The business address of Success Tycoon Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

To our knowledge, as of March 31, 2022, 260,575,847 of our ordinary shares were held by record holders in the United States, which was The Bank of New York Mellon, the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to thirty votes per share.

As of the date of this annual report, none of our ordinary shares are held by governmental entities of our place of incorporation, and no government entity in the place where our registered public accounting firm is located and organized has a controlling financial interest in our company.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

### **B. Related Party Transactions**

#### **Contractual Arrangements with the VIEs**

See “Item 4. Information on the Company—C. Organizational Structure.”

#### **Employment Agreements and Indemnification Agreements**

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements and Indemnification Agreements.”

#### **Share Incentive Plans**

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plan.”

#### **Transactions with Our Shareholders and Related Entities**

*Transactions with Fluency Holding Ltd.* Fluency Holding Ltd. is an entity wholly owned by Mr. Andy Chang Liu, our founder, chairman and chief executive officer. In 2015, we entered into a loan agreement with Fluency Holding Ltd., pursuant to which Fluency Holding Ltd. borrowed US\$1.5 million from us in connection with personal affairs. The loan is unsecured and non-interest bearing. In 2017, we repurchased 792,522 ordinary shares held by Fluency Holding Ltd. for a consideration of US\$1.1 million, to partially settle the loan of US\$1.5 million. In September 2020, we repurchased 115,324 ordinary shares held by Fluency Holding Ltd. to settle the loan. As of December 31, 2019, 2020 and 2021, we had amounts due from Fluency Holding Ltd. of RMB2.6 million, nil and nil, respectively.

#### **Shareholders Agreement**

We entered into the sixth amended and restated shareholders agreement with our shareholders in November 2020. The sixth amended and restated shareholders agreement provides for certain shareholders’ rights, including information and inspection rights, right of participation, right of first refusal and co-sale rights, drag-along rights and contains provisions governing our board of directors and other corporate governance matters. The special rights, as

well as the corporate governance provisions, automatically terminated upon the completion of our initial public offering.

### **Registration Rights**

We have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the sixth amended and restated shareholders agreement.

*Demand Registration Rights.* At any time after the earlier of (i) June 26, 2024 or (ii) the taking effect of a registration statement for our initial public offering, holders of at least 30% of the registrable securities then outstanding have the right to demand by written notice that we file a registration statement covering the registration of a minimum of 20% of the registrable securities (or any lesser percentage if the anticipated gross proceeds from the offering are to exceed US\$100,000,000). We have a right to defer filing of a registration statement for a period of not more than 90 days after receipt of the request of the initiating holders on the condition that we furnish to the holders requesting registration a certificate signed by our president or our chief executive officer stating that in the good faith judgment of our board of directors it would be materially detrimental to us and our shareholders for such registration statement to be filed at such time. However, we cannot exercise the deferral right more than once during any 12-month period and cannot register any other securities during such period. We are obligated to effect no more than two demand registrations that have been declared effective. Further, if the holders initiating the registration request intend to distribute the registrable securities covered by their request by means of an underwriting and the underwriter(s) advise(s) us that marketing factors require a limitation of the number of securities to be underwritten, then we will so advise all holders of registrable securities which would otherwise be registered and underwritten pursuant hereto, and the number of registrable securities that may be included in the underwriting will be reduced as required by the underwriter(s) and allocated (i) first, to Shunwei Capital Entities, H Capital Entities, Esta Investments Pte Ltd. and DST Asia IV on a pro rata basis according to the number of registrable securities then outstanding held by each such holder, (ii) second, to Precise Asset Investments Limited, and (iii) third, to the other holders of registrable securities on a pro rata basis according to the number of registrable securities then outstanding held by each such holder requesting registration; provided, however, that the number of shares of registrable securities to be included in such underwriting and registration will not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not registrable securities and are held by any other person, including, without limitation, any person who is our employee, officer or director; provided further, that at least 25% of shares of registrable securities requested by the holders to be included in such underwriting and registration must be so included.

*Piggyback Registration Rights.* If we propose to file a registration statement for a public offering of our securities, we must offer shareholders an opportunity to include in the registration statement all or any part of the registrable securities held by such holders. If the offering involves an underwriting of our equity securities and the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of securities to be underwritten, the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting will be allocated, (i) first, to us, (ii) second, to Shunwei Capital Entities, H Capital Entities, Esta Investments Pte Ltd. and DST Asia IV on a pro rata basis according to the number of registrable securities then outstanding held by each such holder, (iii) third, to Precise Asset Investments Limited, (iv) fourth, to the other holders requesting inclusion of their registrable securities in such registration statement on a pro rata basis based on the total number of shares of registrable securities then held by each such holder, and (v) fifth, to holders of other securities of us; provided, however, that the right of the underwriter(s) to exclude shares (including registrable securities) from the registration and underwriting as described above will be restricted so that (i) the number of registrable securities included in any such registration is not reduced below 25% of the aggregate number of shares of registrable securities for which inclusion has been requested; and (ii) all shares that are not registrable securities and are held by any other person, including, without limitation, any person who is our employee, officer or director will first be excluded from such registration and underwriting before any registrable securities are so excluded.

*Registration on Form F-3.* Any holder or holders of at least a majority of all registrable securities then outstanding may request the company to effect an unlimited number of registration on Form F-3. We shall effect the registration of the securities on Form F-3 as soon as practicable, except in certain circumstances. We have a right to defer filing of a F-3 registration statement for a period of not more than 90 days after receipt of the request of the

initiating holders on the condition that we furnish to the holders requesting F-3 registration a certificate signed by our president or our chief executive officer stating that in the good faith judgment of our board of directors it would be materially detrimental to us and our shareholders for such registration statement to be effected at such time. However, we cannot exercise the deferral right more than once during any 12-month period and cannot register any other securities during such period. If the holders initiating the registration request intend to distribute the registrable securities covered by their request by means of an underwriting and the underwriter(s) advise(s) us that marketing factors require a limitation of the number of securities to be underwritten, then we will so advise all holders of registrable securities which would otherwise be registered and underwritten pursuant hereto, and the number of registrable securities that may be included in the underwriting will be reduced as required by the underwriter(s) and allocated (i) first, to Shunwei Capital Entities, H Capital Entities, Esta Investments Pte. Ltd. and DST Asia IV on a pro rata basis according to the number of registrable securities then outstanding held by each such holder, (ii) second, to Precise Asset Investments Limited, and (iii) third, to the other holders of registrable securities on a pro rata basis according to the number of registrable securities then outstanding held by each such holder requesting registration; provided, however, that the number of shares of registrable securities to be included in such underwriting and registration will not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not registrable securities and are held by any other person, including, without limitation, any person who is our employee, officer or director; provided further, that at least 25% of shares of registrable securities requested by the holders to be included in such underwriting and registration must be so included.

*Expenses of Registration.* We will bear all registration expenses in connection with any demand, piggyback or Form F-3 registration, other than the selling expenses or other amounts payable to underwriter(s), brokers or the depositary bank in connection with such offering by the holders.

*Termination of Obligations.* Our shareholders' registration rights will terminate upon the earlier of (i) five years after taking effect of a registration statement for a qualified public offering, and (ii) as to any shareholder when the shares subject to registration rights held by such shareholder can be sold without registration in any 90-day period pursuant to Rule 144 promulgated under the Securities Act.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

We have appended consolidated financial statements filed as part of this annual report.

**Legal Proceedings**

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract and labor and employment claims. We are currently not a party to any material legal or administrative proceedings. However, litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. For the potential impact of legal or administrative proceedings on us, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may be involved in legal and other disputes from time to time arising out of our operations, in particular for allegations relating to our infringement of intellectual property rights of third parties, which may be expensive to defend and may disrupt our business and operations."



## **Dividend Policy**

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Foreign Exchange.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the underlying Class A ordinary shares represented by the ADSs to the depository, as the registered holder of such Class A ordinary shares, and the depository then will pay such amounts to the ADS holders in proportion to the underlying Class A ordinary shares represented by the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

### **B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offering and Listing Details**

See “—C. Markets.”

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

The ADSs have been listed on Nasdaq since December 4, 2020. On November 17, 2021, we changed the ratio of ADSs to Class A ordinary shares (the “ADS Ratio”) from two ADSs to five Class A ordinary shares to one ADS to ten Class A ordinary shares. Except as otherwise indicated, all ADS and per ADS data in this annual report give retroactive effect to such change of ADS ratio to one ADS to ten Class A ordinary shares. The ADSs trade under the symbol “YQ.”

### **D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

The following are summaries of material provisions of our seventh amended and restated memorandum and articles of association that we have adopted and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

*Objects of Our Company.* Under our memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the Cayman Islands law.

*Ordinary Shares.* Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members (shareholders). We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

*Conversion.* Class B ordinary shares may be converted into the same number of Class A ordinary shares at the option of the holders thereof at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person other than our founder, chairman and chief executive officer, Mr. Andy Chang Liu, one of his affiliates or any other "Founder Affiliate" as defined in our memorandum and articles of association, or upon a change of control of the ultimate beneficial ownership of any Class B ordinary share to any person other than Mr. Liu, one of his affiliates or any other "Founder Affiliate" as defined in our memorandum and articles of association, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors). Our memorandum and articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

*Voting Rights.* Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any general meeting of the Company. Each Class A ordinary share shall be entitled to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall be entitled to thirty votes on all matters subject to the vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll (before

or on the declaration of the result of the show of hands) is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the issued and outstanding ordinary shares at a meeting or with a written resolution signed by all members entitled to vote. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Our shareholders may, among other things, approve to divide or combine their shares by ordinary resolution.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of all votes attaching to the issued and outstanding shares in our company entitled to vote at the general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provide that upon the requisition of any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

*Transfer of Ordinary Shares.* Subject to the restrictions set out in our memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as Nasdaq Global Select Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the Nasdaq Global Select Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares.* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors before the issuance of such shares. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variations of Rights of Shares.* If, at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares, subject to any rights or restrictions for the time being attached to any class, may be materially adversely varied with the consent in writing of the holders of at least two-thirds of the issued shares of that class or with the sanction of resolution passed by a simple majority of the votes cast at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Issuance of Additional Shares.* Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent out of available authorized but unissued ordinary shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Inspection of Books and Records.* Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (apart from our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). However, we will provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions.* Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

*Exclusive Forum.* Unless we consent in writing to the selection of an alternative forum, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Any person or entity purchasing or otherwise acquiring any share or other securities in our company, or purchasing or otherwise acquiring American depositary shares issued pursuant to deposit agreements, shall be deemed to have notice of and consented to this exclusive forum provision. Without prejudice to the foregoing, if this exclusive forum provision is held to be illegal, invalid or unenforceable under applicable law, the legality, validity or enforceability of the rest of articles of association shall not be affected and this exclusive forum provision shall be interpreted and construed to the maximum extent possible to apply in the relevant jurisdiction with whatever modification or deletion may be necessary so as best to give effect to our intention.

### **Differences in Corporate Law**

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and, accordingly, there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the surviving or consolidated company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation; provided

that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders’ Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires (and is therefore incapable of ratification by the shareholder);
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

*Indemnification of Directors and Executive Officers and Limitation of Liability.* Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officers, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including, without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors' Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and, therefore, it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder Action by Written Consent.* Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.



*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders; provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow any one or more of our shareholders holding shares which carry in aggregate not less than one-third of the total number votes attaching to all issued and outstanding shares of our company as of the date of the deposit that are entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may be removed with or without cause, by the affirmative vote of two-thirds of the directors then in office (except with regard to the removal of the chairman, who may only be removed from office by the affirmative vote of all directors), or by an ordinary resolution of our shareholders (except with regard to the removal of the chairman, who may only be removed from office by a special resolution of our shareholders). A director will also cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

*Dissolution; Winding up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, if our share capital is divided into more than one class of shares, the rights attached to any such class may only be materially adversely varied with the consent in writing of the holders of at least two-thirds of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders.* There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

#### **C. Material Contracts**

Other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report on Form 20-F, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

#### **D. Exchange Controls**

See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Foreign Exchange."

#### **E. Taxation**

The following summary of Cayman Islands, PRC and U.S. federal income tax considerations of an investment in the ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the ADSs or Class A ordinary shares, such as the tax considerations

under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

### **Cayman Islands Taxation**

According to Maples and Calder (Hong Kong) LLP, our Cayman legal counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or the ADSs, nor will gains derived from the disposal of our ordinary shares or the ADSs be subject to Cayman Islands income or corporation tax.

### **People's Republic of China Taxation**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of the enterprise's voting board members or senior executives habitually reside in the PRC.

We believe that 17 Education & Technology Group Inc. is not a PRC resident enterprise for PRC tax purposes. 17 Education & Technology Group Inc. is a company incorporated outside of the PRC. 17 Education & Technology Group Inc. is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that 17 Education & Technology Group Inc. meets all of the conditions above. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that 17 Education & Technology Group Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including the ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20%. Any PRC tax imposed on dividends or gains may be subject to a reduction if a

reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of 17 Education & Technology Group Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that 17 Education & Technology Group Inc. is treated as a PRC resident enterprise.

Provided that our Cayman Islands holding company, 17 Education & Technology Group Inc., is not deemed to be a PRC resident enterprise, holders of the ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our ordinary shares or ADSs. However, under SAT Bulletin 7 and SAT Bulletin 37, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 7 and SAT Bulletin 37, and we may be required to expend valuable resources to comply with SAT Bulletin 7 and SAT Bulletin 37, or to establish that we should not be taxed under these bulletins.

### **United States Federal Income Tax Considerations**

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect, and there can be no assurance that the Internal Revenue Service (the “IRS”) or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift or other non-income tax considerations, alternative minimum tax, the Medicare tax on certain net investment income, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);

- holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or ordinary shares through such entities,

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or ordinary shares.

### **General**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

### **Passive Foreign Investment Company Considerations**

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income (the “income test”) or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the “asset test”). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles are taken into account. Passive income

generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Although the law in this regard is not entirely clear, we treat our consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of our consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year.

Assuming that we are the owner of our consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we do not believe we were a PFIC for the taxable year ended December 31, 2021 and we do not expect to be a PFIC for the current taxable year or the foreseeable future. However, while we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we will be or become a PFIC for any taxable year is a fact intensive determination made annually that depends, in part, upon the composition and classification of our income and assets. Fluctuations in the market price of our ADSs may cause us to be or become a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). In particular, recent decline in the market price of our ADSs significantly increased our risk of becoming a PFIC. The market price of our ADSs may continue to decline and, consequently, we may be or become classified as a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of being or becoming classified as a PFIC may substantially increase. Because PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

The discussion below under “—Dividends” and “—Sale or Other Disposition” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, the PFIC rules discussed below under “—Passive Foreign Investment Company Rules” will generally apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

### ***Dividends***

Any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, the full amount of any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction generally allowed to corporations. Dividends received by individuals and certain other non-corporate U.S. Holders may be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs or ordinary shares on which the dividends are paid are readily tradeable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty (the “Treaty”), (2) we are neither a PFIC nor treated as such with respect to such a U.S. Holder for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Our ADSs (but not our ordinary shares) are considered readily tradeable on the Nasdaq Global Select Market, which is an established securities market in the United States, although there can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “—People’s Republic of China Taxation”), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends paid on our ADSs or ordinary shares, if any, will generally be treated as income from foreign sources and will generally constitute passive category income for U.S. foreign tax credit purposes. Depending on the U.S. Holder’s individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign taxes withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder’s individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

#### ***Sale or Other Disposition***

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of individuals and certain other non-corporate U.S. Holders will generally be eligible for a reduced rate of taxation. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, a U.S. Holder that is eligible for the benefits of the Treaty may treat such gain as PRC-source gain under the Treaty. Pursuant to recently issued Treasury Regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the Treaty and the potential impact of the recently issued Treasury Regulations.

#### ***Passive Foreign Investment Company Rules***

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (each, a “pre-PFIC year”) will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries, our consolidated VIEs or any subsidiaries of our consolidated VIEs is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, our consolidated VIEs or any subsidiaries of our consolidated VIEs.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury Regulations. For those purposes, our ADSs, but not our ordinary shares, are listed on the Nasdaq Global Select Market, which is a qualified exchange. Our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in a year when we are classified as a PFIC and we subsequently cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder that makes the mark-to-market election may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or ordinary shares if we are or become a PFIC.

**F. Dividends and Paying Agents**

Not Applicable.

**G. Statement by Experts**

Not Applicable.

**H. Documents on Display**

We have filed with SEC registration statements on Form F-1 (File No. 333-250079), including relevant exhibits and securities under the Securities Act with respect to underlying ordinary shares represented by the ADSs.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with SEC. All information filed with SEC can be obtained over the Internet at SEC’s website at <http://www.sec.gov> or inspected and copied at the public reference facilities maintained by SEC at 100 F



Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call SEC at 1-800-SEC-0330 or visit the SEC website for further information on the operation of the public reference rooms.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports, and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

#### **I. Subsidiary Information**

Not applicable.

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Market Risks**

##### ***Foreign exchange risk***

All of our net revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amounts we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

##### ***Interest rate risk***

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and financial products purchased from financial institutions. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares****Fees and Charges Our ADS holders May Have to Pay**

The Bank of New York Mellon, as depositary, will register and deliver the ADSs. Each ADS represent ten Class A ordinary shares (or a right to receive ten Class A ordinary shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS also represents ownership of any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs is administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

Our ADS holders will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs held):

<b>Service</b>	<b>Fees</b>
• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US\$5 per 100 ADSs (or portion of 100 ADSs)
• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates	
• Any cash distribution to ADS holders	Up to US\$0.05 per ADS
• Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders	A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs
• Depositary services	Up to US\$0.05 per ADS per calendar year
• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares	Registration or transfer fees
• Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)	Expenses of the depositary
• Converting foreign currency to U.S. dollars	
• As necessary	Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

**Service****Fees**

- 
- As necessary Any charges incurred by the depositary or its agents for servicing the deposited securities

**Fees and Other Payments Made by the Depositary to Us**

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions. We did not receive such reimbursement from the depositary in the fiscal year ended December 31, 2021.

## PART II.

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

#### Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-250079) (the “F-1 Registration Statement”) in relation to our initial public offering of 27,400,000 ADSs representing 68,500,000 Class A ordinary shares, and the underwriters’ full exercise of their option to purchase from us 4,110,000 additional ADSs representing 10,275,000 Class A ordinary shares, at an initial offering price of US\$10.50 per ADS. Morgan Stanley & Co. LLC and Goldman Sachs (Asia) L.L.C. were the representatives of the underwriters for our initial public offering.

We raised approximately US\$310.1 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters’ full exercise of their option to purchase from us additional ADSs. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from December 3, 2020, the date that the F-1 Registration Statement was declared effective by the SEC, to December 31, 2021, we had used RMB1,654.2 million (US\$259.6 million) of the net proceeds received, which consisted of research and development and the promotional activities of our after-school tutoring business, and investment into our new teaching and learning SaaS offering and self-learning products. In view of our new business strategies, we no longer intend to use the remainder of the proceeds from our initial public offering to improve the operation of our after-school tutoring services and smart in-school classroom solution. Instead, we intend to use the remainder of the proceeds from our initial public offering to invest in our teaching and learning SaaS offering operations, including the dedicated sales and services teams related thereto, and improvement and promotion of our new self-directed learning products, and for working capital and general corporate purposes.

### ITEM 15. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2021. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of December 31, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

## **Management’s Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) under the Exchange Act. Our management, with the participation of our chief executive officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

This annual report does not include an attestation report by our independent registered public accounting firm. As an emerging growth company, our management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

### **Changes in Internal Control Over Financial Reporting**

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the company’s internal control over financial reporting as long as the company remains an emerging growth company.

Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT**

See “Item 6. Directors, Senior Management and Employees—C. Board Practices.”

#### **ITEM 16.B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to all of our directors, officers, employees and consultants. We have posted a copy of our code of business conduct and ethics on our website at <https://ir.17zuoye.com/corporate-information/corporate-governance>.

**ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP (PCAOB ID No. 1113), our principal accountant, for the periods indicated. We did not pay any other fees to our principal accountant during the periods except as indicated below.

	<b>For the Year Ended December 31,</b>	
	<b>2020</b>	<b>2021</b>
	<b>(in thousands of RMB)</b>	
Audit fees(1)	12,674	6,620
Tax fees(2)	781	198

Notes:

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our principal accountant for the audit of our annual financial statements and the review of our comparative interim financial statements, including audit fees relating to our initial public offering in 2020.
- (2) "Tax fees" means aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal accountant for tax services.

All audit and permitted non-audit services provided by our principal accountant, including audit services, tax services and other services as described above, must be and have been approved in advance by our audit committee.

**ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On November 1, 2021, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$10.0 million of our ordinary shares (including in the form of American depositary shares) over the following 12 months. The share repurchase program was publicly announced on November 2, 2021. As of December 31, 2021, we had not repurchased any ordinary shares under the share repurchase program.

**ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16.G. CORPORATE GOVERNANCE**

As a Cayman Islands company listed on the Nasdaq Stock Market, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards.

Nasdaq Rule 5620 requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end. However, Nasdaq Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We followed home country practice and did not hold an annual meeting of shareholders in 2020 and 2021. In March 2022, our board of directors approved the amended and restated 2020 share incentive plan. We relied on the home country practice exemption and did not convene a shareholder meeting to approve the amended and restated 2020 share incentive plan. Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the Nasdaq Stock Market certifying that under Cayman Islands law, we are not required to obtain shareholder approval in respect of the adoption of a stock option or other equity compensation arrangement, or an amendment to the stock option or other equity compensation plan. As a result, our shareholders are afforded less protection than they would otherwise enjoy under the Nasdaq Stock Market corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Related to the ADS—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq listing standards."

In addition, as a "controlled company" as defined under the Nasdaq Stock Market Rules, we are permitted to elect to rely, and are currently relying, on certain exemptions from corporate governance rules. Currently, the majority of our board of directors are not independent directors. As a result, you do not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

**ITEM 16.H. MINE SAFETY DISCLOSURE**

Not applicable.

**Item 16.I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections**

Not applicable.

### PART III.

#### ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

#### ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of 17 Education & Technology Group Inc. and its subsidiaries are included at the end of this annual report.

#### ITEM 19. EXHIBITS

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1	<a href="#"><u>Seventh Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
2.1	<a href="#"><u>Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3) (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
2.2	<a href="#"><u>Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
2.3	<a href="#"><u>Form of Deposit Agreement, among the Registrant, the depository and the holders and beneficial owners of the American Depositary Shares issued thereunder (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
2.4*	<a href="#"><u>Description of Securities</u></a>
2.5	<a href="#"><u>The Sixth Amended and Restated Shareholders Agreement between the Registrant and other parties thereto dated November 12, 2020 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
4.1	<a href="#"><u>Fifth Amended and Restated 2015 Share Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
4.2	<a href="#"><u>Second Amended and Restated 2018 Share Option Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
4.3	<a href="#"><u>2020 Share Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>
4.4	<a href="#"><u>Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</u></a>



Exhibit Number	Description of Document
4.5	<a href="#">Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.6	<a href="#">English translation of the Proxy Agreement and Powers of Attorney among Shanghai WFOE, Shanghai Hexu and shareholders of Shanghai Hexu dated September 8, 2020 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.7	<a href="#">English translation of the Equity Interest Pledge Agreement among Shanghai WFOE, Shanghai Hexu and shareholders of Shanghai Hexu dated September 8, 2020 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.8	<a href="#">English translation of the Exclusive Management Services and Business Cooperation Agreement among Shanghai WFOE, Shanghai Hexu and certain subsidiaries of Shanghai Hexu dated May 13, 2020 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.9	<a href="#">English translation of the Exclusive Call Option Agreement among Shanghai WFOE, Shanghai Hexu and shareholders of Shanghai Hexu dated September 8, 2020 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.10	<a href="#">English translation of executed form of the Consent Letter granted by each shareholder of Shanghai Hexu and its spouse, as currently in effect, and a schedule of all executed Consent Letters adopting the same form (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.11*	<a href="#">English translation of the Powers of Attorney by each shareholder of Beijing Qili dated March 4, 2022</a>
4.12*	<a href="#">English translation of the Equity Interest Pledge Agreement among Guangzhou Qixiang, Beijing Qili and shareholders of Beijing Qili dated March 4, 2022</a>
4.13*	<a href="#">English translation of the Exclusive Management Services and Business Cooperation Agreement among Guangzhou Qixiang, Beijing Qili and shareholders of Beijing Qili dated March 4, 2022</a>
4.14*	<a href="#">English translation of the Exclusive Option Agreement among Guangzhou Qixiang, Beijing Qili and shareholders of Beijing Qili dated March 4, 2022</a>
4.15*	<a href="#">English translation of executed form of the Consent Letter granted by the spouse of each shareholder of Beijing Qili, as currently in effect, and a schedule of all executed Consent Letters adopting the same form</a>
4.16*	<a href="#">English translation of the Powers of Attorney by each shareholder of Beijing Yiqi Information dated March 21, 2022</a>
4.17*	<a href="#">English translation of the Equity Interest Pledge Agreement among Guangzhou Qixuan, Beijing Yiqi Information and shareholders of Beijing Yiqi Information dated March 21, 2022</a>
4.18*	<a href="#">English translation of the Exclusive Management Services and Business Cooperation Agreement among Guangzhou Qixuan, Beijing Yiqi Information and shareholders of Beijing Yiqi Information dated March 21, 2022</a>
4.19*	<a href="#">English translation of the Exclusive Option Agreement among Guangzhou Qixuan, Beijing Yiqi Information and shareholders of Beijing Yiqi Information dated March 21, 2022</a>

<b>Exhibit Number</b>	<b>Description of Document</b>
4.20*	<a href="#">English translation of executed form of the Consent Letter granted by the spouse of each shareholder of Beijing Yiqi Information, as currently in effect, and a schedule of all executed Consent Letters adopting the same form</a>
4.21*	<a href="#">English translation of the Powers of Attorney by each shareholder of Beijing Yiqi Development dated March 4, 2022</a>
4.22*	<a href="#">English translation of the Equity Interest Pledge Agreement among Beijing Yiqi Hangfan, Beijing Yiqi Development and shareholders of Beijing Yiqi Development dated March 4, 2022</a>
4.23*	<a href="#">English translation of the Exclusive Management Services and Business Cooperation Agreement among Beijing Yiqi Hangfan, Beijing Yiqi Development and shareholders of Beijing Yiqi Development dated March 4, 2022</a>
4.24*	<a href="#">English translation of the Exclusive Option Agreement among Beijing Yiqi Hangfan, Beijing Yiqi Development and shareholders of Beijing Yiqi Development dated March 4, 2022</a>
4.25*	<a href="#">English translation of executed form of the Consent Letter granted by the spouse of each shareholder of Beijing Yiqi Development, as currently in effect, and a schedule of all executed Consent Letters adopting the same form</a>
4.26	<a href="#">English Translation of Service Outsourcing Agreement between Shanghai WFOE and Beijing Yicai Human Resource Consulting Co., Ltd., dated September 1, 2020 (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
4.27	<a href="#">English Translation of Supplementary Agreement to Service Outsourcing Agreement between Shanghai WFOE and Beijing Yicai Human Resource Consulting Co., Ltd., dated September 8, 2020 (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
8.1*	<a href="#">List of Principal Subsidiaries and Consolidated Variable Interest Entities of the Registrant</a>
11.1	<a href="#">Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the Form F-1 (File No. 333-250079), as amended, initially filed with the Securities and Exchange Commission on November 13, 2020)</a>
12.1*	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Maples and Calder (Hong Kong) LLP</a>
15.2*	<a href="#">Consent of Tian Yuan Law Firm</a>
15.3*	<a href="#">Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm</a>
101.INS*	Inline XBRL Instance Document – this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

<b>Exhibit Number</b>	<b>Description of Document</b>
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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Notes:

- \* Filed with this annual report on Form 20-F.
- \*\* Furnished with this annual report on Form 20-F.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**17 Education & Technology Group Inc.**

By: /s/ Andy Chang Liu

Name: Andy Chang Liu

Title: Chairman and Chief Executive Officer

Date: April 27, 2022

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of 17 Education & Technology Group Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of 17 Education & Technology Group Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2021, the related consolidated statements of operations, comprehensive loss, changes in shareholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and Schedule I (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

### **Convenience Translation**

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside the People's Republic of China.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Beijing, the People's Republic of China  
April 27, 2022

We have served as the Company's auditor since 2016.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	As of December 31		
	2020	2021	2021
	RMB	RMB	USD (Note 2)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,834,962	1,180,898	185,309
Restricted cash	170	—	—
Prepaid expenses and other current assets	211,448	161,826	25,394
<b>Total current assets</b>	<b>3,046,580</b>	<b>1,342,724</b>	<b>210,703</b>
<b>Non-current assets</b>			
Property and equipment, net	105,223	69,811	10,955
Right-of-use assets	200,157	153,963	24,160
Other non-current assets	37,782	13,923	2,185
<b>TOTAL ASSETS</b>	<b>3,389,742</b>	<b>1,580,421</b>	<b>248,003</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Group of RMB213,481 and RMB93,115 as of December 31, 2020 and 2021, respectively)	539,787	392,293	61,559
Deferred revenue and customer advances, current (including deferred revenue and customer advances, current of the consolidated VIEs without recourse to the Group of RMB571,827 and RMB239,267 as of December 31, 2020 and 2021, respectively)	596,307	243,878	38,270
Operating lease liabilities, current (including operating lease liabilities, current of the consolidated VIEs without recourse to the Group of RMB46,835 and RMB29,113 as of December 31, 2020 and 2021, respectively)	69,409	46,885	7,357
<b>Total current liabilities</b>	<b>1,205,503</b>	<b>683,056</b>	<b>107,186</b>
<b>Non-current liabilities</b>			
Deferred revenue and customer advances, non-current (including deferred revenue and customer advances, non-current of the consolidated VIEs without recourse to the Group of RMB1,982 and nil as of December 31, 2020 and 2021, respectively)	1,982	—	—
Operating lease liabilities, non-current (including operating lease liabilities, non-current of the consolidated VIEs without recourse to the Group of RMB56,427 and RMB57,906 as of December 31, 2020 and 2021, respectively)	118,107	100,329	15,744
<b>TOTAL LIABILITIES</b>	<b>1,325,592</b>	<b>783,385</b>	<b>122,930</b>

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED BALANCE SHEETS - continued**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	As of December 31		
	2020	2021	2021
	RMB	RMB	USD (Note 2)
Commitments and Contingencies (Note 13)			
<b>SHAREHOLDERS' EQUITY</b>			
Class A ordinary shares (par value of USD0.0001 per share; 1,300,000,000 shares authorized as of December 31, 2020 and 2021; 421,729,902 and 449,578,517 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	275	293	46
Class B ordinary shares (par value of USD0.0001 per share; 100,000,000 shares authorized as of December 31, 2020 and 2021; 58,453,168 shares issued and outstanding as of December 31, 2020 and 2021)	38	38	6
Additional paid-in capital	10,653,403	10,859,107	1,704,031
Accumulated other comprehensive income	49,614	18,691	2,933
Accumulated deficit	(8,639,180)	(10,081,093)	(1,581,943)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,064,150</b>	<b>797,036</b>	<b>125,073</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,389,742</b>	<b>1,580,421</b>	<b>248,003</b>

The accompanying notes are an integral part of the consolidated financial statements.



**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD (Note 2)
Net revenues	406,245	1,294,371	2,184,520	342,799
Cost of revenues	(173,476)	(495,671)	(878,236)	(137,814)
Gross profit	232,769	798,700	1,306,284	204,985
Operating expenses:				
Sales and marketing expenses	(583,818)	(1,097,932)	(1,412,873)	(221,711)
Research and development expenses	(491,266)	(614,770)	(800,163)	(125,563)
General and administrative expenses	(157,793)	(420,114)	(445,440)	(69,899)
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	(121,294)	(19,034)
Total operating expenses	(1,232,877)	(2,132,816)	(2,779,770)	(436,207)
Loss from operations	(1,000,108)	(1,334,116)	(1,473,486)	(231,222)
Interest income	23,834	8,422	24,573	3,856
Interest expense	(485)	(2,925)	—	—
Foreign currency exchange gain (loss)	12,907	(15,557)	2,326	365
Other income, net	102	4,268	4,674	733
Loss before provision for income tax	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Income tax expenses	—	—	—	—
Net loss	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Accretion of convertible redeemable preferred shares	(600,535)	(2,837,991)	—	—
Net loss available to ordinary shareholders of 17 Education & Technology Group Inc.	(1,564,285)	(4,177,899)	(1,441,913)	(226,268)
Net loss per ordinary share				
Basic and diluted	(27.25)	(44.68)	(2.92)	(0.46)
Weighted average shares used in calculating net loss per ordinary share				
Basic and diluted	57,410,827	93,503,437	494,055,703	494,055,703

The accompanying notes are an integral part of the consolidated financial statements.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands of RMB and USD)

	Year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD (Note 2)
Net loss	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Other comprehensive loss, net of tax of nil:				
Change in cumulative foreign currency translation adjustments	(11,972)	(38,602)	(30,923)	(4,852)
Total comprehensive loss attributable to 17 Education & Technology Group Inc.	<u>(975,722)</u>	<u>(1,378,510)</u>	<u>(1,472,836)</u>	<u>(231,120)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Number of ordinary shares	Ordinary shares	Number of Class A ordinary shares	Class A ordinary shares	Number of Class B ordinary shares	Class B ordinary shares	Series A convertible preferred shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total 17 Education & Technology Group Inc. shareholders' (deficit) equity
Balance as of January 1, 2019 in RMB	51,989,548	33	—	—	—	—	54,256	—	100,188	(3,130,691)	(2,976,214)
Net loss	—	—	—	—	—	—	—	—	—	(963,750)	(963,750)
Share-based compensation	—	—	—	—	—	—	—	93,090	—	—	93,090
Shares issuance in relation to share-based compensation	5,874,510	4	—	—	—	—	—	—	—	—	4
Repurchase and cancellation of vested options	—	—	—	—	—	—	—	(551)	—	—	(551)
Accretion of convertible redeemable preferred shares	—	—	—	—	—	—	—	(92,539)	—	(507,996)	(600,535)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(11,972)	—	(11,972)
Balance as of December 31, 2019 in RMB	57,864,058	37	—	—	—	—	54,256	—	88,216	(4,602,437)	(4,459,928)
Net loss	—	—	—	—	—	—	—	—	—	(1,339,908)	(1,339,908)
Share-based compensation	—	—	—	—	—	—	—	356,038	—	—	356,038
Accretion of convertible redeemable preferred shares	—	—	—	—	—	—	—	(141,156)	—	(2,696,835)	(2,837,991)
Repurchase and cancellation of ordinary share for settlement of amount due from a related party and others	(115,324)	—	—	—	—	—	—	(2,831)	—	—	(2,831)
Repurchase and cancellation of vested options	—	—	—	—	—	—	—	(528)	—	—	(528)
Exercise of stock options	20,135,999	14	242,999	—	—	—	—	181	—	—	195
Issuance of ordinary shares upon the initial public offering ("IPO") and exercising the over-allotment option by the underwriters (net of issuance cost of RMB28,153)	—	—	78,775,000	51	—	—	—	2,023,542	—	—	2,023,593
Conversion of convertible preferred shares upon the IPO	—	—	314,807,446	206	3,305,651	2	(54,256)	8,417,146	—	—	8,363,098
Re-designation of ordinary shares into Class A and Class B ordinary shares upon the IPO	(77,884,733)	(51)	27,867,521	18	50,017,212	33	—	—	—	—	—
Shares issuance in relation to warrant exercised	—	—	36,936	—	—	—	—	1,014	—	—	1,014
Shares issuance in connection with vesting of restricted shares units (Note 8)	—	—	—	—	5,130,305	3	—	(3)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(38,602)	—	(38,602)
Balance as of December 31, 2020 in RMB	—	—	421,729,902	275	58,453,168	38	—	10,653,403	49,614	(8,639,180)	2,064,150
Net loss	—	—	—	—	—	—	—	—	—	(1,441,913)	(1,441,913)
Share-based compensation	—	—	—	—	—	—	—	195,214	—	—	195,214
Exercise of stock options	—	—	27,848,615	18	—	—	—	10,490	—	—	10,508
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(30,923)	—	(30,923)
Balance as of December 31, 2021 in RMB	—	—	449,578,517	293	58,453,168	38	—	10,859,107	18,691	(10,081,093)	797,036
Balance as of December 31, 2021 in USD	—	—	449,578,517	46	58,453,168	6	—	1,704,031	2,933	(1,581,943)	125,073

The accompanying notes are an integral part of the consolidated financial statements.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 USD (Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Adjustments to reconcile net loss to net cash generated from operating activities				
Depreciation of property and equipment	22,675	39,700	64,756	10,162
Share-based compensation	93,090	356,038	195,214	30,633
Foreign currency remeasurement gain	(291)	(38)	(32)	(5)
Noncash lease expenses	41,814	62,997	100,828	15,822
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	121,294	19,034
Changes in operating assets and liabilities:				
Prepaid expenses and other current assets	(28,176)	(145,137)	31,628	4,963
Operating lease right-of-use assets	(63,829)	(184,517)	(68,269)	(10,713)
Other non-current assets	(4,164)	(2,760)	11,946	1,875
Accrued expenses and other current liabilities	82,691	213,439	(127,431)	(19,997)
Deferred revenue and customer advances	168,288	354,116	(354,411)	(55,615)
Operating lease liabilities	20,364	123,082	(40,302)	(6,324)
Net cash used in operating activities	<u>(631,288)</u>	<u>(522,988)</u>	<u>(1,506,692)</u>	<u>(236,433)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from maturity of short-term investments	20,000	—	—	—
Purchase of property and equipment	(48,594)	(89,504)	(129,356)	(20,299)
Proceeds from disposal of property and equipment	—	—	11,753	1,844
Net cash used in investing activities	<u>(28,594)</u>	<u>(89,504)</u>	<u>(117,603)</u>	<u>(18,455)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from the IPO and from exercising the over-allotment option by the underwriters	—	2,051,695	—	—
Payment of the IPO issuance cost	—	(18,469)	(9,556)	(1,500)
Repurchase and cancellation of vested options	(551)	(528)	—	—
Proceeds from exercise of share options	—	195	10,508	1,649
Proceeds from the issuance of Series F convertible redeemable preferred shares	—	849,528	—	—
Proceeds from short-term borrowings	85,000	—	—	—
Repayment of short-term borrowings	—	(85,000)	—	—
Net cash generated from financing activities	<u>84,449</u>	<u>2,797,421</u>	<u>952</u>	<u>149</u>
Effect of exchange rate changes	<u>(11,709)</u>	<u>(38,499)</u>	<u>(30,891)</u>	<u>(4,846)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	<u>(587,142)</u>	<u>2,146,430</u>	<u>(1,654,234)</u>	<u>(259,585)</u>
Cash, cash equivalents and restricted cash at beginning of the year	<u>1,275,844</u>	<u>688,702</u>	<u>2,835,132</u>	<u>444,894</u>
Cash, cash equivalents and restricted cash at end of the year	<u>688,702</u>	<u>2,835,132</u>	<u>1,180,898</u>	<u>185,309</u>
<b>Supplemental schedule of cash flow information</b>				
Interest paid	95	3,031	—	—
<b>Non-cash activities</b>				
Right-of-use assets obtained in exchange for operating lease obligations	56,448	169,725	99,667	15,640
Reduction of right-of-use assets and operating lease liabilities due to early termination of lease contract	—	—	157,379	24,696
Payables for purchase of property and equipment	4,096	13,024	10,229	1,605
Payable related to the IPO issuance cost	—	9,684	—	—
Settlement of amount due from a related party through repurchase of ordinary shares	—	2,559	—	—
Exercise of warrant	—	1,014	—	—
<b>Reconciliation to amounts on the Consolidated Balance Sheets</b>				
Cash and cash equivalents	653,859	2,834,962	1,180,898	185,309
Restricted cash	34,843	170	—	—
Total cash, cash equivalents and restricted cash	<u>688,702</u>	<u>2,835,132</u>	<u>1,180,898</u>	<u>185,309</u>

The accompanying notes are an integral part of the consolidated financial statements.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 and 2021**  
**(In thousands of RMB and USD, except for share and per share data, or otherwise noted)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

17 Education & Technology Group Inc. (the "Company"), was incorporated under the laws of the Cayman Islands on October 30, 2012. The Company, its subsidiaries, the consolidated variable interest entities ("VIEs") and VIEs' subsidiaries (collectively the "Group") are primarily engaged in providing education and education technology services in the People's Republic of China ("PRC").

On July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (the "Alleviating Burden Opinion"), which provides that, among other things, (i) local government authorities shall no longer approve new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education ("Academic AST Institutions"), and the existing Academic AST Institutions shall be registered as non-profit; (ii) online after-school tutoring institutions that have filed with the local education administration authorities providing tutoring services on academic subjects shall be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; and (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities. Any violation of the foregoing must be rectified.

In September 2021, the Chinese Ministry of Education ("MOE") published on its official website that the MOE, together with two other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021 and a circular requiring all online after-school tutoring institutions that have filed with the local education administration authorities and provide tutoring services on academic subjects to obtain the private school operating permit by the end of 2021, and all Academic AST Institutions and online after-school tutoring institutions shall, before completing such registration or obtaining such permit as applicable, suspend enrollment of students and charging fees.

In order to comply with the latest PRC regulations, the Group ceased offering the tutoring services related to academic subjects to students from kindergarten through the last year of senior high school ("online K-12 tutoring services") by the end of December 2021, which contributed 88.5%, 94.1% and 97.4% of total net revenues for the years ended December 31, 2019, 2020 and 2021, respectively. The Group also had taken actions to restructure its business and operations, including the early termination of certain leased office spaces, disposal of certain leasehold improvements and electronic equipment.

Following the implementation of the Alleviating Burden Opinion, the Group transformed its business, and started to offer the teaching and learning Software-as-a-Service ("SaaS") solutions and services from September 2021, and a new after-school personalized self-directed learning product from December 2021.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 and 2021**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES – continued**

As of December 31, 2021, the Company's major subsidiaries and VIEs were as follows:

Name <sup>(1)</sup>	Later of date of establishment or acquisition	Place of establishment	Percentage of direct or indirect economic ownership	Principal activities
<b>Subsidiaries:</b>				
Shanghai Yiqi Zuoye Information Technology Co., Ltd. ("Shanghai WFOE")	April 23, 2013	PRC	100%	Education technology services
Beijing Yiqi Education & Technology Co., Ltd. ("Beijing Yiqi Education")	July 26, 2019	PRC	100%	Education technology services
Guangzhou Qixiang Technology Co., Ltd. ("Guangzhou Qixiang")	December 21, 2021	PRC	100%	Education technology services
Guangzhou Qixuan Education & Technology Co., Ltd. ("Guangzhou Qixuan")	December 1, 2021	PRC	100%	Education technology services
Beijing Yiqi Hangfan Technology Co., Ltd. ("Beijing Yiqi Hangfan")	December 29, 2021	PRC	100%	Education technology services
<b>VIEs:</b>				
Shanghai Hexu Information Technology Co., Ltd. ("Shanghai Hexu")	December 03, 2012	PRC	100%	Education technology services
Beijing Qili Technology Co., Ltd. ("Beijing Qili")	October 19, 2021	PRC	100%	Education technology services
Beijing Yiqi Education Information Consultation Co., Ltd. ("Beijing Yiqi Information ")	February 15, 2019	PRC	100%	Education technology services
Beijing Yiqi Education Technology Development Co., Ltd. ("Beijing Yiqi Development")	April 19, 2021	PRC	100%	Education technology services

(1) The English names are for identification purpose only.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 and 2021**  
**(In thousands of RMB and USD, except for share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of presentation and use of estimates***

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These accounting principles require management to make certain estimates and assumptions that affect the amounts in the accompanying financial statements. Actual results may differ from those estimates. The Group bases its estimates on past experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Significant accounting estimates reflected in the Group's financial statements include, but are not limited to, consolidation of VIEs, revenue recognition, valuation allowance for deferred tax assets, valuation of share-based compensation, and impairment of long-lived assets. Actual results may differ materially from those estimates.

***Principles of consolidation***

The accompanying consolidated financial statements include the financial information of the Company and its subsidiaries, the VIEs and the VIEs' subsidiaries. All intercompany balances and transactions were eliminated upon consolidation.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements*

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of value-added telecommunication services, publication services and other restricted businesses, the Company operates substantially all of its business through the VIEs. The Company through its wholly owned subsidiaries located in the PRC ("WFOEs") entered into a series of contractual agreements with the VIEs and their shareholders. Through below contractual agreements, the Company has (1) the power to direct the activities that most significantly affect the economic performance of the VIEs, and (2) the right to receive the economic benefit of the VIEs that could potentially be significant to the VIEs. As a result, the shareholders of the VIEs lack the power to direct the activities of the VIEs that most significantly impact the entity's economic performance, the obligation to absorb the expected losses, and the right to receive the expected residual returns of the entity. Accordingly, the Company is considered as the primary beneficiary of the VIEs, and the Company has consolidated the financial results of the VIEs and their subsidiaries in its consolidated financial statements.

As of December 31, 2021, the VIEs included Shanghai Hexu, Beijing Qili, Beijing Yiqi Information and Beijing Yiqi Development.

Shanghai Hexu is the VIE that is material to the Group's business and operations since its establishment. The following is a summary of contractual agreements entered into by and among Shanghai WFOE, Shanghai Hexu and its respective shareholders.

*Exclusive Management Services and Business Cooperation Agreement*

Pursuant to the exclusive management services and business cooperation agreement among Shanghai WFOE, Shanghai Hexu and the shareholders of Shanghai Hexu, Shanghai WFOE has the exclusive right to provide or designate any third party to provide, among other things, technical support and consultation services, client relationship building up services, perfection of management structure and strategic consultation services to Shanghai Hexu and its subsidiaries. In exchange, Shanghai Hexu and its subsidiaries pay service fees to Shanghai WFOE at an amount determined by Shanghai WFOE in its sole discretion and can be adjusted by Shanghai WFOE unilaterally. Without the prior written consents of Shanghai WFOE, Shanghai Hexu is prohibited from engaging any third party to provide any services contemplated by this agreement and can neither dispose any important asset in any way nor change the equity structure on itself. The agreement has an initial term of ten years and shall automatically renew at the end of each term for a further term of ten years, unless otherwise terminated by Shanghai WFOE in its sole discretion with 10 days' prior written notice.

*Equity Interest Pledge Agreement*

Under the equity interest pledge agreement among Shanghai WFOE, Shanghai Hexu and its shareholders, Shanghai Hexu's shareholders pledged all of their equity of Shanghai Hexu to Shanghai WFOE as security for performance of the obligations of Shanghai Hexu and its shareholders and their spouses, as applicable, under the exclusive call option agreement, the exclusive management services and business cooperation agreement, proxy agreement and powers of attorney and consent letters. If any of the specified events of default occurs, Shanghai WFOE can exercise the right as pledgee to enforce the pledge by, among other ways, auction or sale of the pledged equity interests. The equity interest pledge agreement will remain in effect until the earlier of (i) the fulfillment of all the obligations under the exclusive call option agreement, the exclusive management services and business cooperation agreement, proxy agreement and powers of attorney, and consent letters, (ii) the exercise of right of pledge by Shanghai WFOE pursuant to the terms and conditions of the equity interest pledge agreement, or (iii) that the shareholders of Shanghai Hexu transfer all the equity held in Shanghai Hexu to Shanghai WFOE or its designee(s) pursuant to the exclusive call option agreement.



2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements* - continued

*Exclusive Call Option Agreement*

Under the exclusive call option agreement among Shanghai WFOE, Shanghai Hexu and its shareholders, each of the shareholders of Shanghai Hexu irrevocably granted Shanghai WFOE a right to purchase or designated third party to purchase equity interests in Shanghai Hexu at a purchase price of RMB0.001 thousand or equal to the lowest price permissible by the PRC laws and regulations. If the purchase price is higher than RMB0.001 thousand, the shareholders of Shanghai Hexu shall promptly give all considerations they received from the exercise of the options to Shanghai WFOE or their designee(s). Shanghai Hexu and its shareholders covenanted that, without Shanghai WFOE's prior written consents, they will not, among other things, (i) transfer or otherwise dispose of their equity interests in Shanghai Hexu; (ii) create any pledge or any other third party's right on their equity interests in Shanghai Hexu; (iii) change Shanghai Hexu's registered capital or merge Shanghai Hexu with other entities; (iv) dispose or force the management to dispose any material assets of Shanghai Hexu, except for the disposal of the assets that are treated as necessary for Shanghai Hexu's daily business operations; (v) cause Shanghai Hexu to terminate or force the management to terminate any material contracts to which Shanghai Hexu is a party; (vi) appoint or replace any director, supervisor or management of Shanghai Hexu; (vii) declare or distribute dividends; (viii) terminate, liquidate or dissolve Shanghai Hexu; (ix) amend Shanghai Hexu's articles of association; (x) allow Shanghai Hexu to incur any debts, or any other form of liabilities other than the liabilities incurred for usual course of business operation; (xi) lend funds or provide guarantee to third party in any form. The agreement has an initial term of ten years and shall automatically renew at the end of each term for a further term of ten years, unless otherwise terminated by Shanghai WFOE in its sole discretion with 10 days' prior written notice. Under no circumstances can Shanghai Hexu or its shareholders terminate the exclusive call option agreement.

*Proxy Agreement and Powers of Attorney*

Pursuant to the proxy agreement and powers of attorney executed by Shanghai Hexu's shareholders, each of them irrevocably authorized Shanghai WFOE to act on their respective behalf as exclusive agent and attorney, to the extent permitted by law, with respect to all rights of shareholders concerning all the equity interest and sponsor interest held by each of them in Shanghai Hexu or its subsidiaries, including but not limited to proposing to convene or attend shareholder meeting, exercising all the rights as shareholders (including but not limited to voting rights, nomination rights, appointment rights, the right to sell or transfer of all the equity interest held in part or in whole). The agreement will remain effective within the operating period of Shanghai Hexu, unless otherwise unilaterally terminated by Shanghai WFOE in its sole discretion.

*Consent Letters*

Pursuant to the consent letters executed by each shareholder of Shanghai Hexu and its spouse, each signing shareholder and its spouse have confirmed and agreed to the execution of the exclusive call option agreement, the exclusive management services and business cooperation agreement, proxy agreement and powers of attorney, and the equity interest pledge agreement described above by the applicable shareholders. They further undertook not to hinder the disposal of the equity and not to make any assertions in connection with the equity of Shanghai Hexu held by the applicable shareholders, and confirm that the applicable shareholders can perform the relevant transaction documents described above and further amend or terminate such transaction documents without the authorization or consent from such spouses. The spouse of each applicable shareholder agrees and undertakes that if she obtain any equity of Shanghai Hexu held by the applicable shareholder for any reasons, she would be bound by the transaction documents described above.

During the year ended December 31, 2021, to expand the Group's business operations, the Company set up three wholly owned subsidiaries, Guangzhou Qixiang, Guangzhou Qixuan and Beijing Yiqi Hangfan (collectively "2021 WFOEs"), in the PRC and further entered into a series of contractual agreements with Beijing Qili, Beijing Yiqi Information, Beijing Yiqi Development (collectively "2021 VIEs") and their respective shareholders, respectively, in which the terms included are substantially similar. Through these contractual agreements, the 2021 WFOEs gained control over the 2021 VIEs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements* – continued

The following is a summary of the contractual agreements entered into by and among 2021 WFOEs, 2021 VIEs and their respective shareholders.

*Exclusive Management Services and Business Cooperation Agreement*

Pursuant to the exclusive management services and business cooperation agreement entered into by and among 2021 WFOEs, 2021 VIEs and their shareholders, 2021 WFOEs were appointed as the exclusive technology and service providers to 2021 VIEs and their subsidiaries of comprehensive corporate management consulting, intellectual property licensing, technical support and business support services, which are specified by 2021 VIEs and their subsidiaries in accordance with scope of their business. The service fees shall be determined by 2021 WFOEs, if not violating the mandatory provisions of PRC laws, in accordance with the specific service content and service targets, as well as 2021 VIEs and their subsidiaries' income and customer volume in a specific period, and shall be the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations. In addition, 2021 WFOEs are the sole and exclusive providers of services under the exclusive management services and business cooperation agreement. Without the prior written consent of 2021 WFOEs, during the effective period of the exclusive management services and business cooperation agreement, 2021 VIEs, their subsidiaries and their shareholders shall not directly and indirectly obtain the same or similar exclusive techniques and services as provided under the exclusive management services and business cooperation agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein. Moreover, 2021 WFOEs have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or produced by performance of the exclusive management services and business cooperation agreement. Without 2021 WFOEs' consents, 2021 VIEs and their subsidiaries and their shareholders enjoy no rights other than those provided in the exclusive management services and business cooperation agreement. Further, 2021 VIEs and their subsidiaries grant to 2021 WFOEs an irrevocable and exclusive purchase right, which allows 2021 WFOEs to purchase, subject to compliance with the PRC laws, at their discretions, any or all of the assets and business of 2021 VIEs or their subsidiaries at the lowest price as permitted under PRC laws and regulations. The exclusive management services and business cooperation agreement shall remain in force during the business operation period of 2021 WFOEs and 2021 VIEs unless otherwise terminated earlier by consensus of the all parties to the exclusive management services and business cooperation agreement. 2021 WFOEs have the sole discretion and right to terminate the exclusive management services and business cooperation agreement with written notice at any time. Without 2021 WFOEs' written consents, 2021 VIEs, their subsidiaries and their shareholders have no right to terminate the exclusive management services and business cooperation agreement.

*Equity Interest Pledge Agreement*

Under the equity interest pledge agreement entered into by and among 2021 WFOEs, 2021 VIEs and their shareholders, 2021 VIEs and their shareholders pledged all of their equity interests in 2021 VIEs to 2021 WFOEs as security for performance of the obligations of 2021 VIEs and their shareholders, as applicable, under the exclusive management services and business cooperation agreement, the exclusive call option agreement, the powers of attorney, and consent letters (collectively the "Master Agreements"). The pledge thereunder shall be effective from the date of registration of the pledge with competent governmental authorities to the date on which all the Master Agreements are completely performed, invalidated or terminated. In the term of pledge, if 2021 VIEs or their shareholders fail to perform any of their obligations under the equity interest pledge agreement or the Master Agreements, or in case of occurrence of other specified events, 2021 WFOEs shall have the right but not obligated to dispose the pledged equity interest in accordance with the provisions of the equity interest pledge agreement. 2021 VIEs and their shareholders undertake that, without the prior written consent of 2021 WFOEs, they will not transfer, or create or allow any encumbrance on the pledged equity interests.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements* - continued

*Exclusive Call Option Agreement*

Under the exclusive call option agreement entered into by and among 2021 WFOEs, 2021 VIEs and their shareholders, 2021 WFOEs have the exclusive, unconditional and irrevocable right to require the shareholders of 2021 VIEs, upon occurrence of the following situations and subject to the requirements by 2021 WFOEs, to transfer any or all of the equity interest in 2021 VIEs held by the shareholders to them and/or a third party designated by them for free or considerations equivalent to the minimum purchase price permitted under the PRC laws and regulations: (1) 2021 WFOEs or the third party designated by them are permitted to hold any or all of the equity interest in 2021 VIEs under the PRC laws; or (2) subject to the PRC laws, any situation as 2021 WFOEs think is appropriate or necessary. The shareholders of 2021 VIEs agree that they will return to 2021 VIEs, 2021 WFOEs or its designated party any consideration received, in the event that 2021 WFOEs exercises the option under the exclusive call option agreement to acquire such equity interest. In addition, shareholders of 2021 VIEs undertake that, subject to the PRC laws and regulations and after taxes required by PRC laws and regulations have been paid, before their transferring the equity interest in 2021 VIEs to 2021 WFOEs, they shall deliver the dividends, bonus, or any other property distributed from 2021 VIEs to 2021 WFOEs or any third party designated by 2021 WFOEs as soon as possible and within three (3) days after receipt of such dividends, bonus or any other property. 2021 VIEs and their shareholders covenant that, without 2021 WFOEs' prior written consents, among other things, they shall not (i) transfer any equity interest in 2021 VIEs to any third party, or create any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the equity interest in 2021 VIEs held by them, except the pledge provided in the equity pledge agreement by and among 2021 WFOEs, 2021 VIEs and their shareholders, (ii) supplement, change or amend the articles of association and bylaws of 2021 VIEs in any manner, or increase or reduce registered capital or change structure of registered capital of 2021 VIEs in any other manner, (iii) enter into any material contract or change the scope of business of 2021 VIEs, (iv) terminate any material contract to which 2021 VIEs are parties or entered into any agreement that affect 2021 VIEs' financial status and asset value; (v) create, succeed, warrant or allow any debt except the account payable occurred in ordinary course, provided however, such account payable shall not be created by loan from any other person, (vi) announce or pay any dividend to the shareholders, (vii) sell, transfer, license or dispose in any manner any asset of 2021 VIEs, or allow the encumbrance hereon of any asset of 2021 VIEs, unless 2021 VIEs are able to prove that the such sale, transfer, license, deposition or encumbrance is necessary for their business in ordinary course and the transaction amount of one single transaction shall not higher than RMB100 thousand. In the event that during the term of the exclusive call option agreement 2021 VIEs' liquidate or dissolve, subject to the PRC laws and regulations, 2021 VIEs and their shareholders shall designate person recommended by 2021 WFOEs to constitute the liquidation group and manage the asset of 2021 VIEs. Further 2021 VIEs and their shareholders covenant that they shall appoint persons designated by 2021 WFOEs as directors, supervisors and/or senior management of 2021 VIEs, and/or remove the incumbent directors, supervisors and/or senior management of 2021 VIEs at 2021 WFOEs' request and complete all relevant filing procedures.

*Proxy Agreement and Powers of Attorney*

Pursuant to the respective powers of attorney executed by each of 2021 VIEs' shareholders, each of 2021 VIEs' shareholders irrevocably authorized 2021 WFOEs or their designee(s) to act on their respective behalf as proxy attorney and at such person's own will, to the extent permitted by law, to exercise all rights of shareholders concerning all the equity interest held by each of them in 2021 VIEs, including but not limited to proposing to convene or attend shareholder meetings, signing relevant resolutions, nominating, voting and appointing on shareholder meetings, receiving dividends and selling, transferring, pledging or disposing of all the equity held in part or in whole, and exercising all other rights as shareholders. The powers of attorneys shall remain valid for the duration of the exclusive management services and business cooperation agreement.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements* - continued

*Consent Letters*

Pursuant to consent letters executed by the spouse of each 2021 VIEs' shareholder, the spouse of each 2021 VIEs' shareholder confirms that she is aware of and consents to the execution of the exclusive management services and business cooperation agreement, the exclusive call option agreement, the powers of attorney and the equity pledge agreement (collectively, the "Transaction Documents") by her spouse, and agrees the disposal of the equity interests in 2021 VIEs in accordance with the Transaction Documents. Spouses covenant that they will not take any action at any time to hinder the disposal arrangement of such equity interest, including but not limited to claiming that the said equity interest belongs to her joint property with her spouse, and confirm that their spouses may further amend or terminate the Transaction Documents without the need for authorization or consent by them and they will execute all documents and take all actions necessary to ensure that the Transaction Documents (as amended from time to time) are properly performed. In addition, the spouse of each 2021 VIEs' shareholder undertakes to unconditionally and irrevocably waive any rights or interests in the equity and corresponding assets of 2021 VIEs that may be granted to her, she will be bound by Transaction Documents as amended from time to time if she has obtained any equity interests, directly or indirectly, in 2021 VIEs for whatever reasons.

*Risks in relation to VIE structure*

The Company believes that the contractual arrangements with the VIEs and VIE's shareholders are in compliance with existing PRC laws and regulations and are legally enforceable. However, the contractual arrangements are subject to risks and uncertainties, including:

The VIEs and VIEs' shareholders may have or develop interests that conflict with the Group's interests, which may lead them to pursue opportunities in violation of the aforementioned contractual agreements. If the Group cannot resolve any conflicts of interest or disputes between the Group and the shareholders of the VIEs, the Group would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The VIEs and VIE's shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIEs or the Group, mandate a change in ownership structure or operations for the VIEs or the Group, restrict the VIEs or the Group's use of financing sources or otherwise restrict the VIEs or the Group's ability to conduct business.

The PRC government may declare the aforementioned contractual arrangements invalid. They may modify the relevant regulations, have a different interpretation of such regulations, or otherwise determine that the Group or the VIEs have failed to comply with the legal obligations required to effectuate such contractual arrangements.

If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government may restrict or prohibit the Group's business and operations in China.

The Group's ability to conduct its business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Group may not be able to consolidate the VIEs and VIEs' subsidiaries in the consolidated financial statements as the Group may lose the ability to exert effective control over the VIEs and VIEs' shareholders, and the Group may lose the ability to receive economic benefits from the VIEs.

The Group's business has been directly operated by the VIEs and their subsidiaries. As of December 31, 2020 and 2021, the VIEs and VIEs' subsidiaries accounted for an aggregate of 24% and 31% of the Group's consolidated total assets, respectively, and 67% and 54% of the Group's consolidated total liabilities, respectively.

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

*The VIE arrangements* - continued

*Risks in relation to VIE structure* - continued

The following financial position and financial performance of the VIEs and VIEs' subsidiaries after the elimination of inter-company transactions and balances as of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021 was included in the accompanying consolidated financial statements:

	As of December 31,	
	2020	2021
	RMB	RMB
Cash and cash equivalents	419,970	239,520
Restricted cash	170	—
Prepaid expenses and other current assets	175,002	115,333
<b>Total current assets</b>	<b>595,142</b>	<b>354,853</b>
Property and equipment, net	80,919	33,854
Right-of-use asset	110,939	89,853
Other non-current assets	30,475	8,138
<b>Total non-current assets</b>	<b>222,333</b>	<b>131,845</b>
<b>Total assets</b>	<b>817,475</b>	<b>486,698</b>
Accrued expenses and other current liabilities	213,481	93,115
Deferred revenue and customer advances, current	571,827	239,267
Operating lease liabilities, current	46,835	29,113
<b>Total current liabilities</b>	<b>832,143</b>	<b>361,495</b>
Operating lease liabilities, non-current	56,427	57,906
Deferred revenue and customer advances, non-current	1,982	—
<b>Total non-current liabilities</b>	<b>58,409</b>	<b>57,906</b>
<b>Total liabilities</b>	<b>890,552</b>	<b>419,401</b>

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Net revenues	362,282	1,229,126	2,166,327
Net (loss) income	(99,973)	301,096	797,867

The following are cash flows of the VIEs and VIEs' subsidiaries for the years ended December 31, 2019, 2020 and 2021:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Net cash generated from (used in) operating activities	159,753	347,773	(137,607)
Net cash used in investing activities	(38,396)	(85,788)	(61,413)
Net cash generated from (used in) financing activities	9,000	(9,000)	18,400

For the years ended December 31, 2019, 2020 and 2021, for all of the VIEs and VIEs' subsidiaries, excluding inter-company transactions:

- (1) the cash generated from operating activities were RMB175,354, RMB685,530 and RMB581,190, respectively;
- (2) the cash used in investing activities were RMB38,396, RMB85,788 and RMB59,413, respectively; and
- (3) the cash generated from (used in) financing activities were RMB9,000, RMB(9,000) and nil, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*The VIE arrangements - continued*

*Risks in relation to VIE structure - continued*

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and which can only be used to settle the VIEs' obligations as of December 31, 2021. No creditors (or beneficial interest holders) of the VIEs have recourse to the general credit of the Company or any of its consolidated subsidiaries. No terms in any arrangements, considering both explicit arrangements and implicit variable interests, require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever needs financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to the VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

*Foreign currency translation and transactions*

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the subsidiaries incorporated outside the mainland China is United States dollar ("US dollar" or "US\$"). The functional currency of all the other subsidiaries, the VIEs and VIEs' subsidiaries is RMB.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Revenues and expenses are translated using the average rate of exchange in effect during the reporting period. Translation adjustments are reported and shown as a separate component of other comprehensive loss in the consolidated statements of changes in shareholders' equity and the consolidated statements of comprehensive loss.

Transactions in currencies other than the functional currencies during the year are converted into the applicable functional currencies at the applicable rates of exchange prevailing at the dates of the transactions. Transaction gains and losses are recorded in the consolidated statements of operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Convenience translation***

The Group's business is primarily conducted in China and all of the revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into US dollars using the exchange rate as of balance sheet date, for the convenience of the readers. Translations of balances in the consolidated balance sheets and the related consolidated statements of operations, comprehensive loss, change in shareholders' equity and cash flows from Renminbi ("RMB") into US dollars as of and for the year ended December 30, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.3726 representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 30, 2021, or at any other rate.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand, which have original maturities of three months or less when purchased and are subject to insignificant risk of changes in value.

***Fair value***

Fair value is considered to be the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

***Financial instruments***

The Group's financial instruments consist primarily of cash and cash equivalents, restricted cash and receivables from third party payment platforms.

As of December 31, 2020 and 2021, the carrying values of cash and cash equivalents, restricted cash and receivable from third party payment platforms approximated their fair values reported in the consolidated balance sheets due to the short-term maturities of these instruments.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Property and equipment, net***

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	Estimated useful life
Electronic equipment	3 to 5 years
Leasehold improvement	Shorter of the lease term or estimated economic life
Software	3 to 5 years
Furniture and office equipment	5 years

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of operations.

***Impairment of long-lived assets***

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets. The impairment of the long-lived assets incurred was nil, nil and RMB104,651 for the years ended December 31, 2019, 2020 and 2021, respectively.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Revenue recognition***

Revenue is recognized when control of promised goods or services is transferred to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group follows the five steps approach for revenue recognition under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Group satisfies a performance obligation.

The Group's revenue is reported net of discount, value added tax and related surcharges. The Group began to provide online K-12 tutoring services in 2017, which became a major revenue stream in 2019, 2020 and 2021. The Group ceased offering such K-12 tutoring services by the end of December 2021 as described in Note 1. The primary sources of the Group's revenues for the years ended December 31, 2019, 2020 and 2021 were as follows:

*(1) Online K-12 tutoring services*

The Group offered various types of online K-12 tutoring services. The Group's online K-12 tutoring services consisted of several components, including online live broadcasting classes, provisioning of teaching material, academic assessment and evaluation of learning outcomes during the period. Different service components were highly interdependent and interrelated in the context of the contract with the live interactive tutoring services because the service components were all designed specifically for each class and were not be able to fulfill the service promise if transferred independently to the customers. Therefore, the Group had determined that the live interactive tutoring services represent one performance obligation. The service period for the live interactive tutoring services was generally less than four months.

The Group also offered the customers a content playback service once each of the live tutoring class was delivered. In the content playback service, the customers had unlimited access to recorded audio-video content of the previous live tutoring classes for three years. No other interactions or activities were provided during the playback period.

The Group determined that the live interactive tutoring service and content playback service were two separate performance obligations under ASC 606, as these two deliverables were distinct, customers could benefit from each other on their own and the Group's promises to deliver the services were separately identifiable from each other in the contract.

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

**Revenue recognition** - continued

*(1) Online K-12 tutoring services* - continued

Tutoring fees were collected in advance. The Group determined that there was not a significant financing component based on the nature of the service offered and the purpose of the payment terms. Students were offered a full, unconditional refund if students withdraw 30 minutes before the start of the third class. The Group also offered refunds for any remaining undelivered classes to students who withdraw from the courses. The refund was equal to the amount related to the undelivered classes.

The Group provided incentives to customers. The Group distributed cash coupons to attract both existing and prospective students to enroll in future classes. The students could redeem the cash coupons as a reduction to the payment for future online K-12 tutoring services. The coupon did not constitute material right as it was granted independently to the purchase of a course with the Group and is accounted for as a reduction of transaction price when the coupons were redeemed.

The Group determined the transaction price to be earned by estimating the refund liability based on historical refund ratio on a portfolio basis using the expected value method, and allocated the tutoring fee excluding the estimate for refund liability to each performance obligation using the relative stand-alone selling price. The Group determined the stand-alone selling prices for live interactive tutoring services and content playback service using an expected cost-plus margin methodology.

Revenue related to the live interactive tutoring service was recognized proportionately as the online classes were delivered, as the Group concluded that the delivery of each online class represented a faithful depiction of when the services were provided to the students. Revenue related to the right to access the content playback was recognized proportionally over the playback period, as the Group concluded that the content playback service represented a stand ready obligation to provide the playback services and the customer simultaneously received and consumed the benefits as the Group provided such services throughout the playback period. The revenue related to the content playback service was not material.

*(2) Other services*

Net revenues from other services in 2019, 2020 and 2021 consisted primarily of the subscription fees the Group charged for its membership-based premium educational content, with subscription periods ranging from 15 days to one year. The Group has determined that the membership-based premium educational content subscription services represent a performance obligation. The Group collects the content subscription fee in advance and records it as deferred revenue. Refunds are offered for the remaining undelivered services, which is accounted for as variable consideration similar to the online K-12 tutoring service business. Revenue is recognized ratably over the contract period as the Group concluded that the subscription services represent a stand ready obligation to provide the services while the member simultaneously receives and consumes the benefits of such services throughout the contract period.

In September 2021, as part of the business transformation described in Note 1, the Group started to offer teaching and learning SaaS solutions and services to regional education authorities, which contributed insignificant amount of other services revenue for the year ended December 31, 2021.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Revenue recognition - continued*

*Contract and refund liabilities*

The following table provides information about the Group's contract and refund liabilities arising from contract with customers.

	As of December 31,	
	2020	2021
	RMB	RMB
Deferred revenue and customer advances-current	596,307	243,878
Deferred revenue and customer advances-non current	1,982	—
Refund liabilities	<u>22,869</u>	<u>5,559</u>

Deferred revenue and customer advances as of December 31, 2020 primarily consisted of online K-12 tuition fees received from customers for which the Group's revenue recognition criteria have not been met. The deferred revenue and customer advances as of December 31, 2021 were primarily consisted of the cash advances generated from a new personalized self-directed learning product launched in December 2021. There was no revenue recognized from this new product for the year ended December 31, 2021 as the new product and related services were scheduled for delivery starting from January 2022.

The deferred revenue has been recognized as revenue when the related service was delivered. For the years ended December 31, 2020 and 2021, revenue recognized that was included in the deferred revenue balance at January 1, 2020 and January 1, 2021 amounted to RMB243,521 and RMB596,307, respectively.

Refund liabilities represent the customer advances collected by the Group which it expects to refund back to its customer as a result of its refund policy. Refund liabilities are estimated based on the anticipated cash refund that would occur in the normal course of business.

The Group's remaining performance obligations represents the amount of the transaction price for which service has not been performed. As of December 31, 2021, the aggregate amount of the transaction price allocated for the remaining performance obligations amounted to RMB243,878. The Group expects to recognize revenue of RMB243,878 related the remaining performance obligations over the next 12 months.

The Group elected to apply the practical expedient to expense incremental costs of obtaining a contract when incurred as the amortization period of the contract cost that the Group otherwise would have amortized is generally less than one year.

*Disaggregation of revenue*

For the years ended December 31, 2019, 2020 and 2021, all of the Group's revenues were generated in the PRC. Additionally, all the revenues for the period were recognized from contracts with customers. The following table provides information about disaggregated revenue by types:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Online K-12 tutoring services	359,568	1,218,564	2,128,610
Other services	46,677	75,807	55,910
<b>Total net revenues</b>	<u><b>406,245</b></u>	<u><b>1,294,371</b></u>	<u><b>2,184,520</b></u>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Cost of Revenue***

Cost of revenues mainly consists of salaries, welfare and service fees for instructors and tutors, rental expenses for office space, depreciation and amortization of property and equipment, teaching materials and bandwidth costs. The compensations for instructors consist of base salary, as well as teaching fees based on hourly rates and the numbers of students enrolled in connection with courses delivered. The compensation of tutors consists of base salary and performance-based compensation, which is determined based on student retention and exercise completion. The Group accrues on a monthly basis for the cost of tutors which includes base salary, compensation for exercise marking as well as student retention bonus. The retention bonus is estimated by using the expected number of successful recurring course purchase, multiplied by the bonus rate.

***Research and development expenses***

Research and development expenses primarily consist of (i) salaries and benefits for development of course content, product and technology development personnel, and (ii) office rental, general expenses and depreciation expenses associated with the research and development activities. The Group's research and development activities primarily consist of the development and enhancement of the Group's educational content, applications and platforms. The Group has expensed all research and development expenses when incurred.

***Sales and marketing expenses***

Sales and marketing expenses primarily consist of (i) teaching materials and gifts provided for promotional online courses, (ii) salaries, benefits and commission for sales and marketing personnel, (iii) office rental, general expenses and depreciation and amortization expenses associated with the sales and marketing activities.

The Group expenses advertising costs as incurred. Total advertising costs incurred were RMB2,644, RMB163,768 and RMB76,456 for the years ended December 31, 2019, 2020 and 2021, respectively.

***Value added taxes ("VAT")***

The Group's services are subject to VAT at the rate of 3% for small-scale-VAT-payer entities or at the rate of 6% for general-VAT-payer entities in accordance with relevant PRC tax rules.

***Leases***

The Group leases offices in different cities in the PRC under operating leases. The Group determines whether an arrangement constitutes a lease at inception and records lease liabilities and right-of-use assets on its consolidated balance sheets at the lease commencement. The Group measures its lease liabilities based on the present value of the total lease payments not yet paid discounted based on its incremental borrowing rate, as the rates implicit in its leases are not determinable. The Group's incremental borrowing rate is the estimated rate the Group would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. The Group estimates its

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incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to its own. The Group measures right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. The Group begins recognizing rent expense when the lessor makes the underlying asset available to the Group. The Group's leases have remaining lease terms of up to four years, some of which include options to extend the leases for an additional period which has to be agreed with the lessors based on mutual negotiation. After considering the factors that create an economic incentive, the Group did not include renewal option periods in the lease term for which it is not reasonably certain to exercise.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Leases - continued***

For short-term leases, the Group records operating lease expense in its consolidated statements of operations on a straight-line basis over the lease term.

Amendments to a lease are assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the modification using an incremental borrowing rate based on the information available at the commencement date. For modified leases the Company also reassesses the lease classification as of the effective date of the modification.

***Income taxes***

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes are classified as a component of the provisions for income taxes.

***Share-based compensation***

The Company grants share options and restricted shares ("RSs") to its employees and external consultants (together, "Share-Based Awards").

The Group measures the cost of the Share-Based Awards based on the grant date fair value of the awards and recognizes compensation cost over the vesting period, which is generally the requisite service period as required by the award agreement. When no future services are required to be performed by the employee in exchange for an award of equity instruments, the cost of the award is expensed on the grant date. The Group elects to recognize forfeitures when they occur.

The cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the awards. The incremental compensation cost is measured as the excess of the fair value of the modified award over the fair value of the modified award at the modification date. The incremental portion of share-based compensation for the vested portion is recognized immediately and the incremental portion of share-based compensation for the nonvested portion is recognized over the remaining vesting period of the award. If an award is canceled without the concurrent grant of a replacement award or any other consideration, unrecognized compensation cost related to the canceled award is recognized immediately upon cancellation.

For awards granted with a performance condition that affects vesting, the performance condition is not considered in determining the award's grant-date fair value; however, the performance condition is considered when estimating the quantity of awards that are expected to vest. No compensation expense is recorded for awards with a performance condition unless and until the performance condition is determined to be probable of achievement.

***Comprehensive loss***

Comprehensive loss includes net loss and foreign currency translation adjustments. Comprehensive loss is reported in the consolidated statements of comprehensive loss.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Net loss per share***

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, any net income is allocated between ordinary shares and other participating securities based on their participating rights. Net loss is not allocated to participating securities when the participating securities do not have a contractual obligation to share losses.

The Company's preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis. The preferred shares have no contractual obligation to fund or otherwise absorb the Group's losses. The Company determined that the nonvested Repurchase Right Restricted Shares (as defined in Note 8) are participating securities as the holders of the nonvested Repurchase Right Restricted Shares have a nonforfeitable right to receive dividends with all ordinary shares but the nonvested Repurchase Right Restricted Shares do not have a contractual obligation to fund or otherwise absorb the Company's losses. Accordingly, any undistributed net income is allocated on a pro rata basis to the ordinary shares, preferred shares and nonvested Repurchase Right Restricted Shares; whereas any undistributed net loss is allocated to ordinary shares only.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the accretion and allocation of net income related to the preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, and ordinary shares issuable upon the vesting of nonvested restricted shares or exercise of outstanding share option and warrants (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

***Significant risks and uncertainties***

***Foreign currency risk***

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the Peoples Bank of China, controls the conversion of RMB into other currencies. The value of the RMB is subject to changes in central government policies, international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The Group's cash and cash equivalents and restricted cash denominated in RMB amounted to RMB697,267 and RMB555,219 as of December 31, 2020 and 2021, respectively.

***Concentration of credit risk***

Financial instruments that potentially expose the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash and receivables from third party payment platforms. As of December 31, 2020 and 2021, substantially all of the Group's cash and cash equivalents and restricted cash were deposited in financial institutions with high credit rating.

There are no revenues from customers which individually represent greater than 10% of the total net revenues for the years ended December 31, 2019, 2020 and 2021.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Recently issued accounting pronouncements not yet adopted***

In November 2021, the FASB issued ASU No. 2021- 10, Government Assistance (Topic 832). This ASU requires business entities to disclose information about government assistance they receive if the transactions were accounted for by analogy to either a grant or a contribution accounting model. The disclosure requirements include the nature of the transaction and the related accounting policy used, the line items on the balance sheets and statements of operations that are affected and the amounts applicable to each financial statement line item and the significant terms and conditions of the transactions. The ASU is effective for annual periods beginning after December 15, 2021. The disclosure requirements can be applied either retrospectively or prospectively to all transactions in the scope of the amendments that are reflected in the financial statements at the date of initial application and new transactions that are entered into after the date of initial application. The Group has evaluated the effect of the adoption of this ASU and does not expect there will be a material impact on its consolidated financial statements from the adoption of the new guidance.

**3. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
Prepaid VAT	71,418	79,434
Prepaid other service fees <sup>(1)</sup>	54,128	37,339
Receivables from third party payment platforms <sup>(2)</sup>	7,402	23,100
Deposits <sup>(3)</sup>	11,217	9,968
Prepaid rental expenses <sup>(4)</sup>	6,606	6,909
Prepaid advertising expenses	52,114	—
Others	8,563	5,076
	<u>211,448</u>	<u>161,826</u>

- (1) Prepaid other service fees mainly consisted of the prepayments for the purchase of promotion gifts, learning materials and the prepayments for third-party educational content subscription fee. The nature of such prepayment was generally short-term.
- (2) Receivables from third-party payment platforms consisted of cash that had been received from customers but held by the third-party payment platforms. The Group subsequently collected the full balances from the third-party payment platforms.
- (3) Deposits mainly consisted of property management deposits and rental deposits. During the year ended December 31, 2021, RMB16,643 impairment loss was recorded in relation to the rental deposits.
- (4) The prepaid rental expenses balance represented the prepaid rental expenses for short-term leases.

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**4. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
Electronic equipment	127,650	183,893
Leasehold improvement	47,988	40,697
Software	18,683	18,804
Furniture and office equipment	7,980	11,832
<b>Total</b>	<b>202,301</b>	<b>255,226</b>
Less: accumulated depreciation	(97,078)	(127,986)
Less: accumulated impairment loss	—	(57,429)
	<u>105,223</u>	<u>69,811</u>

Depreciation expenses were RMB22,675, RMB39,700 and RMB64,756 for the years ended December 31, 2019, 2020 and 2021, respectively. During the year ended December 31, 2021, RMB91,016 impairment loss was recorded in relation to the leasehold improvements of selected office spaces and electronic equipment while the Group exited the online K-12 tutoring services. The Group had disposed certain impaired property and equipment for the year ended December 31, 2021.

**5 OPERATING LEASES**

The Group's leases consist of operating leases for administrative office located in different cities in the PRC. Certain leases include rental escalation clauses with fixed rate rent increase over the term of the lease, which is factored into the Group's determination of lease payments. As of December 31, 2020 and 2021, the Group has no finance lease.

The components of lease expense for the years ended December 31, 2019, 2020 and 2021 were as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Operating lease cost	45,339	72,020	114,168
Lease cost for leases with terms less than one year	10,451	26,684	36,110
<b>Total lease cost</b>	<b>55,790</b>	<b>98,704</b>	<b>150,278</b>

For the years ended December 31, 2019, 2020 and 2021, there is no variable lease cost and sublease income recognized in the consolidated financial statements of the Group.



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**5 OPERATING LEASES - continued**

The following is a maturity analysis as of December 31, 2020 and 2021:

	As of December 31,	
	2020	2021
	RMB	RMB
2021	81,421	—
2022	69,726	75,134
2023	38,476	59,198
2024	14,807	22,577
2025	7,176	7,176
Less: imputed interest	(24,090)	(16,871)
<b>Total</b>	<b>187,516</b>	<b>147,214</b>

The following table provides a summary of the Group's lease terms and discount rates for the years ended December 31, 2019, 2020 and 2021:

	Year ended December 31,		
	2019	2020	2021
Weighted average remaining lease term (years)	1.88	3.04	2.60
Weighted average discount rate (percentage)	6.29	8.58	9.35

Supplemental information related to the Group's operating leases for the years ended December 31, 2019, 2020 and 2021 were as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Cash paid for operating leases	46,990	70,458	94,641

During the year ended December 31, 2021, RMB13,635 impairment loss was recorded in relation to the right-of-use assets of selected leased office spaces while the Group exited the online K-12 tutoring services.

**6. OTHER NON-CURRENT ASSETS**

Other non-current assets consisted of the followings:

	As of December 31,	
	2020	2021
	RMB	RMB
Prepayment for purchase of property and equipment	19,799	7,886
Rental deposits	13,875	5,674
Others	4,108	363
	<b>37,782</b>	<b>13,923</b>

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**7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

The components of accrued expenses and other current liabilities were as follows:

	As of December 31,	
	2020	2021
	RMB	RMB
Salary and welfare payable	215,551	234,209
Accrued operating expenses (1)	133,096	82,625
Payables for paid and promotional courses (2)	141,163	50,698
Payable for acquisitions of property and equipment	13,024	10,229
Other tax payable	4,400	8,973
Refund liabilities (3)	22,869	5,559
Payable related to IPO issuance cost	9,684	—
	539,787	392,293

- (1) Accrued operating expenses mainly represented free gifts to users of in-school products, technical support expenses and other operating expenses.
- (2) Payables for paid and promotional courses mainly consisted of payables for teaching materials and human resource service fee to third-party service providers in relation to the online K-12 services.
- (3) Refund liabilities represented the estimated amounts of fee received for services and products that is estimated to be refunded as described in Note 2.

**8. SHARE-BASED COMPENSATION**

**2015 Share Option Plan**

On March 9, 2015, the Group adopted the 2015 Share Option Plan ("2015 Plan"), under which the maximum number of shares that may be granted is 59,899,375 shares. The vesting schedules ranged from two to five years with the options vesting on various dates during the vesting period.

**2018 Share Option Plan**

On January 12, 2018, the Group adopted the 2018 Share Option Plan ("2018 Plan"), under which the maximum number of shares that may be granted is 25,703,602 shares. The vesting schedules under the 2018 Plan are the same as the 2015 Plan.

**2020 Share Incentive Plan**

On November 12, 2020, the Group adopted the 2020 Share Incentive Plan, which was subsequently amended on March 8, 2022 ("2020 Plan"), under which the maximum number of shares that may be granted is initially 20,521,221 shares, plus an annual increase on the first day of each fiscal year of the Company during the term of the 2020 Plan commencing with the fiscal year beginning January 1, 2021, by an amount equal to 2.0% of the total number of issued and outstanding shares, on an as-converted and fully diluted basis, on the last day of the immediately preceding fiscal year and the number of ordinary shares repurchased by the Group from time to time pursuant to share repurchase programs of the Group, or such lesser number as determined by the chief executive officer of the Group. On November 1, 2021, the Group approved a share repurchase program, under which the Group may repurchase up to US\$10,000 thousand of ordinary shares (including in the form of American Depositary Shares) over the following 12 months. The share repurchase program was publicly announced on November 2, 2021 and as of December 31, 2021, the Group had not repurchased any ordinary shares under the share repurchase program.

The vesting schedules under the 2020 Plan shall be determined by the plan administrator, which is specified in the relevant award agreements.

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**8. SHARE-BASED COMPENSATION - continued**

The following table summarized the Group's share option activities for the year ended December 31, 2021:

	Number of options	Weighted average exercise price US\$	Weighted average remaining contract life	Weighted average grant date fair value US\$	Aggregate intrinsic value US\$
<b>Outstanding as of January 1, 2021</b>	44,090,965	0.19	5.62	0.91	217,347,100
Granted	24,966,000	0.0014		2.61	
Forfeited	(11,552,558)	0.0014		3.34	
Exercised	(22,744,448)	0.07		0.35	
<b>Outstanding as of December 31, 2021</b>	<b>34,759,959</b>	<b>0.20</b>	<b>7.36</b>	<b>0.30</b>	<b>3,210,349</b>
Vested and expect to vest as of December 31, 2021	34,759,959	0.20	7.36	0.30	3,210,349
<b>Exercisable as of December 31, 2021</b>	<b>12,708,983</b>	<b>0.54</b>	<b>4.48</b>	<b>0.82</b>	<b>482,247</b>

In determining the fair value of the share options, the binomial option pricing model was applied. The key assumptions used to determine the fair value of the options at the respective grant dates in 2019, 2020 and 2021 were as follows:

<u>Grant date</u>	<u>For the years ended December 31,</u>		
	2019	2020	2021
Expected volatility	50.1%~50.8%	50.1%~50.9%	45.6%~50.2%
Risk-free interest rate	3.2%~3.3%	2.7%~3.2%	2.9%~3.1%
Exercise multiples	2.2~2.8	2.2~2.8	2.2~2.8
Expected dividend yield	0.0%	0.0%	0.0%
Life of options	10 years	10 years	10 years
Fair value of underlying ordinary shares	\$1.32~\$1.52	\$1.52~\$4.20	\$1.12~\$5.32

(1) Expected volatility

The volatility of the underlying ordinary shares during the lives of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(2) Risk-free interest rate

Risk-free interest rate was estimated based on the daily treasury long term rate of the U.S. Treasury Department with a maturity period close to the expected term of the options, plus the country default spread of China.

(3) Exercise multiples

Exercise multiple represents the value of the underlying share as a multiple of exercise price of the option which, if achieved, results in exercise of the option.

(4) Dividend yield

The dividend yield was estimated by the Group based on its expected dividend policy over the expected term of the options.

(5) Life of options

Life of options was extracted from option agreements.

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8. **SHARE-BASED COMPENSATION** - continued

(6) Fair value of underlying ordinary shares

Prior to the IPO, the estimated fair value of the ordinary shares underlying the options as of the respective grant dates was determined based on a valuation with the assistance of a third-party appraiser. After the completion of the IPO in December 2020, the fair value of the underlying ordinary shares is determined based on the closing market price of the share.

The Group recorded compensation expense of RMB46,122, RMB133,975 and RMB101,303 for the years ended December 31, 2019, 2020 and 2021, respectively related to share options.

As of December 31, 2020 and 2021, the unrecognized compensation expense related to share options amounted to RMB208,844 and RMB280,092, respectively, which will be recognized over a weighted-average period of 3.86 years and 3.46 years, respectively.

Repurchase of vested options

During 2019 and 2020, the Company voluntarily repurchased employees' vested options upon the termination of their employment in cash. Those options were subsequently cancelled. Cash payments amounting to RMB1,355 and RMB528 were made during the years ended December 31, 2019 and 2020, respectively. The Group recorded the cash payment made amounting to the fair value of the vested option repurchased at the repurchase date directly to equity. The Group recorded any excess of the repurchase price over the fair value of the vested options repurchased as additional compensation cost. No such transaction was occurred for the year ended December 31, 2021.

Modification of options

In March 2020, the Company's board of directors approved to modify certain terms for all outstanding options granted to employees of the Group as of March 2020. Upon entering into the amended option agreement, the exercise price of all the options was decreased to US\$0.0014 per share. The vesting schedules of all those options remained unchanged. The Company accounted for this as a modification, resulting a total incremental cost of RMB239,044.

In addition to the decrease of the exercise price, the exercisability of certain of those options was also modified such that certain of those options will not be exercisable until 180 days after the completion of an IPO. This change resulted in a probable to improbable (Type II) modification as the IPO was a performance condition that the Company anticipated would not be satisfied until occurrence. Accordingly, the incremental cost related to those options, amounting to RMB84,648 was not be recognized unless and until the performance condition becomes probable. The Company continues to recognize compensation cost equal to the award's original grant-date fair value when the original vesting conditions are satisfied, regardless of whether the modified IPO condition is met.

Upon the completion of the IPO in December 2020, the Company recorded compensation expense amounting to RMB48,683 related to this modification.

For the remaining options, the total incremental cost as a result of the modification amounted to RMB154,396. RMB39,766 was recognized on the date of modification, and the remaining is recognized ratably over the remaining vesting period of the award.

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**8. SHARE-BASED COMPENSATION - continued**

Employee Benefit Trust

The Company established three trusts, namely, 17 Prosperity Limited, Alouette Limited, and Great Merit Group Limited, which are controlled by the Company as vehicles to hold shares that will be used to provide incentives and rewards to management team members who contribute to the success of the Company's operations (the "Shareholding Platforms"). The Shareholding Platforms have no activities other than administering the incentive programs and do not have any employees. On behalf of the Company and subject to approvals from its board of directors, advisory committee was set up for each Shareholding Platform, who holds the authority and responsibility to process the eligible participants to whom awards will be granted, the number of shares, the terms and conditions of such awards.

In June and October 2020, the Group granted 32,855,200 restricted shares to certain management (the "Selected Management") to replace options previously granted under the 2015 and 2018 plan. The purchase price of the restricted shares of US\$0.0014 per share is the exercised price of the original options and was paid by the Selected Management at the time the restricted shares were granted. The vesting and other requirements imposed on the restricted shares were the same as those under the original option granted. As a result, the Group accounted for the issuance of restricted shares in exchange of the options of the Selected Management as a modification. Incremental compensation expense as a result of this modification was immaterial.

The restricted shares received by the Selected Management were immediately transferred to the Shareholding Platforms. All shareholder rights of the nonvested restricted shares, including but not limited to voting rights and dividend rights, are unconditionally waived until the shares are vested. As a result, all nonvested shares held by the Shareholding Platforms are solely for purpose of future issuance to employees once they vest, and have been treated as treasury shares in the consolidated financial statements.

The following table summarized the Group's activities of restricted shares held by the Shareholding Platform for the year ended December 31, 2021:

	Number of Restricted Shares	Grant date fair value per share US\$
<b>Outstanding as of January 1, 2021</b>	18,528,369	3.2
Granted	—	—
Vested	(5,104,167)	2.9
Forfeited	(2,291,667)	3.6
<b>Outstanding as of December 31, 2021</b>	<u>11,132,535</u>	<u>3.3</u>

The share-based compensation expenses recognized for these restricted shares held by the Shareholding Platform for the years ended December 31, 2019, 2020 and 2021, were nil, RMB44,625 and RMB93,911, respectively.

As of December 31, 2020 and 2021, the unrecognized compensation expense related to the restricted shares held by the Shareholding Platform amounted to RMB331,840 and RMB173,888, respectively, which will be recognized over a weighted-average period of 3.38 years and 2.60 years, respectively.

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8. SHARE-BASED COMPENSATION - continued

Restricted shares to Mr. Andy Chang LIU, the founder, chairman and Chief Executive Officer of the Group (the "Founder").

- (1) As one of the conditions to the closing of the Series D Preferred Shares, the Company entered into a restricted share purchase agreement with the Founder. Pursuant to this agreement, the Company issued an aggregate 25,449,238 ordinary shares at a par value of \$0.0001. 17,920,282 shares were issued to replace the same amount of nonvested options previously granted in 2014, which were cancelled in full. The remaining 7,528,956 shares were newly granted. The Company has the option to repurchase the ordinary shares held by the Founder at par value of the ordinary shares in the event of voluntary or involuntary termination of employment of the Founder (the "Repurchase Right"). The Repurchase Right functions as a forfeiture provision. The restricted share ("the Repurchase Right Restricted Shares") are released from the Company's Repurchase Right over 48 equal monthly installments starting from the grant date. Additionally, in accordance with the restricted share purchase agreement, all restricted shares granted to the Founder will be released from the Repurchase Right and other restrictions upon the earlier of (i) a qualified public offering of the Company, (ii) a trade sale of the Company pursuant to which the equity valuation of the Company immediately prior to such trade sale being not less than \$1,200,000, or (iii) the completion of any equity financing of the Company from any third party pursuant to which the pre-money equity valuation of the Company immediately prior to the completion of such financing is not less than \$1,200,000. The Founder is entitled to cash dividend on the nonvested restricted shares.

The Company accounted for the above transaction as a modification and measured the fair value of the restricted shares of the Founder at the grant date. The Company recognized any unrecognized compensation cost remaining from the original nonvested shares as well as any incremental cost at the time of the modification over the remaining portion of the modified award. Prior to the IPO, the Company assessed the occurrence of the acceleration conditions described in the preceding paragraph and concluded that those were not probable to occur during the 4 years following the date of grant.

Upon the completion of the IPO, all restricted shares granted to the Founder were released from the Repurchase Right upon the occurrence of the acceleration condition, the remaining unrecognized compensation expenses was recognized immediately in December 2020.

- (2) On January 12, 2018, in connection with the issuance of Series E convertible redeemable preferred shares, the Company granted an aggregate 12,851,801 nonvested restricted shares to the Founder with a par value of \$0.0001. The nonvested restricted shares vest in three equal installments on the closing date of the issuance of Series E convertible redeemable preferred shares, the first anniversary and the second anniversary of the closing date. If an IPO of the Company occurs prior to first or second anniversary of the closing date, any ordinary shares not then issued will be fully issued to the Founder immediately prior to the completion of the IPO. The nonvested restricted shares have no voting and dividend rights.

On January 16, 2019, the Founder waived his right to receive the third installment shares amounting to 4,283,934. The Company accounted for the above as a cancellation of the award. Any remaining unrecognized compensation cost, amounting to RMB42,910, was recognized at the cancellation date.

- (3) In November 2020, the Group granted 5,130,305 restricted share units under the 2020 Plan to the Founder for no consideration. Those shares became fully vested and converted to Class B ordinary shares upon the IPO.

Total share-based compensation expenses recognized for the restricted shares held by the Founder in 2019, 2020 and 2021 were RMB46,968, RMB140,706 and nil, respectively. As of December 31, 2021, the Founder held no restricted shares.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 and 2021**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

**8. SHARE-BASED COMPENSATION - continued**

*Restricted shares to Mr. Any Chang LIU, the founder, chairman and Chief Executive Officer of the Group (the "Founder") - continued*

In September 2020, the Founder and Mr. Dun XIAO, the former director of the Group repurchased an aggregate 4,135,320 Series E convertible redeemable preferred shares from one existing holder of Series E convertible redeemable preferred shares, for a total consideration of RMB105,644 (equivalent to US\$14,953) at a price of US\$3.6159 per share. The Company recorded RMB36,732 as compensations to the Founder and Mr. Dun Xiao for the year ended December 31, 2020, which represents the excess of the fair value of Series E convertible redeemable preferred shares at repurchase date over the repurchase price.

Total share-based compensation expense of share options and restricted shares recognized for the years ended December 31, 2019, 2020 and 2021 were as follows:

	For the years ended December 31		
	2019	2020	2021
	RMB	RMB	RMB
Sales and marketing expenses	8,737	35,077	25,776
Research and development expenses	22,508	68,688	60,002
General and administrative expenses	61,845	252,273	109,436
	<u>93,090</u>	<u>356,038</u>	<u>195,214</u>

**9. INCOME TAXES**

**Cayman Islands and the British Virgin Islands ("BVI")**

The Company and its subsidiary 17 Technology Limited are tax-exempted companies incorporated in Cayman Islands. Under the current laws of Cayman Islands, the Company and 17 Technology Limited are not subject to income, corporate or capital gains tax, and Cayman Islands currently have no form of estate duty, inheritance tax or gift tax. In addition, payments of dividends and capital in respect of their shares are not subject to taxation and no withholding will be required in the Cayman Islands on the payment of any dividend or capital to any holder of their shares, nor will gains derived from the disposal of their shares be subject to Cayman Islands income or corporation tax. No provision for income taxes in Cayman Islands has been made as the Company and 17 Technology Limited had no taxable income for the years ended December 31, 2019, 2020 and 2021.

The Company's subsidiaries, 17 Education World Limited, 17 Education Products Limited and 17 Inspire Limited are incorporated in BVI and are not subject to income tax.

**Hong Kong**

The Company's subsidiaries, Sunny Education (HK) Limited, 17 Vision Limited, 17 Glory Limited, and 17 Legend Limited are located in Hong Kong and are subject to an income tax rate of 8.25% for assessable profit up to HKD2,000,000 from April 2018 onwards, and an income tax rate of 16.5% on any part of assessable profits over HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during 2019, 2020 and 2021.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
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**9. INCOME TAXES - continued**

**PRC**

The Company's subsidiaries, the VIEs and the VIEs' subsidiaries, which were entities incorporated in the PRC (the "PRC entities"), are subject to PRC Enterprise Income Tax ("EIT") on their taxable income in accordance with the relevant PRC income tax laws, which have adopted a unified income tax rate of 25% since January 1, 2008. Shanghai Hexu qualified as a High and New Technology Enterprise ("HNTE") from 2016 to 2021 and accordingly was entitled to the 15% preferential tax rate during the period. Beijing Yiqi Education qualified as HNTE from 2021 to 2023 and accordingly was entitled to the 15% preferential tax rate during the period.

The income tax expenses in the consolidated statements of operations were nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

The principal components of deferred taxes were as follows:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<b>Deferred tax assets</b>			
Accrued expenses	9,231	12,142	13,757
Advertising expenses carrying forwards	—	24,202	24,485
Depreciation of property and equipment	853	388	775
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	11,140
Net operating loss carrying forwards	503,212	724,597	1,017,664
<b>Total deferred tax assets</b>	<b>513,296</b>	<b>761,329</b>	<b>1,067,821</b>
Less: valuation allowance	(513,296)	(761,329)	(1,067,821)
<b>Deferred tax assets, net</b>	<b>—</b>	<b>—</b>	<b>—</b>

As of December 31, 2021, the Group had net operating loss carried forward of RMB4,295,697 from the Group's PRC entities, which will expire on various dates from December 31, 2021 to December 31, 2031.

The reconciliation of the effective tax rate and the statutory income tax rate applicable to PRC operations was as follow:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Loss before provision for income taxes	(963,750)	(1,339,908)	(1,441,913)
Income tax benefit computed at an applicable tax rate of 25%	(240,938)	(334,977)	(360,478)
Effect of non-deductible expenses	3,738	11,540	5,083
Effect of research and development expenses super deduction	(10,740)	(24,037)	(19,199)
Effect of preferential tax rate	18,413	18,513	50,248
Effect on tax rates in different tax jurisdictions	20,473	80,928	17,854
Change in valuation allowance	209,054	248,033	306,492
	—	—	—

If the tax holidays granted to Shanghai Hexu and Beijing Yiqi Education were not available, there would be no income tax expenses incurred for the Group and no impact on the basic and diluted net loss per ordinary share attributable to the Company, for the three years ended December 31, 2021.



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**9. INCOME TAXES – continued**

**PRC - continued**

The movements of valuation allowance for the years end December 31, 2019, 2020 and 2021 were as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Balance at beginning of the period	304,242	513,296	761,329
Additions	209,054	248,033	306,492
Reversal	—	—	—
Balance at end of the period	<u>513,296</u>	<u>761,329</u>	<u>1,067,821</u>

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2019, 2020 and 2021.

The authoritative guidance requires that the Group recognizes the impact of a tax position in the financial statements if that position is more likely than not of being sustained upon audit by the tax authority, based on the technical merits of the position. Under PRC laws and regulations, arrangements and transactions among related parties may be subject to examination by the PRC tax authorities. If the PRC tax authorities determine that the contractual arrangements among related companies do not represent a price under normal commercial terms, they may make adjustments to the companies' income and expenses. A transfer pricing adjustment could result in additional tax liabilities. The Group did not have any significant unrecognized uncertain tax positions as of and for the years ended December 31, 2019, 2020 and 2021.

In addition, uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The New Enterprise Income Tax ("EIT") Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a rate of 25%.

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**10. ORDINARY SHARES**

The Company's Amended and Restated Memorandum of Association authorizes the Company to issue 509,631,372 ordinary shares with a par value of US\$0.0001 per share as of December 31, 2019. As of December 31, 2019, the Company had 57,864,058 ordinary shares issued and outstanding.

In December 2020, the Company completed its IPO and issued 78,775,000 Class A ordinary shares in form of American Depositary Shares. The net proceeds raised from the IPO and from exercising the over-allotment option by the underwriters were RMB2,023,593, net of issuance cost of RMB28,153. Upon the completion of the IPO, 77,884,733 ordinary shares outstanding then were re-designated to 27,867,521 Class A ordinary shares and 50,017,212 Class B ordinary shares.

During the year ended December 31, 2021, 27,848,615 Class A ordinary shares were issued in relation to the share-based compensation.

Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to thirty votes and is convertible into one Class A ordinary share. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

**11. NET LOSS PER SHARE**

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<b>Numerator:</b>			
Net loss attributable to ordinary shareholders	(1,564,285)	(4,177,899)	(1,441,913)
<b>Denominator:</b>			
Weighted average ordinary shares outstanding used in computing basic and diluted net loss per share	57,410,827	93,503,437	494,055,703
Basic and diluted loss per share	(27.25)	(44.68)	(2.92)

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. NET LOSS PER SHARE – continued**

For the years ended December 31, 2019, 2020 and 2021, the following shares outstanding were excluded from the calculation of diluted net loss per ordinary share, as their inclusion would have been anti-dilutive for the periods prescribed.

	Year ended December 31,		
	2019	2020	2021
Shares issuable upon exercise of share options	69,409,835	55,825,379	46,558,578
Shares issuable upon vesting of restricted shares	423,804	9,272,591	14,430,689
Shares issuable upon conversion of Series A convertible preferred shares	17,085,275	—	—
Shares issuable upon conversion of Series B convertible redeemable preferred shares	34,544,762	—	—
Shares issuable upon conversion of Series B+ convertible redeemable preferred shares	54,083,288	—	—
Shares issuable upon conversion of Series C convertible redeemable preferred shares	50,195,203	—	—
Shares issuable upon conversion of Series D convertible redeemable preferred shares	50,193,243	—	—
Shares issuable upon conversion of Series E convertible redeemable preferred shares	78,824,567	—	—
Warrants	4,959	—	—

**12. EMPLOYEE DEFINED CONTRIBUTION PLAN**

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund, unemployment insurance and other welfare benefits are provided to employees. Chinese labor regulations require that the Group's PRC entities make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amount for such employee benefits, which was expensed as incurred, was RMB132,728, RMB100,957 and RMB219,884 for the years ended December 31, 2019, 2020 and 2021, respectively.

**13. COMMITMENTS AND CONTINGENCIES**

*Operating lease commitment*

Upon the adoption of ASC 842, Leases on January 1, 2018, future minimum lease payments for operating lease liabilities as of December 31, 2020 and 2021 are disclosed in Note 5.

*Contingencies*

From time to time, the Group is subject to legal proceedings and claims incidental to the conduct of its business. The Group accrues the liability when the loss is probable and reasonably estimable.

**17 EDUCATION & TECHNOLOGY GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(In thousands of RMB and USD, except for share and per share data, or otherwise noted)**

**14. SEGMENT INFORMATION**

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("CODM") in deciding how to allocate resources and assess performance. The Group's CODM has been identified as the Chief Executive Officer ("CEO"), who reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only. The CODM reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only and does not distinguish between services for the purpose of making decisions about resources allocation and performance assessment. As such, the Group concluded that it has one operating segment and one reporting segment. The Group operates solely in the PRC and all of the Group's long-lived assets are located in the PRC.

**15. RESTRICTED NET ASSETS**

Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's subsidiaries.

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts, which is included in retained earnings accounts in equity section of the consolidated balance sheets. A wholly-owned foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve reaches 50% of its respective registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. If any PRC subsidiary incur debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to the Group. Any limitation on the ability of the PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit the ability to grow, make investments or acquisitions that could be beneficial to pay dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory common reserve at least 10% of its annual after-tax profit until such reserve reaches 50% of its respective registered capital based on the enterprise's PRC statutory accounts. The Group's provision for the statutory common reserve is in compliance with the aforementioned requirement of the Company Law. A domestic enterprise is also required to provide for discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

Because the Group's entities in the PRC can only be paid out of distributable profits reported in accordance with PRC accounting standards, the Group's entities in the PRC are restricted from transferring a portion of their net assets to the Company. The restricted amounts include the paid-in capital and statutory reserves of the Group's entities in the PRC. The aggregate amount of paid-in capital and statutory reserves, which is the amount of net assets of the Group's entities in the PRC (mainland) not available for distribution, were RMB2,632,554 and RMB4,117,308, as of December 31, 2020 and 2021, respectively.

**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**BALANCE SHEETS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	As of December 31,		
	2020	2021	2021
	RMB	RMB	USD (Note 3)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	2,108,582	597,522	93,764
Amounts due from subsidiaries	716,696	733,763	115,143
<b>Total current assets</b>	<b>2,825,278</b>	<b>1,331,285</b>	<b>208,907</b>
<b>TOTAL ASSETS</b>	<b>2,825,278</b>	<b>1,331,285</b>	<b>208,907</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accrued expenses and other current liabilities	3,768	59	9
<b>Total current liabilities</b>	<b>3,768</b>	<b>59</b>	<b>9</b>
Non-current liabilities			
Deficits of investments in subsidiaries, VIEs and VIEs' subsidiaries	757,360	534,190	83,825
<b>Total non-current liabilities</b>	<b>757,360</b>	<b>534,190</b>	<b>83,825</b>
<b>TOTAL LIABILITIES</b>	<b>761,128</b>	<b>534,249</b>	<b>83,834</b>

**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**BALANCE SHEETS - continued**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	As of December 31,		
	2020	2021	2021
	RMB	RMB	USD (Note 3)
<b>SHAREHOLDERS' EQUITY</b>			
Class A ordinary shares (par value of USD0.0001 per share; 1,300,000,000 shares authorized as of December 31, 2020 and 2021; 421,729,902 and 449,578,517 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	275	293	46
Class B ordinary shares (par value of USD0.0001 per share; 100,000,000 shares authorized as of December 31, 2020 and 2021; 58,453,168 shares issued and outstanding as of December 31, 2020 and 2021)	38	38	6
Additional paid-in capital	10,653,403	10,859,107	1,704,031
Accumulated other comprehensive income	49,614	18,691	2,933
Accumulated deficit	(8,639,180)	(10,081,093)	(1,581,943)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,064,150</b>	<b>797,036</b>	<b>125,073</b>
<b>TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,825,278</b>	<b>1,331,285</b>	<b>208,907</b>

**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**STATEMENT OF OPERATIONS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD (Note 3)
Sales and marketing expenses	(8,737)	(35,077)	(25,776)	(4,045)
Research and development expenses	(22,933)	(68,688)	(60,002)	(9,416)
General and administrative expenses	(64,961)	(257,873)	(118,816)	(18,645)
Total operating expenses	(96,631)	(361,638)	(204,594)	(32,106)
Loss from operations	(96,631)	(361,638)	(204,594)	(32,106)
Interest income	13,642	1,045	3,991	626
Foreign currency exchange (loss) gain	(779)	1,699	11	2
Loss before provision for income tax	(83,768)	(358,894)	(200,592)	(31,478)
Income tax expenses	—	—	—	—
Loss from investment in subsidiaries	(879,982)	(981,014)	(1,241,321)	(194,790)
Net loss	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Accretion of convertible redeemable preferred shares	(600,535)	(2,837,991)	—	—
Net loss available to ordinary shareholders of 17				
Education & Technology Group Inc	(1,564,285)	(4,177,899)	(1,441,913)	(226,268)

**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD (Note 3)
Net loss	(963,750)	(1,339,908)	(1,441,913)	(226,268)
Other comprehensive loss, net of tax of nil:				
Change in cumulative foreign currency translation adjustments	(11,972)	(38,602)	(30,923)	(4,852)
Total comprehensive loss	<u>(975,722)</u>	<u>(1,378,510)</u>	<u>(1,472,836)</u>	<u>(231,120)</u>



**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

	Year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD (Note 3)
Net cash generated from (used in) operating activities	11,529	(4,214)	(3,979)	(624)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Amounts due from subsidiaries	(60,137)	—	—	—
Investments in subsidiaries	(671,566)	(1,024,607)	(1,478,469)	(232,004)
Net cash used in investing activities	(731,703)	(1,024,607)	(1,478,469)	(232,004)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from the IPO and from exercising the over-allotment option by the underwriters	—	2,051,695	—	—
Payment of the IPO issuance cost	—	(18,469)	(5,603)	(879)
Proceeds from exercise of share options	—	—	10,508	1,649
Repurchase and cancellation of vested options	(551)	(528)	—	—
Proceeds from issuance of Series F convertible redeemable preferred shares	—	849,528	—	—
Net cash (used in) generated from financing activities	(551)	2,882,226	4,905	770
Effect of exchange rate changes	(1,536)	(35,401)	(33,517)	(5,261)
Net (decrease) increase in cash and cash equivalents	(722,261)	1,818,004	(1,511,060)	(237,119)
Cash and cash equivalents at beginning of the year	1,012,839	290,578	2,108,582	330,883
Cash and cash equivalents at end of the year	290,578	2,108,582	597,522	93,764

**ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I**  
**CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(In thousands of RMB and USD, except for share and per share data, or otherwise noted)**

**1. BASIS FOR PREPARATION**

The condensed financial information of the Parent Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Parent Company used the equity method to account for investments in its subsidiaries, VIEs and VIEs' subsidiaries.

**2. INVESTMENT IN SUBSIDIARIES AND VIEs AND VIEs' SUBSIDIARIES**

The Parent Company and its subsidiaries, VIEs and VIEs' subsidiaries were included in the consolidated financial statements where inter-company balances and transactions were eliminated upon consolidation. For purpose of the Parent Company's stand-alone financial statements, its investments in subsidiaries, VIEs and VIEs' subsidiaries were reported using the equity method of accounting. The Parent Company's share of loss from its subsidiaries, VIEs and VIEs' subsidiaries were reported as share of loss of subsidiaries, VIEs and VIEs' subsidiaries in the accompanying Parent Company financial statements. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to RMB nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the Parent Company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries, VIEs and VIEs' subsidiaries regardless of the carrying value of the investment even though the Parent Company is not obligated to provide continuing support or fund losses.

**3. CONVENIENCE TRANSLATION**

The Group's business is primarily conducted in China and all of the revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into US dollars using the exchange rate as of balance sheet date, for the convenience of the readers. Translations of balances in the balance sheet, and the related statement of operations and cash flows from Renminbi ("RMB") into US dollars as of and for the year ended December 30, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.3726, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 30, 2021, or at any other rate.

**Description of Rights of Each Class of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)**

American Depositary Shares (“ADSs”), each representing ten Class A ordinary shares of 17 Education & Technology Group Inc. (“17 Education & Technology” or “our company”) are listed on the Nasdaq Global Select Market and the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of ordinary shares and (ii) ADS holders. Shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the shares.

**Ordinary Shares*****Type and Class of Securities (Item 9.A.5 of Form 20-F)***

Each of the Class A ordinary shares and Class B ordinary shares of 17 Education & Technology has par value of US\$0.0001. The respective number of Class A ordinary shares and Class B ordinary shares that have been issued as of the last day of the fiscal year ended December 31, 2021 is provided on the cover of the annual report on Form 20-F filed on April 27, 2022 (the “2020 Form 20-F”). 17 Education & Technology’s ordinary shares may be held in either certified or uncertified form.

***Preemptive Rights (Item 9.A.3 of Form 20-F)***

The shareholders of 17 Education & Technology do not have preemptive rights.

***Limitations or Qualifications (Item 9.A.6 of Form 20-F)***

17 Education & Technology has a dual-class voting structure such that 17 Education & Technology’s ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to thirty votes per share, subject to certain exceptions. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

***Other Rights (Item 9.A.7 of Form 20-F)***

Not applicable.

***Rights of the Ordinary Shares (Item 10.B.3 of Form 20-F)******Ordinary Shares***

Our authorized share capital is US\$150,000 consisting of 1,500,000,000 shares of a par value of US\$0.0001 each, comprising of (i) 1,300,000,000 Class A ordinary shares of a par value of US\$0.0001 each, (ii) 100,000,000 Class B ordinary shares of a par value of US\$0.0001 each and (iii) 100,000,000 shares of a par value of US\$0.0001 each of such class or classes (however designated) as the board of directors may determine in accordance with our seventh amended and restated memorandum and articles of association. All of our issued and outstanding ordinary shares are fully paid. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members (shareholders). We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

***Dividends***

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors). Our seventh memorandum and articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Under the laws of the Cayman Islands,

our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

#### *Voting Rights*

Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any general meeting of the Company. Each Class A ordinary share shall be entitled to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall be entitled to thirty votes on all matters subject to the vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll (before or on the declaration of the result of the show of hands) is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the issued and outstanding ordinary shares at a meeting or with a written resolution signed by all members entitled to vote. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Our shareholders may, among other things, approve to divide or combine their shares by ordinary resolution.

#### *General Meeting of Shareholders*

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of all votes attaching to the issued and outstanding shares in our company entitled to vote at the general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provide that upon the requisition of any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

#### *Transfer of Ordinary Shares*

Subject to the restrictions set out in our memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;

- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as Nasdaq Global Select Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the Nasdaq Global Select Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine.

#### *Liquidation*

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

#### *Calls on Shares and Forfeiture of Shares*

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

#### *Redemption, Repurchase and Surrender of Shares*

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors before the issuance of such shares. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

#### ***Requirements for Amendments (Item 10.B.4 of Form 20-F)***

#### *Variations of Rights of Shares*

If, at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares, subject to any rights or restrictions for the time being attached to any class, may be materially adversely varied with the consent in writing of the holders of at least two-thirds of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred

upon the holders of the shares of any class issued shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking pari passu with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

***Limitations on the Rights to Own Shares (Item 10.B.6 of Form 20-F)***

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares.

***Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)***

*Anti-Takeover Provisions*

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

***Ownership Threshold (Item 10.B.8 of Form 20-F)***

There are no provisions in our seventh amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed. Shareholders will, however, be required to disclose shareholder ownership in accordance with applicable laws and regulations.

***Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)***

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and, accordingly, there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the surviving or consolidated company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be

published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation; provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders’ Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on

English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires (and is therefore incapable of ratification by the shareholder);
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

*Indemnification of Directors and Executive Officers and Limitation of Liability.* Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our seventh memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officers, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including, without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our seventh memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors’ Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and, therefore, it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater



degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder Action by Written Consent.* Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our seventh memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders; provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our seventh memorandum and articles of association allow any one or more of our shareholders holding shares which carry in aggregate not less than one-third of the total number votes attaching to all issued and outstanding shares of our company as of the date of the deposit that are entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our seventh memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our seventh memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our seventh memorandum and articles of association, directors may be removed with or without cause, by the affirmative vote of two-thirds of the directors then in office (except with regard to the removal of the chairman, who may only be removed from office by the affirmative vote of all directors), or by an ordinary resolution of our shareholders (except with regard to the removal of the chairman, who may only be removed from office by a special resolution of our shareholders). A director will also cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an

interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

*Dissolution; Winding up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our seventh memorandum and articles of association, if our share capital is divided into more than one class of shares, the rights attached to any such class may only be materially adversely varied with the consent in writing of the holders of at least two-thirds of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our seventh memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders.* There are no limitations imposed by our seventh memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our seventh memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

#### ***Changes in Capital (Item 10.B.10 of Form 20-F)***

Our seventh memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent out of available authorized but unissued ordinary shares.

Our seventh memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;

- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

***Debt Securities (Item 12.A of Form 20-F)***

Not applicable.

***Warrants and Rights (Item 12.B of Form 20-F)***

Not applicable.

***Other Securities (Item 12.C of Form 20-F)***

Not applicable.

***American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)***

The Bank of New York Mellon, as depository, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent ten Class A ordinary shares (or a right to receive ten Class A ordinary shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depository in Hong Kong. Each ADS will also represent any other securities, cash or other property that may be held by the depository. The deposited shares together with any other securities, cash or other property held by the depository are referred to as the deposited securities. The depository's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depository confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depository will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depository, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt.

***Dividends and Other Distributions***

*How will you receive dividends and other distributions on the shares?*

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation." The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

- **Shares.** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.
- **Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. *In that case, you will receive no value for them.* The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.
- **Other Distributions.** The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

### ***Deposit, Withdrawal and Cancellation***

### *How are ADSs issued?*

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

### *How can ADS holders withdraw the deposited securities?*

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

### *How do ADS holders interchange between certificated ADSs and uncertificated ADSs?*

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

## **Voting Rights**

### *How do you vote?*

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

*Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed or as described in the following sentence. If (i) we asked the depositary to solicit your instructions at least 30 days before the meeting date, (ii) the depositary does not receive voting instructions from you by the specified date and (iii) we confirm to the depositary that:*

- we wish to receive a proxy to vote uninstructed shares;
- we reasonably do not know of any substantial shareholder opposition to a particular question; and
- the particular question is not materially adverse to the interests of shareholders,

the depositary will consider you to have authorized and directed it to give, and it will give, a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your ADSs as to that question.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out

voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

#### ***Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities***

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

#### ***Amendment and Termination***

*How may the deposit agreement be amended?*

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

*How may the deposit agreement be terminated?*

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if:

- 90 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we appear to be insolvent or enter insolvency proceedings;

- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depository will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depository may sell the deposited securities. After that, the depository will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depository will sell as soon as practicable after the termination date.

After the termination date and before the depository sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depository may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind that have not settled if it would interfere with the selling process. The depository may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depository will continue to collect distributions on deposited securities, but, after the termination date, the depository is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

### ***Limitations on Obligations and Liability***

#### *Limits on our Obligations and the Obligations of the Depository; Limits on Liability to Holders of ADSs*

The deposit agreement expressly limits our obligations and the obligations of the depository. It also limits our liability and the liability of the depository. We and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depository will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- the depository has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign

tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### ***Requirements for Depositary Actions***

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

### ***Your Right to Receive the Shares Underlying your ADSs***

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### ***Direct Registration System***

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

### ***Shareholder communications; inspection of register of holders of ADSs***



The depository will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

### ***Jury Trial Waiver***

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. If we or the depository opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law.

You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depository's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.

### ***Jurisdiction and Arbitration***

The deposit agreement provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, state courts in New York County, New York) shall have exclusive jurisdiction to hear and determine any dispute arising from or relating in any way to the ADSs or the deposit agreement. In addition, the deposit agreement provides that any controversy, claim or cause of action brought by any party to the deposit agreement against us arising out of or relating to, among other things, the ADSs or the deposit agreement, if elected by the claimant, shall be settled by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association. The arbitration provisions apply to actions arising under the Securities Act and the Exchange Act. However, the arbitration provisions of the deposit agreement do not preclude you from pursuing any claims, including claims under the Securities Act or the Exchange Act, in the United States District Court for the Southern District of New York (or New York state courts in New York County, New York if the United States District Court for the Southern District of New York lacks subject matter jurisdiction). Accepting or consenting to the arbitration provisions does not constitute a waiver by investors of our or the depository's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

## Power of Attorney

I, the undersigned, Chang Liu, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 990,000 (“**Equity Interest**”) of Beijing Qili Technology Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Guangzhou Qixiang Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director of 17 Education & Technology Group Inc.) to exercise my rights on behalf of myself according to the Trustee’s own will, which include but not limited to:

1. Proposing the shareholders’ meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders’ meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders’ meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company’s assets; and
6. Review the resolutions of shareholders’ meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them .

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC, I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution, and I hereby agree and confirm that the force of this Power of Attorney shall be retroactive to December 21, 2021. It shall be continuously effective during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

Chang Liu

/s/ Chang Liu \_\_\_\_\_

Date: March 4, 2022

## Power of Attorney

I, the undersigned, Zhan Xie, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 10,000 (“**Equity Interest**”) of Beijing Qili Technology Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Guangzhou Qixiang Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director(s) of 17 Education & Technology Group Inc. to exercise my rights on behalf of myself according to the Trustee’s own will, which include but not limited to:

1. Proposing the shareholders’ meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders’ meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders’ meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company’s assets; and
6. Review the resolutions of shareholders’ meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them.

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC, I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution, and I hereby agree and confirm that the force of this Power of Attorney shall be retroactive to December 21, 2021. It shall be continuously effective during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

Zhan Xie

/s/ Zhan Xie\_\_\_\_\_

Date: March 4, 2022

## Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (“**Agreement**”) is entered into as of the date of March 4, 2022 by and among the following parties in Beijing, the People’s Republic of China (“**PRC**”).:

Party A : **Guangzhou Qixiang Technology Co., Ltd** (“**Guangzhou Qixiang**”), a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at D-8, Room 1903, No.13 Huaming Road, Tianhe District, Guangzhou;

Party B:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];

Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Qili Technology Co., Ltd** (“**Beijing Qili**”), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 404, Floor 4, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing;

(Each of Party A, Party B and Party C, a “**Party**”, and collectively the “**Parties**”).

WHEREAS,

- (1) Party A, Party B and Party C have already executed the agreements listed in Appendix I (these agreements, as amended and restated from time to time, collectively referred to as the “**Main Agreements**”);
- (2) Party B collectively owns 100% of the equity interest of Party C in total, and Party B plans to pledge the equity interest of Party C it owns to Party A unconditionally, as a security for the performance of the obligations by Party B, Party C under the Main Agreements, and Party A agrees to accept such security (the “**Pledge**”).

NOW THEREFORE, Party A, Party B and Party C through mutual negotiations hereby enter into this Agreement based upon the following terms:

### 1. Pledge

Party B agrees to pledge the equity interests of Party C and Party B’s equity in Party C’s new capital in accordance with Article 4.2, including dividends and bonuses derived from such equity it owns (the “**Pledged Equity Interests**”) to Party A unconditionally and irrevocably, as a security for the performance of the obligations by Party B, Party C under the Main Agreements.



## **2. Scope of Pledge**

The Pledged Equity Interests under this Agreement extends to all obligations of Party B, Party C under the Main Agreements (including but not limited to any amounts, penalties, damages, dividends, profits or any asset etc. payable but not paid to Party A), any fees for exercising the creditor's rights and the Pledge right, and any other related expenses, and shall not be limited to the amounts of secured creditor's right recorded in administration for market regulation authorities.

If the competent authority requires the amount of the principal debt to be clarified during the registration of the equity pledge, the parties agree to register the principal amount of the debt under the principal contract as RMB 1 million and any liability for breach of contract and the amount of compensation for damages under all relevant contracts only for the purpose of the registration of the equity pledge. The parties further confirmed that, for the purpose of handling the equity pledge registration, it is clear that the aforementioned amount does not detract from or restrict all rights and benefits enjoyed by Party A in accordance with the relevant Main Agreements and this equity pledge agreement.

## **3. Term and Dissolution of Pledge**

3.1 The Pledge under this Agreement shall be effective from the date of registration of the Pledge with competent administration for market regulation authorities to the date on which the Main Agreements are completely performed, invalidated or terminated (the later date shall prevail). In the term of Pledge, if Party B, Party C fail to perform any of their obligations under the Main Agreements, or in case of occurrence of any of the events provided in Article 6.1, Party A is entitled but not obligated to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement.

3.2 When all Main Agreements are performed entirely or terminated or become invalid (the later date shall prevail) and Party B, Party C fully and entirely perform obligations under Main Agreements and pay off entire secured debt, Party A shall rescind the Pledge under this Agreement according to Party B's request, and assist Party B to deregister the Pledge recorded in Shareholders' Book of Party C and registered with the competent administration for market regulation authorities. All fees and expenses arising from such deregistration of the Pledge shall be borne by Party C.

## **4. Registration of Pledge and Retention of Equity Interest Record**

4.1 Party B and Party C promise to Party A that, Party B and Party C shall: (i) on the date of the execution of the Agreement, record the Pledge under this Agreement on the Shareholders' Book of Party C according to Appendix II and hand the recorded Shareholders' Book to Party A for its keep; and (ii) within thirty (30) business days after the execution of this Agreement or other practically shortest period, register the Pledged Equity Interests with competent administration for market regulation authorities and obtain

evidencing documents of such registration. Without limitation to any provision of this Agreement, during the effective period of this Agreement the Shareholders' Book of Party C shall always be in the custody of Party A or any agent designated by Party A, unless any necessary registration or alteration procedures are required to be fulfilled in the operation of Party C .

- 4.2 Party B and Party C further covenant that after the execution of this Agreement, Party B may make capital increase to Party C with the prior consent of Party A provided that any capital increase by Party B to Party C constitutes an integrated part of the Pledged Equity Interests of this Agreement. Party B and Party C shall make necessary modification to the Shareholders' Book and capital contribution of relevant companies and conduct the pledge registration procedures according to Article 4.1.
- 4.3 All fees and expenses related to this Agreement, including but not limited to registration fee, cost, stamp tax or any other taxes, expenses shall be borne by Party C according to relevant laws and regulations.
- 4.4 During the term of Pledge stipulated by this Agreement, Party B shall deliver the capital contribution certificate to Party A within one (1) week after the execution of this Agreement. Party A shall keep the capital contribution certificate within the entire term of Pledge. Within the term of Pledge, Party A is entitled to collect the dividends of the Pledged Equity Interests.

## **5. Covenants and Warranties of Party B and Party C**

Party B and Party C hereby jointly and severally covenant and warrant to Party A as follows:

- 5.1 Party B is the lawful owner of the Pledged Equity Interests and there exists no dispute or potential dispute concerning the ownership of such equity interests. Party B has the right to dispose such equity interests or any part thereof without any restrictions by any third party.
- 5.2 Except for the Pledge and other right provided hereunder and in the Exclusive Option Agreement executed by relevant parties, Party B has not established any other pledge or other interests of any third party over the Pledged Equity Interests. The Pledged under this Agreement shall be first priority under the Pledged Equity Interests.
- 5.3 Party B and Party C fully understand the contents of this Agreement and the execution of the Agreement by Party B and Party C is based on true and free will. Party B and Party C have taken all necessary measures and obtained all necessary internal authorization to execute and perform this Agreement, signed all necessary documents and obtained all approvals and consents from the government and third party (if applicable) to make sure the Pledge under the Agreement is lawful and valid.

- 5.4 Either the execution of this Agreement or the performance of obligations under this Agreement will not (i) conflict with, breach or violate any applicable P.R.C. law,(ii) conflict with any organizational documents of Party C, (iii) conflict with, breach or violate any contract, document to which it is a Party or it is bound with; (iv) violate any license or permit granted to it and/or violate any condition to maintain the validity of any license or permit granted to it; or (v) cause any license or permit granted to it be terminated, rescinded or be imposed any condition.
- 5.5 During the effective period of this Agreement, Party B shall not transfer or assign the Pledged Equity Interests, authorize any rights relating to the Pledged Equity Interests to any third party, or create or permit to be created any security or other interests which may have an adverse effect on the rights or benefits of the Party A without prior written consent of Party A.
- 5.6 During the effective period of this Agreement, Party B and Party C shall abide by and implement all relevant PRC laws and regulations concerning the pledge of rights, and in the event Party B and Party C receive any notice, order or suggestion from competent authorities concerning the Pledged Equity Interests and/or the Pledge hereunder, Party B and Party C shall timely notify and show Party A of such notice or order within five (5) business days upon receipt thereof.
- 5.7 Party B and Party C shall not conduct or permit to be conducted anything that shall damage the value of the Pledged Equity Interests or the Pledge right of Party A. Party B and Party C shall notice Party A of any events that may influence the value of the Pledged Equity Interests or the Pledge right of Party A within five (5) business days after its knowledge of such events.
- 5.8 The Pledge under this Agreement shall remain fully effective during the effective period of the Agreement, and shall not be influenced by liquidation, lost of capacity, change of organization or status, any capital offset among the Parties or any other events.
- 5.9 For the purpose of performance of this Agreement, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provision of this Agreement. Party A's exercise of such right shall not be interrupted or jeopardized by Party B and Party C, their successors or agents, or any other persons by way of legal proceedings.
- 5.10 In order to ensure and consummate the security provided by this Agreement over the obligations of Party B, Party C under the Main Agreements, Party B and Party C shall faithfully sign and cause any third party who is beneficially related to the Pledged Equity Interests to sign all certificates and agreements in connection with the performance of the Agreement, and/or cause such third party to take any measures required by Party A and provide convenience to Party A concerning the exercise of the Pledge right hereunder.

5.11 In order to ensure the interests of Party A, Party B and Party C shall abide by and perform all warranties, covenants, agreements, representations and conditions. In the event Party B and/or Party C failed to do so and resulted in damages to Party A, Party B and/or Party C shall indemnify Party A for all of such damages and losses.

## 6. Events of Default and Exercise of the Pledge Right

- 6.1 In case of any of the following events (“**Events of Default**”) which shall be permitted by relevant PRC’s laws and regulations, Party A may require Party B or Party C to perform all the obligations under this Agreement and the Pledge under the Agreement may be performed immediately:
- a) Party B or Party C violates its covenants and warranties under this Agreement, or any covenants and warranties made by Party B or Party C in this Agreement are seriously untrue;
  - b) Party B, Party C violate any of its obligations or covenants and warranties under the Main Agreements, or any covenants and warranties made by Party B or Party C in the Main Agreements are seriously untrue;
  - c) Any obligation of Party B or Party C under this Agreement is regarded as illegal or void;
  - d) The termination of business or dissolution of Party C, or the termination of business, dissolution or bankruptcy of Party C or its Subsidiaries by any order;
  - e) Party B and/or Party C are involved in any disputes, litigations, arbitrations, administrative procedures or any other legal procedures or administrative query, actions or investigations that deemed reasonably to have material adverse effect on the following events: (i) the capacity of Party B to perform its obligations under this Agreement or the Main Agreements, or (ii) the capacity of Party C to perform its obligations under this Agreement or the Main Agreements;
  - f) Any other events of the disposal of the Pledged Equity Interest according to applicable laws and regulations.
- 6.2 In case of any of the aforesaid Events of Default, Party A or the third party designated by Party A may exercise its Pledge right by purchasing, designating any other party to purchase, auctioning, or selling all or part of the Pledged Equity Interests. Party A may exercise such Pledge right without exercising any other security rights, or take any other measures or proceedings or take any other action for remedies of breach of this Agreement against Party B and/or Party C any other parties.
- 6.3 Upon request by Party A, Party B and Party C shall take all the lawful and appropriate measures to ensure the exercise of the Pledge right by Party A. For such purpose, Party B and Party C shall sign all appropriate documents and materials, and take all proper measures requested by Party A.

## 7. Transfer or Assignment

- 7.1 Party B and Party C have no right to transfer or assign the rights and obligations under this Agreement without the prior written consent from Party A, except that Party A acquires the Pledged Equity Interests directly or indirectly according to the Exclusive Option Agreement and its amended and restated version.
- 7.2 The Agreement shall be binding upon the Party B and its successors and be effective upon Party A and its successors and assignees.
- 7.3 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party C's equity interest held by Party B, Party B's heirs (including spouse, children, parents, siblings, grandparents, grandparents) shall be deemed to be the party to this Agreement and shall succeed to and assume all of Party B's rights and obligations under this Agreement.
- 7.4 Party A may transfer or assign all and any of its rights and obligations under the Main Agreements to any person (natural or legal person) it designates. In this case, the assignee shall enjoy and undertake the same rights and obligations herein of Party A as if the assignee is a party hereto. Upon Party A's transfer or assignment of the rights and obligations under the Main Agreements and at Party A's request, Party B and/or Party C shall execute relevant agreements and/or documents with respect to such transfer or assignment, including but not limited to executing a new equity interest agreements, the format and contents of which shall be the same with this Agreement, with the assignee.
- 7.5 Subsequent to an assignment or transfer by Party A, the new parties to the Pledge shall re-execute a pledge contract. Party B and Party C shall provide assistance to the assignee with respect to the registration procedures of the Pledge.

## 8. Confidentiality

This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for high-ranking officers, directors, employees, agents or professional consultants of the Parties or their affiliates. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant Securities Transaction Authorities to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification, dissolution or termination of this Agreement.

## 9. Liabilities for Breach of Agreement

- 9.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representations or warranties, such Party shall be liable for all the

losses of other Parties for breach of the Agreement. This Article 9 shall not influence any other right of Party A under this Agreement.

9.2 This Article 9 shall survive any modification, recession or termination of this Agreement.

10. Force Majeure

Force Majeure means any event that cannot be anticipated at the time of the execution of the Agreement, and the occurrence of which cannot be avoided, controlled or conquered by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or rebellion, etc..

The Party suffering such Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) in every instance, to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or remove the effect of such Force Majeure with all reasonable dispatch, and continue its performance of the Agreement after such effect is mitigated or removed.

11. Change of Parties

In the event that Party B no longer possesses any shares of Party C, Party B shall be deemed no longer as a party of this Agreement. In the event that any third party becomes a shareholder of Party C, Party B and Party C shall take effort to cause such third party executing relevant legal documents and becoming one of Party B of this Agreement.

12. Termination

Party B and/or Party C shall not terminate this Agreement without written consent of Party A.

Unless this Agreement is terminated subject to this Article 12, provided that Party B and Party C fully and completely perform all obligations under this Agreement and pay off all the secured debts, Party A shall terminate the Pledge under this Agreement as soon as reasonable as required by Party B and coordinate with Party B to deregister recording of the Pledge in the Shareholders' Book of Party C and complete the deregistration process with administration for market regulation authorities.

13. Miscellaneous

13.1 Applicable Law and Dispute Resolution

13.1.1 Applicable Law

This Agreement and any related matters shall be governed by and construed in accordance with the PRC laws.

#### 13.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 13.1 shall not be influenced by the modification, rescission and termination of this Agreement.

#### 13.2 Notices

(1) All notices and other communications required or permitted to be given under this Agreement shall be delivered personally or sent by registered mail, commercial courier service or e-mail to the address of such Party as set forth below. The dates on which such notices shall be deemed to be validly served shall be determined as follows: (i) notice sent by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices; and (ii) notices sent by e-mail, it shall be deemed effectively given on the date of successful transmission.

(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:  
Address: [\*\*\*]  
Attention: Qifeng Zhao  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B:  
Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party C:  
Address: [\*\*\*]  
Attention: Qifeng Zhao  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

- 13.3 This Agreement shall become effective on the date of signature by the parties, and the parties agree and confirm that the force of this Agreement shall be retroactive to December 21, 2021. The Pledge right under this Agreement shall be established from the date it is registered with the market supervision and administration department to which Party C belongs. Unless Party A executes the Pledge right in accordance with this Agreement during the term of this Agreement, this Agreement shall terminate until all the principal contracts have been performed, lapsed or terminated or the parties have reached any written agreement on the termination of this Agreement, whichever is later.
- 13.4 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which other provisions or other parts of the provisions shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provisions to achieve the purpose of the original provision.



- 13.5 This Agreement shall be made in Chinese in five originals, one copy for each of Party A and Party C and one copy for each of Party B. The remaining originals shall be submitted to the relevant market supervision and administration department for record registration or retained by Party A.
- 13.6 This Agreement and its annexes constitute the entire agreement regarding the transactions under this Agreement, and this Agreement, once signed, shall supersede any prior undertakings, memoranda, agreements or any other documents between any parties in respect of the matters covered by this Agreement.
- 13.7 Any amendment or supplement to this Agreement must be in writing and must be validly signed by all parties hereto.

[THE SIGNATURE PAGE]

Party A: **Guangzhou Qixiang Technology Co., Ltd.**

Authorized Representative: Qifeng Zhao

/s/ Qifeng Zhao

Party B:

Chang Liu

/s/ Chang Liu

Zhan Xie

/s/ Zhan Xie

Party C: **Beijing Qili Technology Co., Ltd.**

Authorized Representative: Haochen Lu

/s/ Haochen Lu

## **Appendix I List of Main Agreements**

1. Exclusive Option Agreement entered into by and among Guangzhou Qixiang Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Qili Technology Co., Ltd. and other relevant parties, as of March 4, 2022
2. Exclusive Management Service and Business Cooperation Agreement entered into by and among Guangzhou Qixiang Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Qili Technology Co., Ltd. and other relevant parties, as of March 4, 2022
3. "Power of Attorney" executed by Liu Chang as of March 4, 2022
4. "Power of Attorney" executed by Xie Zhan as of March 4, 2022
5. "Letter of Consent" executed by Chen Limin as of March 4, 2022
6. "Letter of Consent" executed by Xiao Furong as of March 4, 2022

Appendix II Shareholders' Book

Shareholders' Book of Beijing Qili Technology Co., Ltd.

Name of Shareholders	Amounts of Capital Contribution (RMB)	Proportion of Capital Contribution	Equity Interest Pledge
Chang Liu	990,000	99%	99% of the equity interest has been pledged to Guangzhou Qixiang Technology Co., Ltd.
Zhan Xie	10,000	1%	1% of the equity interest has been pledged to Guangzhou Qixiang Technology Co., Ltd.

**Beijing Qili Technology Co., Ltd.**

Authorized Representative:

Name: Haochen Lu

Occupation: Legal Representative

## Exclusive Management Service and Business Cooperation Agreement

This Exclusive Management Service Business Cooperation Agreement ("**Agreement**") is entered into as of March 4, 2022 by and among the following parties in Beijing, the People's Republic of China ("**PRC**"):

Party A : **Guangzhou Qixiang Technology Co., Ltd.**("Guangzhou Qixiang"), a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is D-8, Room 1903, No.13 Huaming Road, Tianhe District, Guangzhou;

Party B: **Beijing Qili Technology Co., Ltd.**("Beijing Qili"), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 404, Floor 4, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing;

All agencies invested in or controlled (including controlled by agreement arrangement) by Party B according to this Agreement from time to time (including but not limited to any company or relevant agencies in which Party B holds, directly or indirectly, more than 50% equity interest) (hereinafter collectively referred to as "**Subsidiaries of Party B**", each, a "**Subsidiary of Party B**".)

Part C:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];

Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

(Each of Party A, Party B and Party C, a "**Party**", and collectively the "**Parties**".)

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, owning resources to provide technology services, technology development, technology consultation, technology exchange, technology transfer and technology promotion, retail of stationery products, sales of home appliance, integrated circuit chip design and services, wholesale of stationery products, sales of integrated circuit chips and products, sales of spare parts for home appliances parts, wholesale of computer software and hardware and auxiliary equipment, sales of integrated circuit, sales of office supplies, sales of household products, marketing planning, machining of mechanical parts and components, sales of art crafts and ceremonial supplies (except ivory and its products), information technology consulting services, sales of software, sales of power electronic components, sales of electronic special materials, retail of computer software and hardware and auxiliary equipment, information consulting services (excluding licensing information consulting services), Internet sales (except sales of goods requiring licenses), sales of furniture spare parts, import and export of goods, wholesale of publications, import and export of

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technology, retail of publications, necessary resources regarding sales of publications via Internet.

Internet information technology consulting, computer technology development and technical services, software technology services, development and construction of e-commerce platforms, training activities organization, education consulting, software development, computer technology consulting, business management consulting services, advertising design, cultural activities organization and planning, conference and exhibition services, call center business and information service business in the second type of value-added telecommunications business (Internet information services only) advertising production services, publishing services, domestic agency services.

(2) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, mainly engaging in online and physical products sales and services, book publishing and other services.

(3) Party C is the shareholder of Party B and owns 100% of the equity interests of Party B.

(4) Party A agrees to use its personnel, technology and information advantages to provide Party B and Subsidiaries of Party B (including Subsidiaries of Party B as renewed from time to time during the term of this Agreement, hereinafter the same) with exclusive corporate management consulting, intellectual property licensing, technical support and business support services, and Party B and Subsidiaries of Party B accepts relevant services provided by Party A.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

## 1. Provision of Services

- 1.1 In accordance with the terms and conditions herein, Party B, Subsidiaries of Party B and Party C appoint Party A as the exclusive technical and service provider to provide full-scope corporate management consultant, intellectual property license, technical support and consultant services, the specific contents of services within the scope of business of Party B and Subsidiaries of Party B in whole or in part determined by Party A from time to time, as provided in Appendix I. Party B and Subsidiaries of Party B are as **Service Accepting Party**.

Party B and Subsidiaries of Party B shall determine the specific contents of services within the scope listed in **Appendix I** with Party A or any entity designated by Party A based on the actual need in their business. Both parties confirm that the services provided by Party A is confined to the approved operation scope. In the event Party B and Subsidiaries of Party B require Party A to provide services beyond the approved operation scope, Party A is entitled to or designate a third party to expand Party A's operation scope with accordance to PRC laws, and provide such services after approval.

- 1.2 Party B, Subsidiaries of Party B and Party C further agree that during the effective period of this Agreement, Party B, Subsidiaries of Party B and Party C shall not directly and
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indirectly obtain the same or similar exclusive technical and services as provided under this Agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein.

- 1.3 To ensure the normal operation of the ordinary business of Party B, Subsidiaries of Party B, Party A may, but not obligated to, provide guarantee for the performance of the agreements concluded by Party B or Subsidiaries of Party B with any third party with respect to the business of Party B and Subsidiaries of Party B. Party B, Subsidiaries of Party B and Party C hereby agree and confirm that if they need to provide any guarantee for the performance of any agreement or loan by Party B in the operation process, it will ask Party A as its guarantor firstly.

## **2. Service Fee and Payment**

- 2.1 Party A can refer to the specific service content and service targets, and use Party B and Subsidiaries of Party B 's income and customer volume in a specific period as a reference to determine the service price and appropriate payment method by itself. The calculation and payment of the service fee is stipulated in **Appendix II** of the Agreement.
- 2.2 If Party A determines the fee calculation mechanism specified herein should no longer apply due to whatever reason, Party A shall actively and faithfully render an adjustment scheme to determine a new fee standard or mechanism. If Service Accepting Party does not response within the 7 day period as mentioned above, it shall be deemed as having accepted the adjustments proposed by Party A.

## **3. Intellectual Properties**

- 3.1 Party A shall solely and exclusively own any ownership, interest and right of the intellectual properties produced by performance of this Agreement, including but not limited to copyrights, patents, claims of patent application and technical secrets, and without Party A's consent, Party B, Subsidiaries of Party B and Party C enjoy no rights other than those provided herein. Party B shall actively assist with Party A for all necessary method to cause Party A obtains such intellectual properties. For avoidance of any doubt, any intellectual property that is in the process of filing with governmental authorities or owned by the Party B or Subsidiaries of Party B shall be transferred by the beneficial owner or the applicant of such intellectual property to Party A or its affiliate as required by Party A, and Party B and/or Subsidiaries of Party B shall execute transfer agreement for such intellectual property except the intellectual properties that are necessary for Party B or its subsidiaries in ordinary business or shall be held by Party B or Subsidiaries of Party B according to relevant PRC laws and regulations.
  - 3.2 However, if the development is based on the intellectual properties owned by Party B or Subsidiaries of Party B, such intellectual properties should be flawless. Otherwise Party B and Subsidiaries of Party B shall bear all damages and losses caused to Party A by any
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flaw of such intellectual properties. If Party A is to bear any liabilities to any third party because of this, it has the right to recover all of its losses from Party B and Subsidiaries of Party B.

3.3 This Article 3 of this Agreement shall survive any modification, dissolution or termination of this Agreement.

**4. Exercise of Party A's rights**

In view of Article 1 in this Agreement, in order to specify respective rights and obligations of each Party, to ensure Party A's actual performance in providing management services to Party B and Subsidiaries of Party B according to this Agreement, and to ensure the implement of business services between Party A, Party B and Subsidiaries of Party B and the payment of the amounts that shall be paid by Party B and Subsidiaries of Party B to Party A, Party B, Subsidiaries of Party B and Party C agree the followings:

- 4.1 Party A is entitled to provide suggestions and requirements with respect to the operation of Party B and Subsidiaries of Party B, financial management and employment, and Party B and Subsidiaries of Party B shall strictly perform or abide by such suggestions or requirements.
  - 4.2 Party C, Party B and Subsidiaries of Party B will elect the person designated by Party A to be the director of Party B and Subsidiaries of Party B in accordance with the procedures stipulated by laws, regulations and the company's articles of association, cause such elected directors to elect the person recommended by Party B and Subsidiaries of Party B as the chairman of the board of directors , and appoint the persons designated by Party A as senior managers of Party B and Subsidiaries of Party B, including but not limited to the manager, the chief financial officer, the responsible officers of each branch of business, financial managers, financial superintendents and accountants.
  - 4.3 Party C, Party B and Subsidiaries of Party B shall dismiss any director and/or senior manager of Party B in accordance with the requirement of Party A, and elect and engage others as Party A designates.
  - 4.4 On the purpose of Article 4.3, Party C, Party B and Subsidiaries of Party B shall conduct necessary internal and external procedures in accordance with law, Articles of Association and this Agreement to complete such dismiss and engagement procedures.
  - 4.5 Party A is entitled to check accounts of Party B and Subsidiaries of Party B termly and momently. Party B and Subsidiaries of Party B shall keep accounts timely and accurately, and provide accounts, audit reports, financial statements and any operation records, business contracts, financial materials as Party A requires. During the effective period of this Agreement , Party B and Subsidiaries of Party B shall assist Party A and any third party designated by Party A to conduct audit (including but not limited to audit of affiliated transactions and any other audits), provide information and materials with
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respect to the operation, business, clients, finance and employees of Party B and Subsidiaries of Party B, and permit Party A to disclose such information and materials for securities supervision.

- 4.6 Party C hereby agrees that upon it executes this Agreement, it shall execute a Power of Attorney the form and substance of which shall be satisfied by Party A, and shall comprehensively, appropriately, and completely perform the obligation under such Power of Attorney, including but not limited to unconditionally and irrevocably authorize Party A or the party designated by Party A (“**Trustee**”, and Party C shall not be such Trustee) to exercise the rights of shareholders and/or board of Party B as Party C’s agent according to the Trustee’s own will.
- 4.7 Party C confirms that upon it executes this Agreement, it has comprehensively and clearly understood Party B and its subsidiaries’ obligations hereunder, and that it is willing to pledge the equity interest of Party B and Subsidiaries of Party B it owns (collectively 100% equity interest of Party B) to Party A, as a security for the performance of the obligations of Party B and Subsidiaries of Party B under this Agreement. Each Party will separately execute the agreements for equity interest pledge.
- 4.8 Upon Party A’s requests in writing, Party B, Subsidiaries of Party B and Party C shall set all accounts receivable and/or other legal assets which could be disposed as collaterals for the performance of obligations of service fee payment in Article 2.1 under this Agreement. During the effective period of this Agreement, Party B and Subsidiaries of Party B shall maintain completed licenses necessary for its business operation and the right and capacity to conduct relevant business within Chinese territory.
- 4.9 In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation for whatever reasons, Party C, Party B and Subsidiaries of Party B shall assign personnel recommended by Party A as liquidators permitted by PRC laws and regulations to manage the property of Party B and Subsidiaries of Party B. In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation, no matter Article 4.9 can be enforced or not and subject to the restriction under PRC law, Party C, Party B and Subsidiaries of Party B shall respectively deliver all the property obtained from the liquidation of Party B under PRC laws and regulations to Party A.
- 4.10 Without Party A’ prior written consent, Party B and Subsidiaries of Party B shall not conduct any transaction that may have substantial effect on the assets, obligations, rights or operation, including but not limited to the followings:
- a) conducting any business beyond the scope of normal operation or in the way different from prior usual manners;
  - b) raising a loan or undertaking any debts;
  - c) changing or removing any director or any senior manager;
  - d) selling, purchasing or disposing any asset or interest in any manner to any third, including but not limited to intellectual properties;
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- e) setting corporate assets or intellectual properties as collaterals, providing warranties in any other ways, or setting any other encumbrances on corporate properties for the debts not belonging to Party B and Subsidiaries of Party B;
  - f) modifying the Articles of Association or the scope of operation;
  - g) modifying corporate operation modes, business procedures or any significant internal regulations;
  - h) making significant adjustment on business modes, marketing strategies, operation tactics or client relationship;
  - i) distributing profits and dividend in any manner;
  - j) conducting liquidation and distributing residual properties;
  - k) transferring or assigning rights and obligations hereunder to any third party;
  - l) executing any agreement or enter into any arrangement colliding with or damages Party A's rights and interests in this Agreement with any third party;
  - m) engaging in any arrangement of contractual operation, leasing management, merger, division, joint venture, shareholding reform or other method to change the method of operation and equity structure, or sell, transfer, convert to equity interest and any other manners to dispose any or all asset or equity interest of Party B or Subsidiaries of Party B.

Furthermore, Party B, Subsidiaries of Party B and Party C shall cause Party B notify Party A timely when there is or may be any significant adverse effect on business and operation of Party B and Subsidiaries of Party B and do their best to prevent the occurrence of such issues and/or the expansion of damages.

- 4.11 Party B and Subsidiaries of Party B hereby grants to Party A an irrevocable and exclusive a Purchase Right which subject to the PRC laws allows Party A to purchase, at its option, any or all of assets (including all interests held by Party B or Subsidiaries of Party B in their subsidiaries) and business of Party B and Subsidiaries of Party B with the lowest price as permitted under the PRC laws. If the aforementioned lowest price as permitted under PRC law is not zero consideration, Party B and Subsidiaries of Party B further agree to give the full transfer price to Party A or the party designated by Party A, as requested by Party A. Parties shall execute the agreement for such transfer of assets and business and determined the terms and conditions for such transfer of assets and business.

## **5. Term and Right of Termination**

- 5.1 The Agreement is executed and becomes effective as of the date stated above. The Parties hereby agree and confirm that the force of this Agreement shall be retroactive to December 21, 2021.
- 5.2 Unless all Parties reach an agreement to terminate this Agreement earlier, the term of this Agreement shall be effective during the business operation period of Party A, Party B.
- 5.3 Party A shall have the option right to terminate this Agreement at any time. During the exercise of this Agreement, Party A is entitled to terminate this Agreement with written notice at any time.
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5.4 Without Party A's written consent, Party B, Subsidiaries of Party B and/or Party C have no right to terminate this Agreement.

**6. Representations and Warranties**

6.1 Party A represents and warrants to Party B and Subsidiaries of Party B as follows:

- a) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, and has the capacity to take responsibilities;
- b) Party A has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party A assumes legal, effective and binding obligations and such obligations may be enforced compulsorily according to this Agreement;
- c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party A shall not conflict with, breach or violate (i) any operation license of Party A or any article of Party A's Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party A, or (iii) any article of contracts or agreements executed by Party A.

6.2 Party B and Subsidiaries of Party B makes the following statements and warranties to Party A:

- a) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, and have the capacity to take responsibilities with their registered capital;
  - b) Party B and Subsidiaries of Party B has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party B and Subsidiaries of Party B assumes legal, effective and binding obligations and such obligations may be enforced compulsorily according to this Agreement;
  - c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party B or Subsidiaries of Party B shall not conflict with, breach or violate (i) any operation license of Party B or Subsidiaries of Party B or any article of their Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party B or Subsidiaries of Party B, or (iii) any article of contracts or agreements executed by Party B or Subsidiaries of Party B;
  - d) Party B and Subsidiaries of Party B shall provide relevant information and documents to Party A as Party A requires, and arrange special personnel to correspond and coordinate with Party A and provide assistance with research and collection of materials in Party B and Subsidiaries of Party B;
  - e) If necessary, Party B and Subsidiaries of Party B shall provide requisite working facilities and conditions to Party A, and bear related expense and costs during the period that such personnel provide management service in Party B and Subsidiaries
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- of Party B;
- f) Develop and operate relevant information service in effective, prudent and legal manners, and maintain and renew in time requisite licenses and authorities of relevant information service under this Agreement provided by Party B and Subsidiaries of Party B to keep the effective and entire validity of such licenses and authorities; establish and maintain an independent accounting for relevant information service;
  - g) Provide Party A with any requisite technology or other materials deemed necessary by Party A, and provide Party A with the access to requisite places and facilities for service under this Agreement.;
  - h) Party B and Subsidiaries of Party B shall operate in accordance with relevant laws and regulations, conduct entire relevant procedure necessary for operation, and provide duplicates of such licenses;
  - i) Party B and Subsidiaries of Party B possesses all permissions, licenses, authorities, approvals and facilities, and guarantee such permissions, licenses, authorities and approvals are continually effective and legitimate during the whole effective period of this Agreement;
  - j) Pay the service fee to Party A on time.

## **7. Confidentiality**

- 7.1 This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for relevant high-ranking officers, directors, employees, agents or professional consultants of such parties or affiliates who are relevant with the transaction contemplated under this Agreement and who are obligated to keep such confidential information confidential. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant securities exchange institutions to disclose information or contents relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.
- 7.2 This clause shall survive any modification or termination of this Agreement.

## **8. Liabilities for Breach of Agreement**

- 8.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representation or warranty, such Party shall be liable for all the losses of other Parties for breach of the Agreement, or pay the penalties to the other Parties as agreed by the relevant Parties.
  - 8.2 In the event that Party B or Subsidiaries of Party B is deemed as breach of the Agreement in accordance with Article 8.1, Party B and Subsidiaries of Party B shall compensate for entire loses, damages or responsibilities of Party A for the execution of this Agreement, including but not limited to damages and costs caused by any suits, claims of
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compensation, or other requests.

8.3 This clause shall survive any modification or termination of this Agreement.

## **9. Force Majeure**

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event the performance of the Agreement is influenced by any Force Majeure, the Party suffering Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) take all reasonable and viable manners to mitigate or remove the effect of force majeure, and continue its performance of the Agreement after such effect is mitigated or removed.

## **10. Assignment of this Agreement and the Change of Parties**

10.1 Without prior written consent of Party A, Party C, Party B and Subsidiaries of Party B shall not transfer, assign any right or obligation under this Agreement to any third party, except that Party A acquires the equity interest of Party B directly or indirectly according to the Exclusive Option Agreement.

10.2 Part B and Subsidiaries of Party B hereby agrees that Party A shall have right to transfer or assign any of its rights and obligations without prior consent of Party B or its subsidiaries by informing written notice to Party B and its subsidiaries at the transfer or assignment.

10.3 Increase of Subsidiaries of Party B. If, at any time after the effective date of this agreement, any institutions invested and controlled (including control through agreement arrangements) by Party B are added (including but not limited to companies, partnership enterprises and other organizational forms in which Party B directly or indirectly hold more than 50% of the investment equity, hereinafter referred to as "Party B's Subordinate Institutions"), Party B and Party C shall cause such new subsidiary to sign confirmation letter of which the format and contents of Right and Obligation Assumption Letter listed in Appendix III or other legal documents permitted or required by the PRC laws to make such new subsidiary to enjoy and undertake all the rights and obligations under this Agreement as those of Subsidiaries of Party B hereunder. As of the date of signature of such Right and Obligation Assumption Letter or other legal documents, the new subsidiary should be deemed as one party to this Agreement. Other Parties of the Agreement hereby agree with such arrangements.

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- 10.4 Rights and obligations under this Agreement shall be legally binding upon assignees, successors of Parties hereof, no matter such assignment of obligations and rights is caused by takeover, restructuring, success, assignment or any other reason.
  - 10.5 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party B's equity interest held by Party C, the successors of Party C (including spouse, children, parents, siblings, grandparents, grandparents) shall be deemed to be a party to this Agreement and shall succeed to and assume all of Party C's rights and obligations under this Agreement.
  - 10.6 In the event that Party C no longer possesses any shares of Party B, Party C shall be deemed no longer as a party of this Agreement. In the event that any other third party becomes a shareholder of Party B, Party B and Party C shall take effort to cause this third party executing relevant legal documents and becoming one of Party C of this Agreement. If, with consent of Part A', any Subsidiary which is dissolved or ceases to be under their control, it shall automatically be deemed no longer as a party to this Agreement.

## **11. Miscellaneous**

### 11.1 Applicable Law and Dispute Resolution

#### 11.1.1 Applicable Law

The laws of the People's Republic of China shall apply to the signing, entry into force, interpretation, performance, amendment and termination of this Agreement and the settlement of disputes under this Agreement.

#### 11.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 11.1 shall not be influenced by the modification, rescission and termination of this Agreement.

### 11.2 Notices

(1) All notices and other communications required or permitted to be given under this

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Agreement shall be delivered by hand or sent by postage prepaid registered mail, commercial courier service or e-mail to the address of such party as set forth below. The date on which such notices shall be deemed to be validly served shall be determined as follows: (i) if the notice is sent by personal delivery, courier service or postage prepaid registered mail, it shall be deemed to be validly served on the date of delivery or rejection at the address designated for receipt of the notice; and (ii) if the notice is sent by electronic mail, it shall be deemed to be validly served at the time it is successfully sent.

(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:

Address: [\*\*\*]  
Attention: Qifeng Zhao  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B and Subsidiaries of Party B:

Address: [\*\*\*]  
Attention: Qifeng Zhao  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party C:

Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie

Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

- 11.3 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.
- 11.4 Appendixes constitute an integral part of this Agreement and shall have the same legal effect as the other parts of this Agreement.
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11.5 This Agreement shall be written in Chinese. The Agreement is executed in four (4) counterparts, Party A and Party B hold one copy, and both Party C each hold one copy.

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[THE SIGNATURE PAGE OF THE EXCLUSIVE MANAGEMENT SERVICE AND BUSINESS COOPERATION AGREEMENT]

Party A : **Guangzhou Qixiang Technology Co., Ltd.**

Authorized Representative: Qifeng Zhao

/s/ Qifeng Zhao\_\_\_\_\_

Party B : **Beijing Qili Technology Co., Ltd.**

Authorized Representative: Haochen Lu

/s/ Haochen Lu\_\_\_\_\_

[THE SIGNATURE PAGE OF THE EXCLUSIVE MANAGEMENT SERVICE AND BUSINESS COOPERATION AGREEMENT]

Party C:

Chang Liu

/s/ Chang Liu\_\_\_\_\_

Zhan Xie

/s/ Zhan Xie\_\_\_\_\_

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## Appendix I: Contents of Service

- (1) Providing opinions and advises for the assets, business operation and negotiation, execution and performance of material contracts;
  - (2) Providing services for proposing middle or short term development of market, market planning;
  - (3) Providing service of market research, study and consulting service;
  - (4) Providing the opinions and advises for handling the creditor rights and debts;
  - (5) Providing the opinions and advices for merger and acquisition;
  - (6) Providing services for human resources management, occupation and pre-occupation skills training for employees;
  - (7) Licensing of intellectual properties (if there is) such as software, trademark, domain name, technology secrets, etc.,
  - (8) Providing services for developing and supporting Information Service Software;
  - (9) Providing services of technology development, technology transfer, and technology consulting;
  - (10) Providing services for management and maintenance for the human resources information management system, payment management information system, internal informatization management system and other management system;
  - (11) Providing services for developing, upgrading of network and the ordinary maintenance, supervision, adjustment and trouble removal of computer network equipment;
  - (12) Providing technology consultation and solution for the questions about network facilities, technology products and software;
  - (13) Providing services for public relationship;
  - (14) Providing daily maintenance services for office equipment;
  - (15) Providing services for seeking and electing appropriate third-party service providers for Service Accepting Party;
  - (16) Providing third-party service providers for the Service Accepting Party in ordinary management;
  - (17) Providing consulting service regarding the overseas market for Service Accepting Party; and/or
  - (18) Other services determined from time to time by Party A and the Service Accepting Party according to the need of business and capacity of provision of services.
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## Appendix II: Calculation and Payment of the Service Fee

1. The Fee for the services provided under this Agreement is calculated as the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations, the sum of Fee shall be determined by Party A in its discretion taking account of the following factors:
    - (1) The technical difficulty and complexity of the services;
    - (2) The resources spending by Party A and the time spent by employs of Party A concerning the services;
    - (3) The contents and commercial value of the services;
    - (4) The benchmark price of similar services in the market;
    - (5) The operation performance of Service Accepting Party.
  2. Party A will calculate the fee payable on a fixed term (determined by Party A and Service Accepting Party shall agree such decision) basis and send Service Accepting Party the bill of service fee for the previous term. Service Accepting Party shall pay the fee to the bank account designated by Party A within 10 business days after receipt of the bill, and send copy of the remittance certificate by facsimile or mail to Party A within 10 business days after payment.
  3. In addition to the service fee, Service Accepting Party shall bear any and all reasonable cost, advance payment and out-of-pocket expense in any kind ("Expense") for Party A resulted from or relevant to the performing or providing services and shall reimburse Party A all Expenses.
  4. Service Accepting Party shall pay to the Party A the service fees and shall reimburse all Expenses according to this Agreement and its supplemental agreements executed from time to time. Party A shall provide to the Service Accepting Party all the official receipts of the service fees and Expense in time. All payment made by Service Accepting Party to Party A shall pay via method of remittance or other methods as agreed by both Parties to the bank account designated by Party A. Both Parties Agreed that Party A may change the direction of payment from time to time by deliver notice to Service Accepting Party.
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**Appendix III: Right and Obligation Assumption Letter**

This entity, \_\_\_\_\_, is the subsidiary of Beijing Qili Technology Co., Ltd. (“**Beijing Qili**”), established and registered on \_\_\_\_\_ (date). The Beijing Qili possesses \_% of this entity’s share.

In accordance with Exclusive Management Service and Business Cooperation Agreement (“Agreement”) entered into by and between Beijing Qili, Guangzhou Qixiang and other relevant parties, this entity shall join the Agreement according to Article 10.3 of the Agreement as the new subsidiary of Party B under this Agreement.

This entity agrees to join the Agreement as a new Subsidiary of the Beijing Qili, enjoy rights under the Agreement, and perform obligations the Agreement. This Assumption Letter came into effect upon the date of execution.

[       ]

Signature of Legal Representative:

Date:

## Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement"), dated as of March 4, 2022, is made by and among the following parties in Beijing, the People's Republic of China ("PRC"):

Party A : **Guangzhou Qixiang Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at D-8, Room 1903, No.13 Huaming Road, Tianhe District, Guangzhou;

Party B : **Chang Liu**, PRC citizen, whose Identity Number is [\*\*\*];

**Zhan Xie**, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Qili Technology Co., Ltd.** ("**Beijing Qili**"), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 404, Floor 4, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing; and

The agencies invested in or controlled (including controlled by agreement arrangement) by Party C as updated from time to time under this Agreement (including but not limited to the companies and related agencies 50% investment interest of which is directly or indirectly owned by Party C (hereinafter collectively referred to as " **Subsidiaries**", each, a "**Subsidiary**". Beijing Qili and Subsidiaries hereinafter collectively referred to as "**Party C**")

(If there is a controlling relationship between Beijing Qili and its Subsidiaries, each controlling parties of Party C and Party B are respectively hereinafter referred to as "**Shareholder**", and are collectively referred to as "**Shareholders**"; Party A, Party B and Party Care respectively hereinafter referred to as "**Party**", and collectively referred to as "**Parties**")

WHEREAS:

The Shareholders legally owns the equity interest of Party C. Through amiable negotiation, the Parties mentioned above intend to enter into an agreement concerning Party A or its designated party purchasing the equity interests of Party C owned by Shareholders.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

### 1. Exclusive Purchase Right

1.1 Upon the execution of this Agreement, Party A shall have right to, at any time, require Party B upon the following situation, subject to the requirements by Party A, to transfer any and all of the 100% equity interest of Party C held by Shareholders ("Equity Interests") in the

consideration provided in the Section 3 of this Agreement, and Shareholders shall transfer the Equity Interest to Party A or the third party designated by the Party A according to the requirements by Party A:

- 1.1.1 Party A or the third party designated by Party A is permitted to hold any or all of the Equity Interest under the PRC laws; or
- 1.1.2 Subject to the PRC laws, any situation as Party A thinks is appropriate or necessary.  
Party A's right to purchase the Equity Interest provided under this Agreement shall be exclusive, unconditional and irrevocable.
- 1.2 The Parties hereby agree that subject to the terms and condition of this Agreement and without violating the PRC law Party A shall have right to, at its option, exercise any or all of the right to purchase the Equity Interest and acquire any or all Equity Interest. The Parties hereby further agree that the time, method, amount and frequency of Party A to exercise its right to purchase the Equity Interest shall not be limited.
- 1.3 The Parties hereby agree that subject to the terms and conditions of this Agreement and without violating the PRC laws, Party A shall have right to designate any third party to acquire any and all of the Equity Interest. Unless prohibited by the PRC laws, Shareholders shall not refuse to transfer any or all the Equity Interest to such designated third party.
- 1.4 Shareholders shall not transfer the Equity Interest to any third party without Party A' prior written consent until all the Equity Interest have been transferred to Party A or its designated party in accordance with this Agreement, i.e., until Shareholders no longer holds any equity interest of Party C. Shareholders shall not create any pledge or any encumbrance on the Equity Interest in the benefit of any third party except that provided in the Equity Interest Pledge Agreement executed by Party A and Shareholders.
- 1.5 Shareholders hereby agrees that as the shareholder of Party C, subject to the PRC laws, before Shareholders transfers the Equity Interest to Party A, Shareholders shall deliver the dividends, bonus, or any other property distributed from Party C to Party A or any third party designated by Party A as soon as possible within three (3) days after receipt of such dividends, bonus or any other property the taxes of required by PRC laws have been paid.

## **2. Exercise Procedure**

- 2.1 In the event that Party A decides to exercise its exclusive right to purchase share according to the Section 1.1 above, Party A shall provide a written notice to Shareholders ("**Purchase Notice**") in the form set forth in Appendix 3 of this Agreement, and such Purchase Notice shall specify the following information: (a) the portion or number of equity interest Party A intends to purchase; and (b) the name and identity of the purchaser. Shareholders and Party C shall provide all of materials and documents necessary for the transfer of Purchased Share within seven (7) days as of the date of the Purchase Notice, including but not limited to the Equity Transfer Agreement and Confirmation Letter in the form set forth in the Appendix 2 and Appendix 3 of this Agreement.

- 2.2 Except the Purchase Notice provided in the Section 2.1 of this Agreement, there shall be no other prerequisite or attached conditions for Party A to exercise his right to purchase Equity Interest.
- 2.3 Shareholders and Party C shall assist and coordinate with Party A in time and to complete the approval procedures (if required by the PRC laws) and the procedures with administration for market regulation authorities in accordance with the PRC laws.
- 2.4 The date when all the procedures of transferring 100% equity interest of Shareholders in accordance with this Agreement have been completed shall be regarded as the completion date of Party A in exercising its exclusive right to purchase Equity Interest.

**3. Purchase Price**

- 3.1 Without violation of the PRC laws or regulations, when Party A exercises its right to purchase Equity Interest, the purchase price of the Equity Interest (“Purchase Price”) shall be zero or the lowest price permitted under PRC laws. In the event that the Equity Interest is transferred in different installments, the Purchase Price shall be determined by the relevant specific time and proportion of the transfer of Equity Interest.
- 3.2 If the Equity Interest is unable to transfer without consideration, Shareholders hereby agrees that after Party A or its designated party exercises the right to purchase Equity Interest, Shareholders shall deliver all the consideration and payment that Shareholders obtain from the transfer of Equity Share to Party C, Party A or its designated party according to the requirement of Party A.
- 3.3 Party C shall bear the taxes and expenses incurred due to the performance of the transfer (including the price gift) of the equity of the bid under this Article 3.

**4. Warrants, Representations and Covenants**

- 4.1 Each Party hereby warrant, represent to each other that:
  - 4.1.1 It has all necessary rights, power and authorities to execute and perform this Agreement;
  - 4.1.2 It has performed all internal procedures that are necessary to execute, deliver and perform this Agreement and has obtained all internal and external authorities and approvals for executing and performing this Agreement;
  - 4.1.3 Upon the execution of this Agreement and the Equity Transfer Agreement to which it is a party, this Agreement and the Equity Transfer Agreement shall constitute, or will constitute the legal, valid, and binding obligations and shall be enforceable against it in accordance with its provisions and conditions;

- 4.1.4 The execution and performance of this Agreement by it will not conflict with, breach or violate (i) its business license or any provision of its Articles of Association; (ii) any law, rules, regulation, authorization or approval by any applicable governmental authority or department; or (iii) any contract or agreement to which it is a party;
- 4.1.5 without the prior agreement of Party A, Party C shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) the debts incurred from the ordinary course of business other than through loans, and (ii) debts disclosed to Party A for which Party A's written consent has been obtain;
- 4.1.6 Party C have complied with all applicable laws and regulation in asset acquisition;
- 4.1.7 There is no pending or threatened litigation, arbitration or administrative procedures against the Equity Interest, assets of Party C (including any interest held by Party C in its Subsidiaries, the same below) or Party C;
- 4.2 Party B and Party C hereby warrant, represent and covenant to Party A as follows:
- 4.2.1 As of the date of execution of this Agreement, Party B is PRC citizen, and Shareholders shall have the legal ownership right of all the Equity Interest of Party C, and shall have complete and valid right to dispose the Equity Interest. The registered capital of Party C shall have fully paid in. Except the pledge right provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, there is not any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Shareholders, the Equity Interest is free from any claim by any third party, and any third party shall not have any option right to purchase the Equity Interest, right to convert, subscribe in preference or right to cause, transfer, sell, or convert any equity interest in Party C;
- 4.2.2 During the effective term of this Agreement, except the pledge provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, Shareholders shall not transfer any equity interest of Party C to any third party and shall not create any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Party B, and shall ensure that the Equity Interest is free from any claim of any third party;
- 4.2.3 They will not supplement, change or amend the Articles of Association and bylaws of Party C in any manner, increase or reduce Party C's registered capital or change Party C's structure of registered capital in any other manner without Party A's prior written consent;
- 4.2.4 They will not enter into any material contract or change the scope of business of Party C;
- 4.2.5 Subject to the PRC laws, Party B and Party C shall extent the operation period of Party C based on the operation period of Party A and cause the operation period of Party C the same



as that of Party A or adjust the operation period of Party C based on the requirements of Party A in accordance with Party A;

- 4.2.6 They shall operate Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs, and shall obtain all governmental permits and licenses that are necessary for the business of Party C;
- 4.2.7 They shall always operate all of the businesses of Party C in ordinary course to maintain the asset value of Party C, and shall not terminate any material contract to which Party C is a party or entered into any agreement that affect Party C's financial status and asset value;
- 4.2.8 They shall not create, succeed, warrant or allow any debt except the account payable occurred in ordinary course, provided however, such account payable shall not be created by loan from any other person without the prior written consent of Party A;
- 4.2.9 they shall inform Party A immediately of any litigation, arbitration or administrative proceeding that will occur or may occur related to the assets, businesses, revenues of Party C;
- 4.2.10 they shall not announce or pay any dividend to the shareholders without prior written consent of Party A;
- 4.2.11 Upon the request of Party A, they shall appoint or remove directors, supervisors and/or senior officers designated by Party C and comply with all relevant resolution and filing procedures; Party A shall be entitled to replace and reappoint the above-mentioned persons;
- 4.2.12 Without the prior written consent of Party A, they shall not at any time following the date hereof sell, transfer, license or dispose in any manner any asset of Party C, or allow the encumbrance hereon of any asset of Party C, unless Party C is able to prove that the such sale, transfer, license, deposition or encumbrance is necessary for the business of Party C in ordinary course and the transaction amount of one single transaction shall not higher than RMB 100,000;
- 4.2.13 In the event that during the effective term of this Agreement Party C liquidates or dissolve, subject to the PRC law, Party B and Party C shall designate person recommended by Party A to constitute the liquidation group and manage the asset of Party C. Shareholders hereby confirms that in the event of liquidation or dissolution of Party C, Party B shall delivered all the asset distribute in the liquidation and dissolution to Party A or its designated party in the manner that is permitted by the PRC law regardless section 4.2.13 is enforceable;
- 4.2.14 In the event of death, incapacity, marriage, divorce or other circumstances which may affect the exercise of Equity Interest held by Party B, this Agreement shall inure to the benefit of and be binding upon the successors of Party B whose rights or obligations hereunder are

affected by such terms and conditions, including spouse, children, parents, siblings, grandparents, grandparents. Such Party B's successors shall succeed to and assume all of Party B's rights and obligations under this Agreement and transfer the Equity Interest to Party A or its designated party in accordance with the then applicable laws and this Agreement.

## **5. Governing Law and Dispute Resolution**

### **5.1 Governing Law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

### **5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, and to be solved in accordance with its effective Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties. Except the parts that have submitted for arbitration, other parts of this Agreement shall remain valid. The validity of this section shall not be influenced by the modification, rescission or termination of this Agreement.

## **6. Liabilities**

6.1 If any Party fails to perform any of its obligation under this Agreement, or any warrant or representation made by such party under this Agreement is found false or incorrect, it shall constitute a breach of this Agreement by such Party, and such Party shall indemnify other Parties all loss resulted from such breach.

6.2 Unless it is otherwise prohibited by laws, Part B and Party C shall have no right to terminate or rescind this Agreement in any situation.

6.3 This Article shall survive any modification, dissolution or termination of this Agreement.

## **7. Notices**

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by e-mail to the address of such Party set forth below. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notice given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices;

7.1.2 Notices given by e-mail shall be deemed effectively given on the date of successful transmission.

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Address: [\*\*\*]

Attention: Qifeng Zhao

Phone: [\*\*\*]

E-mail: [\*\*\*]

Party B:

Chang Liu

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Zhan Xie

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Party C:

Address: [\*\*\*]

Attention: Qifeng Zhao

Phone: [\*\*\*]

E-mail: [\*\*\*]

7.3 Any Party whose mailing address, mailing number or other contact information changes as described above shall notify the other Parties of such change within seven (7) days after such change occurs, otherwise, the original addresses of such Party shall be deemed effective.

## 8. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information and without obtaining the written consent of the other Party, it shall

not disclose any relevant confidential information to any third parties, except for the information that (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is needed to be disclosed by any Party to its legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Sections. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

## **9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

## **10. Miscellaneous**

### **10.1 Entry into force, Amendments, Changes and Supplements**

This agreement is effective when it is signed on the date indicated at the beginning of the text. The Parties hereby agree and confirm that the force of this Agreement shall be retroactive to December 21, 2021.

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

### **10.2 Headings**

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

### **10.3 Language**

This Agreement shall be written in Chinese, and in quadruplicate, one for each party, and each copy has equal legal validity.

### **10.4 Severability**

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity,

legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

#### 10.5 Newly Added Subsidiaries

In case at any time after the entry into force of this Agreement, any entity is added into and as Subsidiary, Party C shall procure such newly added Subsidiary to sign the Rights and Obligations Assumption Letter in the form set forth in Appendix 4 of this Agreement and any other legal documents permitted or required under PRC laws to permit the newly added Subsidiary added into this Agreement and to fully assume the rights and obligations that should be enjoyed and borne by Subsidiaries. As of the date of execution of such Rights and Obligations Assumption Letter and any other legal documents permitted or required under PRC laws, such newly added Subsidiary shall be deemed to be a party to this Agreement. All the other Parties hereby agree to fully accept the foregoing arrangement.

#### 10.6 Changes of Parties to this Agreement

- 10.6.1 Neither Party B nor Party C shall be entitled to assign any of its rights and obligations under this Agreement to any third party without Party A's prior written consent.
- 10.6.2 Party B and Party C hereby agree that Party A may assign its rights and obligations under this Agreement to any third party and that Party A only need to give written notice to Party B and Party C when such assignment occurs and not need to obtain another consent from Party B or Party C.
- 10.6.3 If Party B no longer holds any Equity Interest of Beijing Qili, such Party B shall automatically be deemed as a party to this Agreement. If any third party becomes a shareholder of Beijing Qili, then Party B and Party C shall endeavor to procure that such third party become a party to this Agreement as soon as possible by signing appropriate legal documents. If, with consent of Party A, any Subsidiary which is dissolved or ceases to be under the control of Beijing Qili, shall automatically be deemed no longer as a party to this Agreement.

#### 10.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

#### 10.8 Force Majeure

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event of any failure to perform this Agreement due to the Force Majeure Event, the Party suffered by the Force Majeure Event shall immediately (i) inform the other Parties by telegram, facsimile transmission, or other electronic means the Force Majeure Event and shall provide the proofs of Force Majeure in writing within fifteen (15) business days and (ii) take all reasonable and practicable methods to eliminate or mitigate the influence by Force Majeure Event and shall resume the performance of obligations after the influence of Force Majeure Event is eliminated or mitigated.

#### 10.9 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

#### 10.10 Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early terminations hereof.

#### 10.11 Entire Agreement

Except for the amendment, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

*(There is no text in the remaining page.)*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A : **Guangzhou Qixiang Technology Co., Ltd.**

Authorized Representative: Qifeng Zhao

/s/ Qifeng Zhao \_\_\_\_\_

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party B :  
**Chang Liu**

/s/ Chang Liu

**Zhan Xie**

/s/ Zhan Xie

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party C: **Beijing Qili Technology Co., Ltd.**

Authorized Representative: Haochen Lu

/s/ Haochen Lu

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**Notice of Exercise**

To: [ ]; and/or  
[ ]

WHEREAS, Guangzhou Qixiang Technology Co., Ltd. (the "Company") entered into the Exclusive Option Agreement among Beijing Qili Technology Co., Ltd. and other related parties on [ ], which stipulates that you shall, upon the request of the Company, sell all or part of your equity interest of [ ] to the Company or the third party designated by the Company, subject to the conditions permitted by the relevant laws and regulations of the PRC.

Accordingly, the Company hereby issues this notice to you as follows.

The Company hereby requests to exercise the option under the Exclusive Option Agreement to purchase the equity interest held by you in [ ], representing [ ]% of the registered capital of [ ] (the "Proposed Transferred Equity Interest"), at a price of RMB[ ]. Please complete the necessary procedures for the sale of all the Proposed Transferee Equity Interests to the Company/the Company's third party designated transferee by Company in accordance with the Exclusive Option Agreement immediately upon receipt of this notice.

**Guangzhou Qixiang Technology Co., Ltd.**

Name:  
Position:  
Date:

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### Equity Interest Transfer Agreement

This Equity Interest Transfer Agreement (the “**Agreement**”), dated as of [ ], is made by and among the following parties in [ ], China:

Transferor:  
[ ]

Transferee:  
[ ]

Through amiable negotiation the Parties stated above agree as follows about the equity interest transfer stated herein:

1. Transferor agrees to transfer the [ ]% equity interest in [ ] Company (“**Target Equity Interests**”) to Transferee at a price of RMB \_\_\_\_, and Transferee agrees to purchase such Target Equity Interests.
2. Upon completion of transfer of Target Equity Interests, Transferor shall no longer enjoy while Transferee enjoys any rights and bear all obligations as the shareholder of Target Equity Interests.
3. Any matters not mentioned in the Agreement may be determined by supplementary agreements signed by both parties.
4. The Agreement becomes effective on the date of signature by both parties.
5. The Agreement is executed in four (4) counterparts, each party holding one and the rest used for industrial and commercial alteration registration.

**Transferor:** [ ]:

Signature:

**Transferee:** [ ]

Authorized Representative:

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**Confirmation Letter**

To: Guangzhou Qixiang Technology Co., Ltd.

I, the shareholder of [ ] (the "Company") hereby agree and confirm as follows:

1. I agree to and accept all the terms and conditions of the Exclusive Option Agreement entered by me, the Company, Guangzhou Qixiang Technology Co., Ltd. ("**WFOE**") and other related parties on \_\_\_\_\_, and waive the right of first refusal to such equity interest when WFOE exercises its Purchase Right under such agreement. I will take all measures to assist WFOE on the transfer procedures for such equity interest.
2. I agree to waive the right of first refusal when other shareholders of the Company transfer the equity interest it owns to WFOE or any third party designated by WFOE.
3. In the event other shareholders of the Company transfers the equity interests it owns to WFOE or any third party designated by WFOE, I will sign or provide necessary documents for the transfer procedures of such equity interests.

[ ]  
Signature:  
Date: [ ]

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**Rights and Obligations Assumption Letter**

Our Entity, \_\_\_\_\_, is a limited liability company established on \_\_\_\_\_, \_\_\_\_\_, and Beijing Qili Technology Co., Ltd. (hereinafter referred to as "**Beijing Qili**") holds [ ]% equity interest of Our Entity since \_\_\_\_\_, \_\_\_\_\_, i.e. Our Entity became a subsidiary of Beijing Qili since \_\_\_\_\_, \_\_\_\_\_.

Pursuant to the Exclusive Option Agreement (the "**Agreement**") entered into by and among Beijing Qili, Guangzhou Qixiang Technology Co., Ltd. and other related parties on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ Our Entity acts as a newly added Subsidiary under that Agreement and joins that Agreement pursuant to the provisions of Section 10.5.

Our Entity hereby agree to join that Agreement as a newly added Subsidiary of Beijing Qili, to have the rights of "Subsidiary", "Shareholder" and "Party C" (as the case may be) and to perform all obligations of "Subsidiary", "Shareholder" and "Party C" (as the case may be) in accordance with the provisions of the Agreement, effective as of the execution of this Assumption Letter.

[Chapter]

Legal representative:  
Dated:

## Letter of Consent

I, Limin Chen (ID number: [\*\*\*]), am the legal spouse of Chang Liu (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Qili Technology Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Guangzhou Qixiang Technology Co., Ltd. (hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 4, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agree and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time, upon request by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

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This consent letter is executed on March 4, 2022 and becomes effective as of the date hereof. I hereby agree and confirm that the force of this consent letter shall be retroactive to December 21, 2021.

/s/ Limin Chen

Limin Chen

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## Letter of Consent

I, Furong Xiao (ID number: [\*\*\*]), am the legal spouse of Zhan Xie (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Qili Technology Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Guangzhou Qixiang Technology Co., Ltd. (hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 4, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agrees and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time, upon request by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

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This consent letter is executed on March 4, 2022 and becomes effective as of the date hereof. I hereby agree and confirm that the force of this consent letter shall be retroactive to December 21, 2021.

/s/ Furong Xiao

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Furong Xiao

## Power of Attorney

I, the undersigned, Chang Liu, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 4,950,000 (“**Equity Interest**”) of Beijing Yiqi Education Information Consultation Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Guangzhou Qixuan Education Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director of 17 Education & Technology Group Inc.) to exercise my rights on behalf of myself according to the Trustee's own will, which include but not limited to:

1. Proposing the shareholders' meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders' meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders' meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company's assets; and
6. Review the resolutions of shareholders' meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them .

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC, I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution. It shall be continuously effective during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

/s/ Chang Liu

Chang Liu

Date: March 21, 2022

## Power of Attorney

I, the undersigned, Zhan Xie, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 50,000 (“**Equity Interest**”) of Beijing Yiqi Education Information Consultation Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Guangzhou Qixuan Education Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director(s) of 17 Education & Technology Group Inc. to exercise my rights on behalf of myself according to the Trustee’s own will, which include but not limited to:

1. Proposing the shareholders’ meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders’ meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders’ meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company’s assets; and
6. Review the resolutions of shareholders’ meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them.

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC,

I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution. It shall be continuously effective

during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

/s/ Zhan Xie

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Zhan Xie

Date: March 21, 2022

### Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (“**Agreement**”) is entered into as of the date of March 21, 2022, by and among the following parties in Beijing, the People’s Republic of China (“**PRC**”).:

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at Room C-6, Room 1903, No.13 Huaming Road, Tianhe District, Guangzhou;

Party B:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];  
Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Yiqi Education Information Consultation Co., Ltd.**, a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 509, 5/F, Tonggang Building, No.2 Huayuan North Street, Xicheng District, Beijing;

(Each of Party A, Party B and Party C, a “**Party**”, and collectively the “**Parties**”).

WHEREAS,

- (1) Party A, Party B, Party C and relevant parties have already executed the agreements listed in Appendix I (these agreements, as amended and restated from time to time, collectively referred to as the “**Main Agreements**”);
- (2) Party B collectively owns 100% of the equity interest of Party C in total, and Party B plans to pledge the equity interest of Party C it owns to Party A unconditionally, as a security for the performance of the obligations by Party B, Party C and the entities invested or controlled (including controlled by contract) by Party C (including but not limited to any company or relevant entity in which Party C holds, directly or indirectly, more than 50% equity interest, if any) (the “**Subsidiaries**”) under the Main Agreements, and Party A agrees to accept such security (the “**Pledge**”).

NOW THEREFORE, Party A, Party B and Party C through mutual negotiations hereby enter into this Agreement based upon the following terms:

#### 1. Pledge

Party B agrees to pledge the equity interests of Party C and Party B’s equity in Party C’s new



capital in accordance with Article 4.2, including dividends and bonuses derived from such equity it owns (the “**Pledged Equity Interests**”) to Party A unconditionally and irrevocably, as a security for the performance of the obligations by Party B, Party C and Subsidiaries under the Main Agreements.

## **2. Scope of Pledge**

The Pledged Equity Interests under this Agreement extends to all obligations of Party B, Party C and Subsidiaries under the Main Agreements (including but not limited to any amounts, penalties, damages, dividends, profits or any asset etc. payable but not paid to Party A), any fees for exercising the creditor’s rights and the Pledge right, and any other related expenses, and shall not be limited to the amounts of secured creditor’s right recorded in administration for market regulation authorities.

If the competent authority requires the amount of the principal debt to be clarified during the registration of the equity pledge, the parties agree to register the principal amount of the debt under the principal contract as RMB 5 million and any liability for breach of contract and the amount of compensation for damages under all relevant contracts only for the purpose of the registration of the equity pledge. The parties further confirmed that, for the purpose of handling the equity pledge registration, it is clear that the aforementioned amount does not detract from or restrict all rights and benefits enjoyed by Party A in accordance with the relevant Main Agreements and this equity pledge agreement.

## **3. Term and Dissolution of Pledge**

3.1 The Pledge under this Agreement shall be effective from the date of registration of the Pledge with competent administration for market regulation authorities to the date on which the Main Agreements are completely performed, invalidated or terminated (the later date shall prevail). In the term of Pledge, if Party B, Party C or Subsidiaries fail to perform any of their obligations under the Main Agreements, or in case of occurrence of any of the events provided in Article 6.1, Party A is entitled but not obligated to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement.

3.2 When all Main Agreements are performed entirely or terminated or become invalid (the later date shall prevail) and Party B, Party C and Subsidiaries fully and entirely perform obligations under Main Agreements and pay off entire secured debt, Party A shall rescind the Pledge under this Agreement according to Party B’s request, and assist Party B to deregister the Pledge recorded in Shareholders’ Book of Party C and registered with the competent administration for market regulation authorities. All fees and expenses arising from such deregistration of the Pledge shall be borne by Party C.

## **4. Registration of Pledge and Retention of Equity Interest Record**

4.1 Party B and Party C promise to Party A that, Party B and Party C shall: (i) on the date of the execution of the Agreement, record the Pledge under this Agreement on the Shareholders’ Book of Party C according to Appendix II and hand the recorded Shareholders’ Book to Party A for its keep; and (ii) within thirty (30) business days after the execution of this Agreement or other practically shortest period, register the Pledged Equity Interests with competent administration for market regulation authorities and obtain evidencing documents of such registration. Without limitation to any provision of this Agreement, during the effective period of this Agreement the Shareholders’ Book of Party C shall always be in the custody of Party A or any agent designated by Party A, unless any necessary registration or alteration procedures are required to be fulfilled in the operation of Party C .

- 4.2 Party B and Party C further covenant that after the execution of this Agreement, Party B may make capital increase to Party C with the prior consent of Party A provided that any capital increase by Party B to Party C constitutes an integrated part of the Pledged Equity Interests of this Agreement. Party B and Party C shall make necessary modification to the Shareholders' Book and capital contribution of relevant companies and conduct the pledge registration procedures according to Article 4.1.
- 4.3 All fees and expenses related to this Agreement, including but not limited to registration fee, cost, stamp tax or any other taxes, expenses shall be borne by Party C according to relevant laws and regulations.
- 4.4 During the term of Pledge stipulated by this Agreement, Party B shall deliver the capital contribution certificate to Party A within one (1) week after the execution of this Agreement. Party A shall keep the capital contribution certificate within the entire term of Pledge. Within the term of Pledge, Party A is entitled to collect the dividends of the Pledged Equity Interests.

## **5. Covenants and Warranties of Party B and Party C**

Party B and Party C hereby jointly and severally covenant and warrant to Party A as follows:

- 5.1 Party B is the lawful owner of the Pledged Equity Interests and there exists no dispute or potential dispute concerning the ownership of such equity interests. Party B has the right to dispose such equity interests or any part thereof without any restrictions by any third party.
- 5.2 Except for the Pledge and other right provided hereunder and in the Exclusive Option Agreement executed by relevant parties, Party B has not established any other pledge or other interests of any third party over the Pledged Equity Interests. The Pledged under this Agreement shall be first priority under the Pledged Equity Interests.
- 5.3 Party B and Party C fully understand the contents of this Agreement and the execution of the Agreement by Party B and Party C is based on true and free will. Party B and Party C have taken all necessary measures and obtained all necessary internal authorization to execute and perform this Agreement, signed all necessary documents and obtained all approvals and consents from the government and third party (if applicable) to make sure the Pledge under the Agreement is lawful and valid.

- 5.4 Either the execution of this Agreement or the performance of obligations under this Agreement will not (i) conflict with, breach or violate any applicable P.R.C. law,(ii) conflict with any organizational documents of Party C, (iii) conflict with, breach or violate any contract, document to which it is a Party or it is bound with; (iv) violate any license or permit granted to it and/or violate any condition to maintain the validity of any license or permit granted to it; or (v) cause any license or permit granted to it be terminated, rescinded or be imposed any condition.
- 5.5 During the effective period of this Agreement, Party B shall not transfer or assign the Pledged Equity Interests, authorize any rights relating to the Pledged Equity Interests to any third party, or create or permit to be created any security or other interests which may have an adverse effect on the rights or benefits of the Party A without prior written consent of Party A.
- 5.6 During the effective period of this Agreement, Party B and Party C shall abide by and implement all relevant PRC laws and regulations concerning the pledge of rights, and in the event Party B and Party C receive any notice, order or suggestion from competent authorities concerning the Pledged Equity Interests and/or the Pledge hereunder, Party B and Party C shall timely notify and show Party A of such notice or order within five (5) business days upon receipt thereof.
- 5.7 Party B and Party C shall not conduct or permit to be conducted anything that shall damage the value of the Pledged Equity Interests or the Pledge right of Party A. Party B and Party C shall notice Party A of any events that may influence the value of the Pledged Equity Interests or the Pledge right of Party A within five (5) business days after its knowledge of such events.
- 5.8 The Pledge under this Agreement shall remain fully effective during the effective period of the Agreement, and shall not be influenced by liquidation, loss of capacity, change of organization or status, any capital offset among the Parties or any other events.
- 5.9 For the purpose of performance of this Agreement, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provision of this Agreement. Party A's

exercise of such right shall not be interrupted or jeopardized by Party B and Party C, their successors or agents, or any other persons by way of legal proceedings.

5.10 In order to ensure and consummate the security provided by this Agreement over the obligations of Party B, Party C and Subsidiaries under the Main Agreements, Party B and Party C shall faithfully sign and cause any third party who is beneficially related to the Pledged Equity Interests to sign all certificates and agreements in connection with the performance of the Agreement, and/or cause such third party to take any measures required by Party A and provide convenience to Party A concerning the exercise of the Pledge right hereunder.

5.11 In order to ensure the interests of Party A, Party B and Party C shall abide by and perform all warranties, covenants, agreements, representations and conditions. In the event Party B and/or Party C failed to do so and resulted in damages to Party A, Party B and/or Party C shall indemnify Party A for all of such damages and losses.

## **6. Events of Default and Exercise of the Pledge Right**

6.1 In case of any of the following events (“**Events of Default**”) which shall be permitted by relevant PRC’s laws and regulations, Party A may require Party B or Party C to perform all the obligations under this Agreement and the Pledge under the Agreement may be performed immediately:

- a) Party B or Party C violates its covenants and warranties under this Agreement, or any covenants and warranties made by Party B or Party C in this Agreement are seriously untrue;
- b) Party B, Party C or Subsidiaries violate any of its obligations or covenants and warranties under the Main Agreements, or any covenants and warranties made by Party B or Party C in the Main Agreements are seriously untrue;
- c) Any obligation of Party B, Party C or Subsidiaries under this Agreement is regarded as illegal or void;
- d) The termination of business or dissolution of Party C or Subsidiaries, or the termination of business, dissolution or bankruptcy of Party C or its Subsidiaries by any order;
- e) Party B, Party C and/or Subsidiaries are involved in any disputes, litigations, arbitrations, administrative procedures or any other legal procedures or administrative query, actions or investigations that deemed reasonably to have material adverse effect on the following events: (i) the capacity of Party B to perform its obligations under this Agreement or the Main Agreements, or (ii) the capacity of Party C or Subsidiaries to perform its obligations under this Agreement or the Main Agreements;
- f) Any other events of the disposal of the Pledged Equity Interest according to applicable laws and regulations.

- 6.2 In case of any of the aforesaid Events of Default, Party A or the third party designated by Party A may exercise its Pledge right by purchasing, designating any other party to purchase, auctioning, or selling all or part of the Pledged Equity Interests. Party A may exercise such Pledge right without exercising any other security rights, or take any other measures or proceedings or take any other action for remedies of breach of this Agreement against Party B and/or Party C any other parties.
- 6.3 Upon request by Party A, Party B and Party C shall take all the lawful and appropriate measures to ensure the exercise of the Pledge right by Party A. For such purpose, Party B and Party C shall sign all appropriate documents and materials, and take all proper measures requested by Party A.

7. Transfer or Assignment

- 7.1 Party B and Party C have no right to transfer or assign the rights and obligations under this Agreement without the prior written consent from Party A, except that Party A acquires the Pledged Equity Interests directly or indirectly according to the Exclusive Option Agreement and its amended and restated version.
- 7.2 The Agreement shall be binding upon the Party B and its successors and be effective upon Party A and its successors and assignees.
- 7.3 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party C's equity interest held by Party B, Party B's heirs (including spouse, children, parents, siblings, grandparents, grandparents) shall be deemed to be the party to this Agreement and shall succeed to and assume all of Party B's rights and obligations under this Agreement.
- 7.4 Party A may transfer or assign all and any of its rights and obligations under the Main Agreements to any person (natural or legal person) it designates. In this case, the assignee shall enjoy and undertake the same rights and obligations herein of Party A as if the assignee is a party hereto. Upon Party A's transfer or assignment of the rights and obligations under the Main Agreements and at Party A's request, Party B and/or Party C shall execute relevant agreements and/or documents with respect to such transfer or assignment, including but not limited to executing a new equity interest agreements, the format and contents of which shall be the same with this Agreement, with the assignee.
- 7.5 Subsequent to an assignment or transfer by Party A, the new parties to the Pledge shall re-execute a pledge contract. Party B and Party C shall provide assistance to the assignee with respect to the registration procedures of the Pledge.

8. Confidentiality

This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for high-ranking officers, directors, employees, agents or professional consultants of the Parties or their affiliates. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant Securities Transaction Authorities to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification, dissolution or termination of this Agreement.

9. Liabilities for Breach of Agreement

9.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representations or warranties, such Party shall be liable for all the losses of other Parties for breach of the Agreement. This Article 9 shall not influence any other right of Party A under this Agreement.

9.2 This Article 9 shall survive any modification, recession or termination of this Agreement

10. Force Majeure

Force Majeure means any event that cannot be anticipated at the time of the execution of the Agreement, and the occurrence of which cannot be avoided, controlled or conquered by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or rebellion, etc..

The Party suffering such Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) in every instance, to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or remove the effect of such Force Majeure with all reasonable dispatch, and continue its performance of the Agreement after such effect is mitigated or removed.

11. Change of Parties

In the event that Party B no longer possesses any shares of Party C, Party B shall be deemed no longer as a party of this Agreement. In the event that any third party becomes a shareholder of Party C, Party B and Party C shall take effort to cause such third party executing relevant legal documents and becoming one of Party B of this Agreement.

## 12. Termination

Party B and/or Party C shall not terminate this Agreement without written consent of Party A. Unless this Agreement is terminated subject to this Article 12, provided that Party B and Party C fully and completely perform all obligations under this Agreement and pay off all the secured debts, Party A shall terminate the Pledge under this Agreement as soon as reasonable as required by Party B and coordinate with Party B to deregister recording of the Pledge in the Shareholders' Book of Party C and complete the deregistration process with administration for market regulation authorities.

## 13. Miscellaneous

### 13.1 Applicable Law and Dispute Resolution

#### 13.1.1 Applicable Law

This Agreement and any related matters shall be governed by and construed in accordance with the PRC laws.

#### 13.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 13.1 shall not be influenced by the modification, rescission and termination of this Agreement.

### 13.2 Notices

(1) All notices and other communications required or permitted to be given under this Agreement shall be delivered personally or sent by registered mail, commercial courier service or e-mail to the address of such Party as set forth below. The dates on which such notices shall be deemed to be validly served shall be determined as follows: (i) notice sent by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices; and (ii) notices sent by e-mail, it shall be deemed effectively given on the date of successful transmission.

(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:  
Address: [\*\*\*]  
Attention: Zheng Lu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B:  
Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

13.3 This Agreement shall become effective on the date of signature by the parties. The Pledge right under this Agreement shall be established from the date it is registered with the market supervision and administration department to which Party C belongs. Unless Party A executes the Pledge right in accordance with this Agreement during the term of this Agreement, this Agreement shall terminate until all the principal contracts have been performed, lapsed or terminated or the parties have reached any written agreement on the termination of this Agreement, whichever is later.

13.4 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which other provisions or other parts of the provisions shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provisions to achieve the purpose of the original provision.

13.5 This Agreement shall be made in Chinese in five originals, one copy for each of Party A and Party C and one copy for each of Party B. The remaining originals shall be submitted to the relevant market supervision and administration department for record registration or retained by Party A.



13.6 This Agreement and its annexes constitute the entire agreement regarding the transactions under this Agreement, and this Agreement, once signed, shall supersede any prior undertakings, memoranda, agreements or any other documents between any parties in respect of the matters covered by this Agreement.

13.7 Any amendment or supplement to this Agreement must be in writing and must be validly signed by all parties hereto.

[THE SIGNATURE PAGE]

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

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Party B :

**Chang Liu**

/s/ Chang Liu

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**Zhan Xie**

/s/ Zhan Xie

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Party C: **Beijing Yiqi Education Information Consultation Co., Ltd.**

Authorized Representative: Chang Liu

/s/ Chang Liu

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## **Appendix I List of Main Agreements**

1. Exclusive Option Agreement entered into by and among Guangzhou Qixuan Education Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Yiqi Education Information Consultation Co., Ltd. as of March 21, 2022
2. Exclusive Management Service and Business Cooperation Agreement entered into by and among Guangzhou Qixuan Education Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Yiqi Education Information Consultation Co., Ltd. as of March 21, 2022
3. "Power of Attorney" executed by Chang Liu as of March 21, 2022
4. "Power of Attorney" executed by Zhan Xie as of March 21, 2022
5. "Letter of Consent" executed by Limin Chen as of March 21, 2022
6. "Letter of Consent" executed by Furong Xiao as of March 21, 2022

Appendix II Shareholders' Book

Shareholders' Book of Beijing Yiqi Education Information Consultation Co., Ltd.

Name of Shareholders	Amounts of Capital Contribution (RMB)	Proportion of Capital Contribution	Equity Interest Pledge
Chang Liu	4,950,000	99%	99% of the equity interest has been pledged to Guangzhou Qixuan Education Technology Co., Ltd.
Zhan Xie	50,000	1%	1% of the equity interest has been pledged to Guangzhou Qixuan Education Technology Co., Ltd.

Beijing Yiqi Education Information Consultation Co., Ltd.

Authorized Representative:  
Name: Chang Liu  
Occupation: Legal Representative

**Exclusive Management Service and Business Cooperation Agreement**

This Exclusive Management Service Business Cooperation Agreement ("**Agreement**") is entered into as of March 21, 2022 by and among the following parties in Beijing, the People's Republic of China ("**PRC**"):

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at Room C-6, Room 1903, No.13 Huaming Road, Tianhe District, Guangzhou;

Party B: **Beijing Yiqi Education Information Consultation Co., Ltd.** ("**Beijing Yiqi Consultation**"), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 509, 5/F, Tonggang Building, No.2 Huayuan North Street, Xicheng District, Beijing;

Subsidiaries of Party B: All agencies invested in or controlled (including controlled by agreement arrangement) by Party B according to this Agreement from time to time (including but not limited to any company or relevant agencies in which Party B holds, directly or indirectly, more than 50% equity interest)

Part C:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];

Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

(Each of Party A, Party B and Party C, a "**Party**", and collectively the "**Parties**".)

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, owning resources to provide office supplies sales, stationery wholesale, information technology consulting services, family education advisory services for parents, educational consulting services (excluding education and training activities involving licensing), information consulting services (excluding licensing information consulting services), home goods sales, technical services, technology development, technology consultation, technology exchange, technology transfer and technology popularization, sales of electronic special materials, integrated circuit chip and product sales, sales of power electronic components, home appliances spare parts sales, integrated circuit sales, furniture spare parts sales, internet sales (except sales of licensed goods), machinery parts, spare parts sales, software sales, retail of computer hardware, software and auxiliary equipment, computer hardware and software and auxiliary equipment wholesale, marketing planning, stationery retail, home appliances sales, sales of arts and crafts and ceremonial

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goods (except ivory and its products), publication wholesale, retail of publications, internet sales of publications, import and export of goods, technology import and export.

(2) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, mainly engaging in publicity and promotion and other related business.

(3) Party C is the shareholder of Party B and owns 100% of the equity interests of Party B;

(4) Party A agrees to use its personnel, technology and information advantages to provide Party B and Subsidiaries of Party B (including Subsidiaries of Party B as renewed from time to time during the term of this Agreement, hereinafter the same) with exclusive corporate management consulting, intellectual property licensing, technical support and business support services, and Party B and Subsidiaries of Party B accepts relevant services provided by Party A.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

## 1. Provision of Services

1.1 In accordance with the terms and conditions herein, Party B, Subsidiaries of Party B and Party C appoint Party A as the exclusive technical and service provider to provide full-scope corporate management consultant, intellectual property license, technical support and consultant services, the specific contents of services within the scope of business of Party B and Subsidiaries of Party B in whole or in part determined by Party A from time to time, as provided in Appendix I. Party B and Subsidiaries of Party B are as **Service Accepting Party**.

Party B and Subsidiaries of Party B shall determine the specific contents of services within the scope listed in **Appendix I** with Party A or any entity designated by Party A based on the actual need in their business. Both parties confirm that the services provided by Party A is confined to the approved operation scope. In the event Party B and Subsidiaries of Party B require Party A to provide services beyond the approved operation scope, Party A is entitled to or designate a third party to expand Party A's operation scope with accordance to PRC laws, and provide such services after approval.

1.2 Party B, Subsidiaries of Party B and Party C further agree that during the effective period of this Agreement, Party B, Subsidiaries of Party B and Party C shall not directly and indirectly obtain the same or similar exclusive technical and services as provided under this Agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein.

1.3 To ensure the normal operation of the ordinary business of Party B, Subsidiaries of Party B, Party A may, but not obligated to, provide guarantee for the performance of the agreements concluded by Party B or Subsidiaries of Party B with any third party with respect to the business of Party B and Subsidiaries of Party B. Party B, Subsidiaries of

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Party B and Party C hereby agree and confirm that if they need to provide any guarantee for the performance of any agreement or loan by Party B in the operation process, it will ask Party A as its guarantor firstly.

## 2. **Service Fee and Payment**

- 2.1 Party A can refer to the specific service content and service targets, and use Party B and Subsidiaries of Party B 's income and customer volume in a specific period as a reference to determine the service price and appropriate payment method by itself. The calculation and payment of the service fee is stipulated in **Appendix II** of the Agreement.
- 2.2 If Party A determines the fee calculation mechanism specified herein should no longer apply due to whatever reason, Party A shall actively and faithfully render an adjustment scheme to determine a new fee standard or mechanism. If Service Accepting Party does not respond within the 7-day period as mentioned above, it shall be deemed as having accepted the adjustments proposed by Party A.

## 3. **Intellectual Properties**

- 3.1 Party A shall solely and exclusively own any ownership, interest and right of the intellectual properties produced by performance of this Agreement, including but not limited to copyrights, patents, claims of patent application and technical secrets, and without Party A's consent, Party B, Subsidiaries of Party B and Party C enjoy no rights other than those provided herein. Party B shall actively assist with Party A for all necessary method to cause Party A obtains such intellectual properties. For avoidance of any doubt, any intellectual property that is in the process of filing with governmental authorities or owned by the Party B or Subsidiaries of Party B shall be transferred by the beneficial owner or the applicant of such intellectual property to Party A or its affiliate as required by Party A, and Party B and/or Subsidiaries of Party B shall execute transfer agreement for such intellectual property except the intellectual properties that are necessary for Party B or its subsidiaries in ordinary business or shall be held by Party B or Subsidiaries of Party B according to relevant P.R.C. laws and regulations.
  - 3.2 However, if the development is based on the intellectual properties owned by Party B or Subsidiaries of Party B, such intellectual properties should be flawless. Otherwise Party B and Subsidiaries of Party B shall bear all damages and losses caused to Party A by any flaw of such intellectual properties. If Party A is to bear any liabilities to any third party because of this, it has the right to recover all of its losses from Party B and Subsidiaries of Party B.
  - 3.3 This Article 3 of this Agreement shall survive any modification, dissolution or termination of this Agreement.
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#### 4. Exercise of Party A's rights

In view of Article 1 in this Agreement, in order to specify respective rights and obligations of each Party, to ensure Party A's actual performance in providing management services to Party B and Subsidiaries of Party B according to this Agreement, and to ensure the implement of business services between Party A, Party B and Subsidiaries of Party B and the payment of the amounts that shall be paid by Party B and Subsidiaries of Party B to Party A, Party B, Subsidiaries of Party B and Party C agree the followings:

- 4.1 Party A is entitled to provide suggestions and requirements with respect to the operation of Party B and Subsidiaries of Party B, financial management and employment, and Party B and Subsidiaries of Party B shall strictly perform or abide by such suggestions or requirements.
  - 4.2 Party C, Party B and Subsidiaries of Party B will elect the person designated by Party A to be the director of Party B and Subsidiaries of Party B in accordance with the procedures stipulated by laws, regulations and the company's articles of association, cause such elected directors to elect the person recommended by Party B and Subsidiaries of Party B as the chairman of the board of directors , and appoint the persons designated by Party A as senior managers of Party B and Subsidiaries of Party B, including but not limited to the manager, the chief financial officer, the responsible officers of each branch of business, financial managers, financial superintendents and accountants.
  - 4.3 Party C, Party B and Subsidiaries of Party B shall dismiss any director and/or senior manager of Party B in accordance with the requirement of Party A, and elect and engage others as Party A designates.
  - 4.4 On the purpose of Article 4.3, Party C, Party B and Subsidiaries of Party B shall conduct necessary internal and external procedures in accordance with law, Articles of Association and this Agreement to complete such dismiss and engagement procedures.
  - 4.5 Party A is entitled to check accounts of Party B and Subsidiaries of Party B termly and momentarily. Party B and Subsidiaries of Party B shall keep accounts timely and accurately, and provide accounts, audit reports, financial statements and any operation records, business contracts, financial materials as Party A requires. During the effective period of this Agreement , Party B and Subsidiaries of Party B shall assist Party A and any third party designated by Party A to conduct audit (including but not limited to audit of affiliated transactions and any other audits), provide information and materials with respect to the operation, business, clients, finance and employees of Party B and Subsidiaries of Party B, and permit Party A to disclose such information and materials for securities supervision.
  - 4.6 Party C hereby agrees that upon it executes this Agreement, it shall execute a Power of Attorney the form and substance of which shall be satisfied by Party A, and shall
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comprehensively, appropriately, and completely perform the obligation under such Power of Attorney, including but not limited to unconditionally and irrevocably authorize Party A or the party designated by Party A (“Trustee”, and Party C shall not be such Trustee) to exercise the rights of shareholders and/or board of Party B as Party C’s agent according to the Trustee’s own will.

- 4.7 Party C confirms that upon it executes this Agreement, it has comprehensively and clearly understood Party B and its subsidiaries’ obligations hereunder, and that it is willing to pledge the equity interest of Party B and Subsidiaries of Party B it owns (collectively 100% equity interest of Party B) to Party A, as a security for the performance of the obligations of Party B and Subsidiaries of Party B under this Agreement. Each Party will separately execute the agreements for equity interest pledge.
  - 4.8 Upon Party A’s requests in writing, Party B, Subsidiaries of Party B and Party C shall set all accounts receivable and/or other legal assets which could be disposed as collaterals for the performance of obligations of service fee payment in Article 2.1 under this Agreement. During the effective period of this Agreement, Party B and Subsidiaries of Party B shall maintain completed licenses necessary for its business operation and the right and capacity to conduct relevant business within Chinese territory.
  - 4.9 In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation for whatever reasons, Party C, Party B and Subsidiaries of Party B shall assign personnel recommended by Party A as liquidators permitted by PRC laws and regulations to manage the property of Party B and Subsidiaries of Party B. In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation, no matter Article 4.9 can be enforced or not and subject to the restriction under PRC law, Party C, Party B and Subsidiaries of Party B shall respectively deliver all the property obtained from the liquidation of Party B and Subsidiaries of Party B under PRC laws and regulations to Party A or the party designated by Party A.
  - 4.10 Without Party A’ prior written consent, Party B and Subsidiaries of Party B shall not conduct any transaction that may have substantial effect on the assets, obligations, rights or operation, including but not limited to the followings:
    - a) conducting any business beyond the scope of normal operation or in the way different from prior usual manners;
    - b) raising a loan or undertaking any debts;
    - c) changing or removing any director or any senior manager;
    - d) selling, purchasing or disposing any asset or interest in any manner to any third, including but not limited to intellectual properties;
    - e) setting corporate assets or intellectual properties as collaterals, providing warranties in any other ways, or setting any other encumbrances on corporate properties for the debts not belonging to Party B and Subsidiaries of Party B;
    - f) modifying the Articles of Association or the scope of operation;
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- g) modifying corporate operation modes, business procedures or any significant internal regulations;
- h) making significant adjustment on business modes, marketing strategies, operation tactics or client relationship;
- i) distributing profits and dividend in any manner;
- j) conducting liquidation and distributing residual properties;
- k) transferring or assigning rights and obligations hereunder to any third party;
- l) executing any agreement or enter into any arrangement colliding with or damages Party A's rights and interests in this Agreement with any third party;
- m) engaging in any arrangement of contractual operation, leasing management, merger, division, joint venture, shareholding reform or other method to change the method of operation and equity structure, or sell, transfer, convert to equity interest and any other manners to dispose any or all asset or equity interest of Party B or Subsidiaries of Party B.

Furthermore, Party B and Subsidiaries of Party B shall, and Party C shall cause Party B notify Party A timely when there is or may be any significant adverse effect on business and operation of Party B and/or Subsidiaries of Party B and do their best to prevent the occurrence of such issues and/or the expansion of damages.

4.11 Party B and Subsidiaries of Party B hereby grants to Party A an irrevocable and exclusive a Purchase Right which subject to the PRC laws allows Party A to purchase, at its option, any or all of assets (including all interests held by Party B or Subsidiaries of Party B in their subsidiaries) and business of Party B and Subsidiaries of Party B with the lowest price as permitted under the PRC laws. If the aforementioned lowest price as permitted under PRC law is not zero consideration, Party B and Subsidiaries of Party B further agree to give the full transfer price to Party A or the party designated by Party A, as requested by Party A. Parties shall execute the agreement for such transfer of assets and business and determined the terms and conditions for such transfer of assets and business.

## **5. Term and Right of Termination**

- 5.1 The Agreement is executed and becomes effective as of the date stated above.
  - 5.2 Unless all Parties reach an agreement to terminate this Agreement earlier, the term of this Agreement shall be effective during the business operation period of Party A, Party B.
  - 5.3 Party A shall have the option right to terminate this Agreement at any time. During the exercise of this Agreement, Party A is entitled to terminate this Agreement with written notice at any time.
  - 5.4 Without Party A's written consent, Party B, Subsidiaries of Party B and/or Party C have no right to terminate this Agreement.
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## 6. Representations and Warranties

- 6.1 Party A represents and warrants to Party B and Subsidiaries of Party B as follows:
- a) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, and has the capacity to take responsibilities;
  - b) Party A has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party A assumes legal, effective and binding obligations and such obligations may be enforced compulsorily according to this Agreement;
  - c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party A shall not conflict with, breach or violate (i) any operation license of Party A or any article of Party A's Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party A, or (iii) any article of contracts or agreements executed by Party A.
- 6.2 Party B and Subsidiaries of Party B makes the following statements and warranties to Party A:
- a) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, and have the capacity to take responsibilities with their registered capital;
  - b) Party B and Subsidiaries of Party B has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party B and Subsidiaries of Party B assumes legal, effective and binding obligations and such obligations may be enforced compulsorily according to this Agreement;
  - c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party B or Subsidiaries of Party B shall not conflict with, breach or violate (i) any operation license of Party B or Subsidiaries of Party B or any article of their Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party B or Subsidiaries of Party B, or (iii) any article of contracts or agreements executed by Party B or Subsidiaries of Party B;
  - d) Party B and Subsidiaries of Party B shall provide relevant information and documents to Party A as Party A requires, and arrange special personnel to correspond and coordinate with Party A and provide assistance with research and collection of materials in Party B and Subsidiaries of Party B;
  - e) If necessary, Party B and Subsidiaries of Party B shall provide requisite working facilities and conditions to Party A, and bear related expense and costs during the period that such personnel provide management service in Party B and Subsidiaries of Party B;
  - f) Develop and operate relevant information service in effective, prudent and legal manners, and maintain and renew in time requisite licenses and authorities of relevant information service under this Agreement provided by Party B and
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- Subsidiaries of Party B to keep the effective and entire validity of such licenses and authorities; establish and maintain an independent accounting for relevant information service;
- g) Provide Party A with any requisite technology or other materials deemed necessary by Party A, and provide Party A with the access to requisite places and facilities for service under this Agreement;
  - h) Party B and Subsidiaries of Party B shall operate in accordance with relevant laws and regulations, conduct entire relevant procedure necessary for operation, and provide duplicates of such licenses;
  - i) Party B and Subsidiaries of Party B possesses all permissions, licenses, authorities, approvals and facilities, and guarantee such permissions, licenses, authorities and approvals are continually effective and legitimate during the whole effective period of this Agreement;
  - j) Pay the service fee to Party A on time.

## **7. Confidentiality**

7.1 This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for relevant high-ranking officers, directors, employees, agents or professional consultants of such parties or affiliates who are relevant with the transaction contemplated under this Agreement and who are obligated to keep such confidential information confidential. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant securities exchange institutions to disclose information or contents relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

7.2 This clause shall survive any modification or termination of this Agreement.

## **8. Liabilities for Breach of Agreement**

8.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representation or warranty, such Party shall be liable for all the losses of other Parties for breach of the Agreement, or pay the penalties to the other Parties as agreed by the relevant Parties.

8.2 In the event that Party B or Subsidiaries of Party B is deemed as breach of the Agreement in accordance with Article 8.1, Party B and Subsidiaries of Party B shall compensate for entire loses, damages or responsibilities of Party A for the execution of this Agreement, including but not limited to damages and costs caused by any suits, claims of compensation, or other requests.

8.3 This clause shall survive any modification or termination of this Agreement.

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## **9. Force Majeure**

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event the performance of the Agreement is influenced by any Force Majeure, the Party suffering Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) take all reasonable and viable manners to mitigate or remove the effect of force majeure, and continue its performance of the Agreement after such effect is mitigated or removed.

## **10. Assignment of this Agreement and the Change of Parties**

- 10.1 Without prior written consent of Party A, Party C, Party B and Subsidiaries of Party B shall not transfer, assign any right or obligation under this Agreement to any third party, except that Party A acquires the equity interest of Party B directly or indirectly according to the Exclusive Option Agreement.
  - 10.2 Part B and Subsidiaries of Party B hereby agrees that Party A shall have right to transfer or assign any of its rights and obligations without prior consent of Party B or its subsidiaries by informing written notice to Party B and its subsidiaries at the transfer or assignment.
  - 10.3 Increase of Subsidiaries of Party B. If, at any time after the effective date of this agreement, any new Subsidiaries of Party B are added, Party B and Party C shall cause such new Subsidiary to sign confirmation letter of which the format and contents of Right and Obligation Assumption Letter listed in Appendix III or other legal documents permitted or required by the PRC laws to make such new subsidiary to enjoy and undertake all the rights and obligations under this Agreement as those of Subsidiaries of Party B hereunder. As of the date of signature of such Right and Obligation Assumption Letter or other legal documents, the new subsidiary should be deemed as one party to this Agreement. Other Parties of the Agreement hereby agree with such arrangements.
  - 10.4 Rights and obligations under this Agreement shall be legally binding upon assignees, successors of Parties hereof, no matter such assignment of obligations and rights is caused by takeover, restructuring, success, assignment or any other reason.
  - 10.5 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party B's equity interest held by Party C, the successors of Party C (including spouse, children, parents, siblings, grandparents, grandparents) shall be
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deemed to be a party to this Agreement and shall succeed to and assume all of Party C's rights and obligations under this Agreement.

- 10.6 In the event that Party C no longer possesses any shares of Party B, Party C shall be deemed no longer as a party of this Agreement. In the event that any other third party becomes a shareholder of Party B, Party B and Party C shall take effort to cause this third party executing relevant legal documents and becoming one of Party C of this Agreement. If, with consent of Part A', any Subsidiary which is dissolved or ceases to be under their control, it shall automatically be deemed no longer as a party to this Agreement.

## **11. Miscellaneous**

### 11.1 Applicable Law and Dispute Resolution

#### 11.1.1 Applicable Law

The laws of the People's Republic of China shall apply to the signing, entry into force, interpretation, performance, amendment and termination of this Agreement and the settlement of disputes under this Agreement.

#### 11.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 11.1 shall not be influenced by the modification, rescission and termination of this Agreement.

### 11.2 Notices

(1) All notices and other communications required or permitted to be given under this Agreement shall be delivered by hand or sent by postage prepaid registered mail, commercial courier service or e-mail to the address of such party as set forth below. The date on which such notices shall be deemed to be validly served shall be determined as follows: (i) if the notice is sent by personal delivery, courier service or postage prepaid registered mail, it shall be deemed to be validly served on the date of delivery or rejection at the address designated for receipt of the notice; and (ii) if the notice is sent by electronic mail, it shall be deemed to be validly served at the time it is successfully sent.

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(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:  
Address: [\*\*\*]  
Attention: Zheng Lu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B and Subsidiaries of Party B:  
Address: [\*\*\*]  
Attention: Xuhong Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party C:  
Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

- 11.3 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.
- 11.4 Appendixes constitute an integral part of this Agreement and shall have the same legal effect as the other parts of this Agreement.
- 11.5 This Agreement shall be written in Chinese. The Agreement is executed in four (4) counterparts, Party A and Party B hold one copy, and both Party C each hold one copy.
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[THE SIGNATURE PAGE OF THE EXCLUSIVE MANAGEMENT SERVICE AND BUSINESS COOPERATION AGREEMENT]

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

Party B : **Beijing Yiqi Education Information Consultation Co., Ltd.**

Authorized Representative: Chang Liu

/s/ Chang Liu

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Party C:

Chang Liu

/s/ Chang Liu

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Zhan Xie

/s/ Zhan Xie

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## Appendix I: Contents of Service

- (1) Providing opinions and advises for the assets, business operation and negotiation, execution and performance of material contracts;
  - (2) Providing services for proposing middle or short term development of market, market planning;
  - (3) Providing service of market research, study and consulting service;
  - (4) Providing the opinions and advises for handling the creditor rights and debts;
  - (5) Providing the opinions and advices for merger and acquisition;
  - (6) Providing services for human resources management, occupation and pre-occupation skills training for employees;
  - (7) Licensing of intellectual properties (if there is) such as software, trademark, domain name, technology secrets, etc.,
  - (8) Providing services for developing and supporting Information Service Software;
  - (9) Providing services of technology development, technology transfer, and technology consulting;
  - (10) Providing services for management and maintenance for the human resources information management system, payment management information system, internal informatization management system and other management system;
  - (11) Providing services for developing, upgrading of network and the ordinary maintenance, supervision, adjustment and trouble removal of computer network equipment;
  - (12) Providing technology consultation and solution for the questions about network facilities, technology products and software;
  - (13) Providing services for public relationship;
  - (14) Providing daily maintenance services for office equipment;
  - (15) Providing services for seeking and electing appropriate third-party service providers for Service Accepting Party;
  - (16) Providing third-party service providers for the Service Accepting Party in ordinary management;
  - (17) Providing consulting service regarding the overseas market for Service Accepting Party; and/or
  - (18) Other services determined from time to time by Party A and the Service Accepting Party according to the need of business and capacity of provision of services.
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## Appendix II: Calculation and Payment of the Service Fee

1. The Fee for the services provided under this Agreement is calculated as the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations, the sum of Fee shall be determined by Party A in its discretion taking account of the following factors:
    - (1) The technical difficulty and complexity of the services;
    - (2) The resources spending by Party A and the time spent by employs of Party A concerning the services;
    - (3) The contents and commercial value of the services;
    - (4) The benchmark price of similar services in the market;
    - (5) The operation performance of Service Accepting Party.
  2. Party A will calculate the fee payable on a fixed term (determined by Party A and Service Accepting Party shall agree such decision) basis and send Service Accepting Party the bill of service fee for the previous term. Service Accepting Party shall pay the fee to the bank account designated by Party A within 10 business days after receipt of the bill, and send copy of the remittance certificate by facsimile or mail to Party A within 10 business days after payment.
  3. In addition to the service fee, Service Accepting Party shall bear any and all reasonable cost, advance payment and out-of-pocket expense in any kind (“Expense”) for Party A resulted from or relevant to the performing or providing services and shall reimburse Party A all Expenses.
  4. Service Accepting Party shall pay to the Party A the service fees and shall reimburse all Expenses according to this Agreement and its supplemental agreements executed from time to time. Party A shall provide to the Service Accepting Party all the official receipts of the service fees and Expense in time. All payment made by Service Accepting Party to Party A shall pay via method of remittance or other methods as agreed by both Parties to the bank account designated by Party A. Both Parties Agreed that Party A may change the direction of payment from time to time by deliver notice to Service Accepting Party.
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### Appendix III: Right and Obligation Assumption Letter

This entity, \_\_\_\_\_, is the subsidiary of Beijing Yiqi Education Information Consultation Co., Ltd. (“**Beijing Yiqi Consultation**”), established and registered on \_\_\_\_\_ (date). The Beijing Yiqi Consultation possesses \_\_% of this entity’s share.

In accordance with Exclusive Management Service and Business Cooperation Agreement (“Agreement”) entered into by and between Beijing Yiqi Consultation, Guangzhou Qixuan Education Technology Co., Ltd. and other relevant parties, this entity shall join the Agreement according to Article 10.3 of the Agreement as the new subsidiary of Party B under this Agreement.

This entity agrees to join the Agreement as a new Subsidiary of the Beijing Yiqi Consultation, enjoy rights under the Agreement, and perform obligations the Agreement. This Assumption Letter came into effect upon the date of execution.

[       ]

Signature of Legal Representative:

Date:

## Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement"), dated as of March 21, 2022, is made by and among the following parties in Beijing, the People's Republic of China ("PRC"):

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at Room C-6, Room 1903, No.3 Huaming Road, Tianhe District, Guangzhou;

Party B: **Chang Liu**, PRC citizen, whose Identity Number is [\*\*\*];

**Zhan Xie**, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Yiqi Education Information Consultation Co., Ltd.** ("**Beijing Yiqi Consultation**"), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 509, 5/F, Tonggang Building, No.2 Huayuan North Street, Xicheng District, Beijing; and

The agencies invested in or controlled (including controlled by agreement arrangement) by Party C as updated from time to time under this Agreement (including but not limited to the companies and related agencies 50% investment interest of which is directly or indirectly owned by Party C (hereinafter collectively referred to as "**Subsidiaries**", each, a "**Subsidiary**". Beijing Yiqi Consultation and Subsidiaries hereinafter collectively referred to as "**Party C**")

(If there is a controlling relationship between Beijing Yiqi Consultation and its Subsidiaries, each controlling parties of Party C and Party B are respectively hereinafter referred to as "**Shareholder**", and are collectively referred to as "**Shareholders**"; Party A, Party B and Party C are respectively hereinafter referred to as "**Party**", and collectively referred to as "**Parties**")

WHEREAS:

The Shareholders legally owns the equity interest of Party C. Through amiable negotiation, the Parties mentioned above intend to enter into an agreement concerning Party A or its designated party purchasing the equity interests of Party C owned by Shareholders.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

### 1. Exclusive Purchase Right

1.1 Upon the execution of this Agreement, Party A shall have right to, at any time, require Party B upon the following situation, subject to the requirements by Party A, to transfer any and all of

the 100% equity interest of Party C held by Shareholders (“**Equity Interests**”) in the consideration provided in the Section 3 of this Agreement, and Shareholders shall transfer the Equity Interest to Party A or the third party designated by the Party A according to the requirements by Party A:

- 1.1.1 Party A or the third party designated by Party A is permitted to hold any or all of the Equity Interest under the PRC laws; or
- 1.1.2 Subject to the PRC laws, any situation as Party A thinks is appropriate or necessary. Party A’s right to purchase the Equity Interest provided under this Agreement shall be exclusive, unconditional and irrevocable.
- 1.2 The Parties hereby agree that subject to the terms and condition of this Agreement and without violating the PRC law Party A shall have right to, at its option, exercise any or all of the right to purchase the Equity Interest and acquire any or all Equity Interest. The Parties hereby further agree that the time, method, amount and frequency of Party A to exercise its right to purchase the Equity Interest shall not be limited.
- 1.3 The Parties hereby agree that subject to the terms and conditions of this Agreement and without violating the PRC laws., Party A shall have right to designate any third party to acquire any and all of the Equity Interest. Unless prohibited by the PRC laws, Shareholders shall not refuse to transfer any or all the Equity Interest to such designated third party.
- 1.4 Shareholders shall not transfer the Equity Interest to any third party without Party A’ prior written consent until all the Equity Interest have been transferred to Party A or its designated party in accordance with this Agreement, i.e., until Shareholders no longer holds any equity interest of Party C. Shareholders shall not create any pledge or any encumbrance on the Equity Interest in the benefit of any third party except that provided in the Equity Interest Pledge Agreement executed by Party A and Shareholders.
- 1.5 Shareholders hereby agrees that as the shareholder of Party C, subject to the PRC laws, before Shareholders transfers the Equity Interest to Party A, Shareholders shall deliver the dividends, bonus, or any other property distributed from Party C to Party A or any third party designated by Party A as soon as possible within three (3) days after receipt of such dividends, bonus or any other property the taxes of required by PRC laws have been paid.

## 2. **Exercise Procedure**

- 2.1 In the event that Party A decides to exercise its exclusive right to purchase share according to the Section 1.1 above, Party A shall provide a written notice to Shareholders (“**Purchase Notice**”) in the form set forth in Appendix 3 of this Agreement, and such Purchase Notice shall specify the following information: (a) the portion or number of equity interest Party A intends to purchase; and (b) the name and identity of the purchaser. Shareholders and Party C shall provide all of materials and documents necessary for the transfer of Purchased Share within seven (7) days as of the date of the Purchase Notice, including but not limited to the Equity

Transfer Agreement and Confirmation Letter in the form set forth in the Appendix 2 and Appendix 3 of this Agreement.

- 2.2 Except the Purchase Notice provided in the Section 2.1 of this Agreement, there shall be no other prerequisite or attached conditions for Party A to exercise his right to purchase Equity Interest.
- 2.3 Shareholders and Party C shall assist and coordinate with Party A in time and to complete the approval procedures (if required by the PRC laws) and the procedures with administration for market regulation authorities in accordance with the PRC laws.
- 2.4 The date when all the procedures of transferring 100% equity interest of Shareholders in accordance with this Agreement have been completed shall be regarded as the completion date of Party A in exercising its exclusive right to purchase Equity Interest.

**3. Purchase Price**

- 3.1 Without violation of the PRC laws or regulations, when Party A exercises its right to purchase Equity Interest, the purchase price of the Equity Interest (“Purchase Price”) shall be zero or the lowest price permitted under PRC laws. In the event that the Equity Interest is transferred in different installments, the Purchase Price shall be determined by the relevant specific time and proportion of the transfer of Equity Interest.
- 3.2 If the Equity Interest is unable to transfer without consideration, Shareholders hereby agrees that after Party A or its designated party exercises the right to purchase Equity Interest, Shareholders shall deliver all the consideration and payment that Shareholders obtain from the transfer of Equity Share to Party C, Party A or its designated party according to the requirement of Party A.
- 3.3 Party C shall bear the taxes and expenses incurred due to the performance of the transfer (including the price gift) of the equity of the bid under this Article 3.

**4. Warrants, Representations and Covenants**

- 4.1 Each Party hereby warrant, represent to the each other that:
  - 4.1.1 It has all necessary rights, power and authorities to execute and perform this Agreement;
  - 4.1.2 It has performed all internal procedures that are necessary to execute, deliver and perform this Agreement and has obtained all internal and external authorities and approvals for executing and performing this Agreement;
  - 4.1.3 Upon the execution of this Agreement and the Equity Transfer Agreement to which it is a party, this Agreement and the Equity Transfer Agreement shall constitute, or will constitute

the legal, valid, and binding obligations and shall be enforceable against it in accordance with its provisions and conditions;

- 4.1.4 The execution and performance of this Agreement by it will not conflict with, breach or violate (i) its business license or any provision of its Articles of Association; (ii) any law, rules, regulation, authorization or approval by any applicable governmental authority or department; or (iii) any contract or agreement to which it is a party;
- 4.1.5 without the prior agreement of Party A, Party C shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) the debts incurred from the ordinary course of business other than through loans, and (ii) debts disclosed to Party A for which Party A's written consent has been obtain;
- 4.1.6 Party C have complied with all applicable laws and regulation in asset acquisition;
- 4.1.7 There is no pending or threatened litigation, arbitration or administrative procedures against the Equity Interest, assets of Party C (including any interest held by Party C in its Subsidiaries, the same below) or Party C;
- 4.2 Party B and Party C hereby warrant, represent and covenant to Party A as follows:
- 4.2.1 As of the date of execution of this Agreement, Party B is P.R.C citizen, and Shareholders shall have the legal ownership right of all the Equity Interest of Party C, and shall have complete and valid right to dispose the Equity Interest. The registered capital of Party C shall have fully paid in. Except the pledge right provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, there is not any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Shareholders, the Equity Interest is free from any claim by any third party, and any third party shall not have any option right to purchase the Equity Interest, right to convert, subscribe in preference or right to cause, transfer, sell, or convert any equity interest in Party C;
- 4.2.2 During the effective term of this Agreement, except the pledge provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, Shareholders shall not transfer any equity interest of Party C to any third party and shall not create any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Party B, and shall ensure that the Equity Interest is free from any claim of any third party;
- 4.2.3 They will not supplement, change or amend the Articles of Association and bylaws of Party C in any manner, increase or reduce Party C's registered capital or change Party C's structure of registered capital in any other manner without Party A's prior written consent;



- 4.2.4 They will not enter into any material contract or change the scope of business of Party C;
- 4.2.5 Subject to the PRC laws, Party B and Party C shall extent the operation period of Party C based on the operation period of Party A and cause the operation period of Party C the same as that of Party A or adjust the operation period of Party C based on the requirements of Party A in accordance with Party A;
- 4.2.6 They shall operate Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs, and shall obtain all governmental permits and licenses that are necessary for the business of Party C;
- 4.2.7 they shall always operate all of the businesses of Party C in ordinary course to maintain the asset value of Party C, and shall not terminate any material contract to which Party C is a party or entered into any agreement that affect Party C's financial status and asset value;
- 4.2.8 they shall not create, succeed, warrant or allow any debt except the account payable occurred in ordinary course, provided however, such account payable shall not be created by loan from any other person without the prior written consent of Party A;
- 4.2.9 they shall inform Party A immediately of any litigation, arbitration or administrative proceeding that will occur or may occur related to the assets, businesses, revenues of Party C;
- 4.2.10 they shall not announce or pay any dividend to the shareholders without prior written consent of Party A;
- 4.2.11 Upon the request of Party A, they shall appoint or remove directors, supervisors and/or senior officers designated by Party C and comply with all relevant resolution and filing procedures; Party A shall be entitled to replace and reappoint the above-mentioned persons;
- 4.2.12 Without the prior written consent of Party A, they shall not at any time following the date hereof sell, transfer, license or dispose in any manner any asset of Party C, or allow the encumbrance hereon of any asset of Party C, unless Party C is able to prove that the such sale, transfer, license, deposition or encumbrance is necessary for the business of Party C in ordinary course and the transaction amount of one single transaction shall not higher than 100,000 RMB;
- 4.2.13 In the event that during the effective term of this Agreement Party C liquidates or dissolve, subject to the PRC law, Party B and Party C shall designate person recommended by Party A to constitute the liquidation group and manage the asset of Party C. Shareholders hereby confirms that in the event of liquidation or dissolution of Party C, Party B shall delivered all the asset distribute in the liquidation and dissolution to Party A or its designated party in the manner that is permitted by the PRC law regardless this 4.2.12 is enforceable;

- 4.2.14 In the event of death, incapacity, marriage, divorce or other circumstances which may affect the exercise of Equity Interest held by Party B, this Agreement shall inure to the benefit of and be binding upon the successors of Party B whose rights or obligations hereunder are affected by such terms and conditions, including spouse, children, parents, siblings, grandparents, grandparents. Such Party B's successors shall succeed to and assume all of Party B's rights and obligations under this Agreement and transfer the Equity Interest to Party A or its designated party in accordance with the then applicable laws and this Agreement.

## **5. Governing Law and Dispute Resolution**

### **5.1 Governing Law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

### **5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, and to be solved in accordance with its effective Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties. Except the parts that have submitted for arbitration, other parts of this Agreement shall remain valid. The validity of this section shall not be influenced by the modification, rescission or termination of this Agreement.

## **6. Liabilities**

- 6.1 If any Party fails to perform any of its obligation under this Agreement, or any warrant or representation made by such party under this Agreement is found false or incorrect, it shall constitute a breach of this Agreement by such Party, and such Party shall indemnify other Parties all loss resulted from such breach.

- 6.2 Unless it is otherwise prohibited by laws, Part B and Party C shall have no right to terminate or rescind this Agreement in any situation.

- 6.3 This Article shall survive any modification, dissolution or termination of this Agreement.

## 7. Notices

- 7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by e-mail to the address of such Party set forth below. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 7.1.1 Notice given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices;
- 7.1.2 Notices given by e-mail shall be deemed effectively given on the date of successful transmission.
- 7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:  
Address: [\*\*\*]  
Attention: Zheng Lu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B:  
Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party C:  
Address: [\*\*\*]  
Attention: Xuhong Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

7.3 Any Party whose mailing address, mailing number or other contact information changes as described above shall notify the other Parties of such change within seven (7) days after such change occurs, otherwise, the original addresses of such Party shall be deemed effective.

## **8. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is needed to be disclosed by any Party to its legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Sections. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

## **9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

## **10. Miscellaneous**

### **10.1 Entry into force, Amendments, Changes and Supplements**

This agreement is effective when it is signed on the date indicated at the beginning of the text.

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

### **10.2 Headings**

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

### 10.3 Language

This Agreement shall be written in Chinese, and in quadruplicate, one for each party, and each copy has equal legal validity.

### 10.4 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as closed as possible to the economic effect of those invalid, illegal or unenforceable provisions.

### 10.5 Newly Added Subsidiaries

In case at any time after the entry into force of this Agreement, any entity is added into and as Subsidiaries, Party C shall procure such newly added Subsidiary to sign the Rights and Obligations Assumption Letter in the form set forth in Appendix 4 of this Agreement and any other legal documents permitted or required under PRC laws to permit the newly added Subsidiary added into this Agreement and to fully assume the rights and obligations that should be enjoyed and borne by Subsidiaries. As of the date of execution of such Rights and Obligations Assumption Letter and any other legal documents permitted or required under PRC laws, such newly added Subsidiary shall be deemed to be a party to this Agreement. All the other Parties hereby agree to fully accept the foregoing arrangement.

### 10.6 Changes of Parties to this Agreement

10.6.1 Neither Party B nor Party C shall be entitled to assign any of its rights and obligations under this Agreement to any third party without Party A's prior written consent.

10.6.2 Party B and Party C hereby agree that Party A may assign its rights and obligations under this Agreement to any third party and that Party A only need to give written notice to Party B and Party C when such assignment occurs and not need to obtain another consent from Party B or Party C.

10.6.3 If Party B no longer holds any Equity Interest of Beijing Yiqi Consultation, such Party B shall automatically be deemed as a party to this Agreement. If any third party becomes a shareholder of Beijing Yiqi Consultation, then Party B and Party C shall endeavor to procure that such third party become a party to this Agreement as soon as possible by signing appropriate legal documents. If, with consent of Party A, any Subsidiary which is

dissolved or ceases to be under the control of Beijing Yiqi Consultation, shall automatically be deemed no longer as a party to this Agreement.

#### 10.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

#### 10.8 Force Majeure

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event of any failure to perform this Agreement due to the Force Majeure Event, the Party suffered by the Force Majeure Event shall immediately (i) inform the other Parties by telegram, facsimile transmission, or other electronic means the Force Majeure Event and shall provide the proofs of Force Majeure in writing within fifteen (15) business days and (ii) take all reasonable and practicable methods to eliminate or mitigate the influence by Force Majeure Event and shall resume the performance of obligations after the influence of Force Majeure Event is eliminated or mitigated.

#### 10.9 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

#### 10.10 Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early terminations hereof.

#### 10.11 Entire Agreement

Except for the amendment, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

*(There is no text in the remaining page.)*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A : **Guangzhou Qixuan Education Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party B :  
**Chang Liu**

/s/ Chang Liu

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**Zhan Xie**

/s/ Zhan Xie

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party C: **Beijing Yiqi Education Information Consultation Co., Ltd.**

Authorized Representative: Chang Liu

/s/ Chang Liu

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**Notice of Exercise**

To: [ ]; and/or  
[ ]

WHEREAS, Guangzhou Qixuan Education Technology Co., Ltd. (the "Company") entered into the Exclusive Option Agreement among Beijing Yiqi Education Information Consultation Co., Ltd. and other related parties on [ ], which stipulates that you shall, upon the request of the Company, sell all or part of your equity interest of [ ] to the Company or the third party designated by the Company, subject to the conditions permitted by the relevant laws and regulations of the PRC.

Accordingly, the Company hereby issues this notice to you as follows.

The Company hereby requests to exercise the option under the Exclusive Option Agreement to purchase the equity interest held by you in [ ], representing [ ]% of the registered capital of [ ] (the "Proposed Transferred Equity Interest"), at a price of RMB[ ]. Please complete the necessary procedures for the sale of all the Proposed Transferee Equity Interests to the Company/the Company's third party designated transferee by Company in accordance with the Exclusive Option Agreement immediately upon receipt of this notice.

**Guangzhou Qixuan Education Technology Co., Ltd.**

Name:  
Position:  
Date:

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**Equity Interest Transfer Agreement**

This Equity Interest Transfer Agreement (the “**Agreement**”), dated as of [ ], is made by and among the following parties in [ ], China:

Transferor:  
[ ]

Transferee:  
[ ]

Through amiable negotiation the Parties stated above agree as follows about the equity interest transfer stated herein:

1. Transferor agrees to transfer the [ ]% equity interest in [ ] Company (“**Target Equity Interests**”) to Transferee at a price of RMB \_\_\_\_, and Transferee agrees to purchase such Target Equity Interests.
2. Upon completion of transfer of Target Equity Interests, Transferor shall no longer enjoy while Transferee enjoys any rights and bear all obligations as the shareholder of Target Equity Interests.
3. Any matters not mentioned in the Agreement may be determined by supplementary agreements signed by both parties.
4. The Agreement becomes effective on the date of signature by both parties.
5. The Agreement is executed in four (4) counterparts, each party holding one and the rest used for Industrial and Commercial alteration registration.

**Transferor:** [ ]:

Signature:

**Transferee:** [ ]

Authorized Representative:

**Confirmation Letter**

To: Guangzhou Qixuan Education Technology Co., Ltd.

I, the shareholder of [ ] (the "Company") hereby agree and confirm as follows:

1. I agree to and accept all the terms and conditions of the Exclusive Option Agreement entered by me, the Company, Guangzhou Qixuan Education Technology Co., Ltd. ("WFOE") and other related parties on \_\_\_\_, and waive the right of first refusal to such equity interest when WFOE exercises its Purchase Right under such agreement. I will take all measures to assist WFOE on the transfer procedures for such equity interest.
2. I agree to waive the right of first refusal when other shareholders of the Company transfer the equity interest it owns to WFOE or any third party designated by WFOE.
3. In the event other shareholders of the Company transfers the equity interests it owns to WFOE or any third party designated by WFOE, I will sign or provide necessary documents for the transfer procedures of such equity interests.

[ ]  
Signature:  
Date: [ ]

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**Rights and Obligations Assumption Letter**

Our Entity, \_\_\_\_\_, is a limited liability company established on \_\_\_\_\_, \_\_\_\_\_, and Beijing Yiqi Education Information Consultation Co., Ltd. (hereinafter referred to as "Beijing Yiqi Consultation") holds [ ]% equity interest of Our Entity since \_\_\_\_\_, \_\_\_\_\_, i.e. Our Entity became a subsidiary of Beijing Yiqi Consultation since \_\_\_\_\_, \_\_\_\_\_.

Pursuant to the Exclusive Option Agreement (the "Agreement") entered into by and among, Guangzhou Qixuan Education Technology Co., Ltd. and other related parties on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ Our Entity acts as a newly added Subsidiary under that Agreement and joins that Agreement pursuant to the provisions of Section 10.5.

Our Entity hereby agree to join that Agreement as a newly added Subsidiary of Beijing Yiqi Consultation, to have the rights of "Subsidiary", "Shareholder" and "Party C" (as the case may be) under that Agreement and to perform all obligations of "Subsidiary", "Shareholder" and "Party C" (as the case may be) under that Agreement in accordance with the provisions of the Agreement, effective as of the execution of this Assumption Letter.

[Chapter]

Legal representative:

Dated:

## Letter of Consent

I, Limin Chen (ID number: [\*\*\*]), am the legal spouse of Chang Liu (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Yiqi Education Information Consultation Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Guangzhou Qixuan Education Technology Co., Ltd. (hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 21, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agree and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time as required by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

This consent letter is executed on March 21, 2022 and becomes effective as of the date hereof.

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/s/ Limin Chen

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Limin Chen

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## Letter of Consent

I, Furong Xiao (ID number: [\*\*\*]), am the legal spouse of Zhan Xie (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Yiqi Education Information Consultation Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Guangzhou Qixuan Education Technology Co., Ltd. (hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 21, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agrees and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time as required by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

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This consent letter is executed on March 21, 2022 and becomes effective as of the date hereof.

/s/ Furong Xiao

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Furong Xiao

## Power of Attorney

I, the undersigned, Chang Liu, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 49,500,000 (“**Equity Interest**”) of Beijing Yiqi Education Technology Development Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Beijing Yiqi Hangfan Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director of 17 Education & Technology Group Inc.) to exercise my rights on behalf of myself according to the Trustee's own will, which include but not limited to:

1. Proposing the shareholders' meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders' meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders' meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company's assets; and
6. Review the resolutions of shareholders' meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them .

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC,

I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution, and I hereby agree and confirm that

the force of this Power of Attorney shall be retroactive to December 29, 2021. It shall be continuously effective during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

Chang Liu

/s/ Chang Liu \_\_\_\_\_

Date: March 4, 2022

Power of Attorney

I, the undersigned, Zhan Xie, a P.R.C. citizen, the Identity Card Number: [\*\*\*], holds a registered capital of RMB 500,000 (“**Equity Interest**”) of Beijing Yiqi Education Technology Development Co., Ltd. (“**Company**”).

Subject to the laws and regulations of PRC, I hereby irrevocably authorize Beijing Yiqi Hangfan Technology Co., Ltd. (“**WFOE**”) to exercise the following rights concerning the abovementioned Equity Interests within the effective term of this Power of Attorney:

I exclusively authorize WFOE, its designated representative(s) (“**Trustee**”) or the director(s) of WFOE's offshore holding company, 17 Education & Technology Group Inc. or its successor(s) (including any liquidator replacing the director(s) of 17 Education & Technology Group Inc. to exercise my rights on behalf of myself according to the Trustee’s own will, which include but not limited to:

1. Proposing the shareholders’ meeting or the board meeting according to Articles of Association of the Company, participating in the shareholders’ meeting and the board meeting of the Company, and executing relevant resolutions, and submitting such documents to registration authority for approval/filing;
2. Exercising all the rights of shareholder of the Company on shareholders’ meetings according to relevant laws and regulations and the Articles of Association of the Company, including but not limited to the right to nominate, the right to vote and the right to appoint;
3. Representing me to submit documents which shall be submitted by the shareholder of Company to relevant competent governmental authorities;
4. Exercising the right of dividend, the right to sell, transfer or assign, pledge or dispose all or part of Equity Interests owned by me, the right of distribution of residual properties after the liquidation of the Company provided under the laws and Articles of Association of the Company;
5. Constituting the liquidation group and exercising the authorities of liquidation group during the liquidation in the event of liquidation or dissolution, including but not limited to the management of Company’s assets; and
6. Review the resolutions of shareholders’ meeting and the resolutions of the board meeting of the Company, recording the financial statements and report of the Company;
7. Any other rights of us as a shareholder of the Company.

Without any limitation to this Power of Attorney, Trustee shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Option Agreement and its amended and restated versions from time to time, to which I am the party on behalf of me within the scope of authorization and to execute and perform the Equity Interest Pledge Agreement and Exclusive Option Agreement to which I am a party and any amended and restated versions of them.

Within the effective term of this Power of Attorney and subject to the laws and regulations of PRC,

I covenant to deliver the dividends, bonus, and any other property distributed from the Company to WFOE or any third party designated by WFOE as soon as possible within three (3) days after receipt of such dividends, bonus or any other property.

During the term that I am a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously effective from the date of execution of this Power of Attorney, regardless of the change of proportions of Equity Interests owned by me. When and only when WFOE sends a written notice to me concerning the substitution of the Trustee, shall I immediately designate another Trustee designated by WFOE to exercise the rights under this Power of Attorney. Once the new authorization has been made, the new authorization shall supersede the original one and our consent to the new authorization is not required. I shall not revoke the delegation and authorization it made to Trustee except for abovementioned event. During the effective term of this Power of Attorney, I hereby waive all of the rights which have been authorized to Trustee through this Power of Attorney and shall not exercise such rights.

I hereby undertake and guarantee that the authorization under this Power of Attorney will not result in any actual or potential conflict of interest between me and WFOE and/or its offshore holding company. If there is a potential conflict of interest between me and WFOE and/or its offshore holding company, on the premise of not violating the relevant provisions of PRC laws, I will give priority to protect and not harm the interests of WFOE or its offshore holding company.

I hereby acknowledge any legal consequences caused by Trustee's exercise of the authorities and agree to bear any liabilities thereof. I hereby confirm that in any case Trustee shall not be required to bear any liabilities or make any economic compensation for exercise of such authorities. Moreover, I agree to compensate for any damage suffered or probably suffered by WFOE due to designating Trustee to exercise authorities and keep WFOE harmless, including but not limited to any loss due to litigations, recoveries, arbitrations, claims for compensation or any other loss caused by inspect and punishment conducted by governmental authorities.

I will provide Trustee with sufficient assistance on the exercise of the abovementioned authorities, and cause the Company to provide sufficient assistance, including timely executing the shareholders' decision or other legal documents provided by Trustee when necessary (for instance, documents required to be submitted with relevant governmental authorities for approval, registration or filing procedures), authorizing Trustee to get access to information concerning the operation, business, clients, finance, staff, etc. of the Company and to consult relevant materials of the Company.

If the authorization or exercise of the abovementioned rights cannot be realized for any reason within the effective term of the Power of Attorney (except for the reason that I violate this Power of Attorney), the parties shall seek an alternative method which is most similar with the arrangements hereunder and modify or adjust the terms and conditions of the Power of Attorney by signing supplementary agreement as necessary to ensure the realization of the purpose of the Power of Attorney.

This Power of Attorney takes effect on the date of execution, and I hereby agree and confirm that

the force of this Power of Attorney shall be retroactive to December 29, 2021. It shall be continuously effective during the effective term of Exclusive Management Service and Business Cooperation Agreement executed by and among WFOE, the Company, me and other parties, as amended and restated from time to time.

Zhan Xie

/s/ Zhan Xie

Date: March 4, 2022

## Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (“**Agreement**”) is entered into as of the date of March 4, 2022 by and among the following parties in Beijing, the People’s Republic of China (“**PRC**”).:

Party A: **Beijing Yiqi Hangfan Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at No.603, 6/F, Block C, No.28 Xijiekouwai Street, Xicheng District, Beijing;

Party B:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];

Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Yiqi Education Technology Development Co., Ltd.**, a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 1703, Floor 17, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing;

(Each of Party A, Party B and Party C, a “**Party**”, and collectively the “**Parties**”).

WHEREAS,

- (1) Party A, Party B, Party C and relevant parties have already executed the agreements listed in Appendix I (these agreements, as amended and restated from time to time, collectively referred to as the “**Main Agreements**”);
- (2) Party B collectively owns 100% of the equity interest of Party C in total, and Party B plans to pledge the equity interest of Party C it owns to Party A unconditionally, as a security for the performance of the obligations by Party B, Party C and the entities invested or controlled (including controlled by contract) by Party C (including but not limited to any company or relevant entity in which Party C holds, directly or indirectly, more than 50% equity interest, if any) (the “**Subsidiaries**”) under the Main Agreements, and Party A agrees to accept such security (the “**Pledge**”).

NOW THEREFORE, Party A, Party B and Party C through mutual negotiations hereby enter into this Agreement based upon the following terms:

#### 1. Pledge

Party B agrees to pledge the equity interests of Party C and Party B’s equity in Party C’s new capital in accordance with Article 4.2, including dividends and bonuses derived from such

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equity it owns (the “**Pledged Equity Interests**”) to Party A unconditionally and irrevocably, as a security for the performance of the obligations by Party B, Party C and Subsidiaries under the Main Agreements.

## **2. Scope of Pledge**

The Pledged Equity Interests under this Agreement extends to all obligations of Party B, Party C and Subsidiaries under the Main Agreements (including but not limited to any amounts, penalties, damages, dividends, profits or any asset etc. payable but not paid to Party A), any fees for exercising the creditor’s rights and the Pledge right, and any other related expenses, and shall not be limited to the amounts of secured creditor’s right recorded in administration for market regulation authorities.

If the competent authority requires the amount of the principal debt to be clarified during the registration of the equity pledge, the parties agree to register the principal amount of the debt under the principal contract as RMB 50 million and any liability for breach of contract and the amount of compensation for damages under all relevant contracts only for the purpose of the registration of the equity pledge. The parties further confirmed that, for the purpose of handling the equity pledge registration, it is clear that the aforementioned amount does not detract from or restrict all rights and benefits enjoyed by Party A in accordance with the relevant Main Agreements and this equity pledge agreement.

## **3. Term and Dissolution of Pledge**

3.1 The Pledge under this Agreement shall be effective from the date of registration of the Pledge with competent administration for market regulation authorities to the date on which the Main Agreements are completely performed, invalidated or terminated (the later date shall prevail). In the term of Pledge, if Party B, Party C or Subsidiaries fail to perform any of their obligations under the Main Agreements, or in case of occurrence of any of the events provided in Article 6.1, Party A is entitled but not obligated to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement.

3.2 When all Main Agreements are performed entirely or terminated or become invalid (the later date shall prevail) and Party B, Party C and Subsidiaries fully and entirely perform obligations under Main Agreements and pay off entire secured debt, Party A shall rescind the Pledge under this Agreement according to Party B’s request, and assist Party B to deregister the Pledge recorded in Shareholders’ Book of Party C and registered with the competent administration for market regulation authorities. All fees and expenses arising from such deregistration of the Pledge shall be borne by Party C.

## **4. Registration of Pledge and Retention of Equity Interest Record**

4.1 Party B and Party C promise to Party A that, Party B and Party C shall: (i) on the date of the execution of the Agreement, record the Pledge under this Agreement on the

Shareholders' Book of Party C according to Appendix II and hand the recorded Shareholders' Book to Party A for its keep; and (ii) within thirty (30) business days after the execution of this Agreement or other practically shortest period, register the Pledged Equity Interests with competent administration for market regulation authorities and obtain evidencing documents of such registration. Without limitation to any provision of this Agreement, during the effective period of this Agreement the Shareholders' Book of Party C shall always be in the custody of Party A or any agent designated by Party A, unless any necessary registration or alteration procedures are required to be fulfilled in the operation of Party C .

- 4.2 Party B and Party C further covenant that after the execution of this Agreement, Party B may make capital increase to Party C with the prior consent of Party A provided that any capital increase by Party B to Party C constitutes an integrated part of the Pledged Equity Interests of this Agreement. Party B and Party C shall make necessary modification to the Shareholders' Book and capital contribution of relevant companies and conduct the pledge registration procedures according to Article 4.1.
- 4.3 All fees and expenses related to this Agreement, including but not limited to registration fee, cost, stamp tax or any other taxes, expenses shall be borne by Party C according to relevant laws and regulations.
- 4.4 During the term of Pledge stipulated by this Agreement, Party B shall deliver the capital contribution certificate to Party A within one (1) week after the execution of this Agreement. Party A shall keep the capital contribution certificate within the entire term of Pledge. Within the term of Pledge, Party A is entitled to collect the dividends of the Pledged Equity Interests.

## **5. Covenants and Warranties of Party B and Party C**

Party B and Party C hereby jointly and severally covenant and warrant to Party A as follows:

- 5.1 Party B is the lawful owner of the Pledged Equity Interests and there exists no dispute or potential dispute concerning the ownership of such equity interests. Party B has the right to dispose such equity interests or any part thereof without any restrictions by any third party.
- 5.2 Except for the Pledge and other right provided hereunder and in the Exclusive Option Agreement executed by relevant parties, Party B has not established any other pledge or other interests of any third party over the Pledged Equity Interests. The Pledged under this Agreement shall be first priority under the Pledged Equity Interests.
- 5.3 Party B and Party C fully understand the contents of this Agreement and the execution of the Agreement by Party B and Party C is based on true and free will. Party B and

Party C have taken all necessary measures and obtained all necessary internal authorization to execute and perform this Agreement, signed all necessary documents and obtained all approvals and consents from the government and third party (if applicable) to make sure the Pledge under the Agreement is lawful and valid.

- 5.4 Either the execution of this Agreement or the performance of obligations under this Agreement will not (i) conflict with, breach or violate any applicable P.R.C. law,(ii) conflict with any organizational documents of Party C, (iii) conflict with, breach or violate any contract, document to which it is a Party or it is bound with; (iv) violate any license or permit granted to it and/or violate any condition to maintain the validity of any license or permit granted to it; or (v) cause any license or permit granted to it be terminated, rescinded or be imposed any condition.
- 5.5 During the effective period of this Agreement, Party B shall not transfer or assign the Pledged Equity Interests, authorize any rights relating to the Pledged Equity Interests to any third party, or create or permit to be created any security or other interests which may have an adverse effect on the rights or benefits of the Party A without prior written consent of Party A.
- 5.6 During the effective period of this Agreement, Party B and Party C shall abide by and implement all relevant PRC laws and regulations concerning the pledge of rights, and in the event Party B and Party C receive any notice, order or suggestion from competent authorities concerning the Pledged Equity Interests and/or the Pledge hereunder, Party B and Party C shall timely notify and show Party A of such notice or order within five (5) business days upon receipt thereof.
- 5.7 Party B and Party C shall not conduct or permit to be conducted anything that shall damage the value of the Pledged Equity Interests or the Pledge right of Party A. Party B and Party C shall notice Party A of any events that may influence the value of the Pledged Equity Interests or the Pledge right of Party A within five (5) business days after its knowledge of such events.
- 5.8 The Pledge under this Agreement shall remain fully effective during the effective period of the Agreement, and shall not be influenced by liquidation, loss of capacity, change of organization or status, any capital offset among the Parties or any other events.
- 5.9 For the purpose of performance of this Agreement, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provision of this Agreement. Party A's

exercise of such right shall not be interrupted or jeopardized by Party B and Party C, their successors or agents, or any other persons by way of legal proceedings.

5.10 In order to ensure and consummate the security provided by this Agreement over the obligations of Party B, Party C and Subsidiaries under the Main Agreements, Party B and Party C shall faithfully sign and cause any third party who is beneficially related to the Pledged Equity Interests to sign all certificates and agreements in connection with the performance of the Agreement, and/or cause such third party to take any measures required by Party A and provide convenience to Party A concerning the exercise of the Pledge right hereunder.

5.11 In order to ensure the interests of Party A, Party B and Party C shall abide by and perform all warranties, covenants, agreements, representations and conditions. In the event Party B and/or Party C failed to do so and resulted in damages to Party A, Party B and/or Party C shall indemnify Party A for all of such damages and losses.

## **6. Events of Default and Exercise of the Pledge Right**

6.1 In case of any of the following events (“**Events of Default**”) which shall be permitted by relevant PRC’s laws and regulations, Party A may require Party B or Party C to perform all the obligations under this Agreement and the Pledge under the Agreement may be performed immediately:

- a) Party B or Party C violates its covenants and warranties under this Agreement, or any covenants and warranties made by Party B or Party C in this Agreement are seriously untrue;
- b) Party B, Party C or Subsidiaries violate any of its obligations or covenants and warranties under the Main Agreements, or any covenants and warranties made by Party B or Party C in the Main Agreements are seriously untrue;
- c) Any obligation of Party B, Party C or Subsidiaries under this Agreement is regarded as illegal or void;
- d) The termination of business or dissolution of Party C or Subsidiaries, or the termination of business, dissolution or bankruptcy of Party C or its Subsidiaries by any order;
- e) Party B, Party C and/or Subsidiaries are involved in any disputes, litigations, arbitrations, administrative procedures or any other legal procedures or administrative query, actions or investigations that deemed reasonably to have material adverse effect on the following events: (i) the capacity of Party B to perform its obligations under this Agreement or the Main Agreements, or (ii) the capacity of Party C or Subsidiaries to perform its obligations under this Agreement or the Main Agreements;
- f) Any other events of the disposal of the Pledged Equity Interest according to applicable laws and regulations.

- 6.2 In case of any of the aforesaid Events of Default, Party A or the third party designated by Party A may exercise its Pledge right by purchasing, designating any other party to purchase, auctioning, or selling all or part of the Pledged Equity Interests. Party A may exercise such Pledge right without exercising any other security rights, or take any other measures or proceedings or take any other action for remedies of breach of this Agreement against Party B and/or Party C any other parties.
- 6.3 Upon request by Party A, Party B and Party C shall take all the lawful and appropriate measures to ensure the exercise of the Pledge right by Party A. For such purpose, Party B and Party C shall sign all appropriate documents and materials, and take all proper measures requested by Party A.

## 7. Transfer or Assignment

- 7.1 Party B and Party C have no right to transfer or assign the rights and obligations under this Agreement without the prior written consent from Party A, except that Party A acquires the Pledged Equity Interests directly or indirectly according to the Exclusive Option Agreement and its amended and restated version.
- 7.2 The Agreement shall be binding upon the Party B and its successors and be effective upon Party A and its successors and assignees.
- 7.3 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party C's equity interest held by Party B, Party B's heirs (including spouse, children, parents, siblings, grandparents, grandparents) shall be deemed to be the party to this Agreement and shall succeed to and assume all of Party B's rights and obligations under this Agreement.
- 7.4 Party A may transfer or assign all and any of its rights and obligations under the Main Agreements to any person (natural or legal person) it designates. In this case, the assignee shall enjoy and undertake the same rights and obligations herein of Party A as if the assignee is a party hereto. Upon Party A's transfer or assignment of the rights and obligations under the Main Agreements and at Party A's request, Party B and/or Party C shall execute relevant agreements and/or documents with respect to such transfer or assignment, including but not limited to executing a new equity interest agreements, the format and contents of which shall be the same with this Agreement, with the assignee.
- 7.5 Subsequent to an assignment or transfer by Party A, the new parties to the Pledge shall re-execute a pledge contract. Party B and Party C shall provide assistance to the assignee with respect to the registration procedures of the Pledge.

8. Confidentiality

This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for high-ranking officers, directors, employees, agents or professional consultants of the Parties or their affiliates. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant Securities Transaction Authorities to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification, dissolution or termination of this Agreement.

9. Liabilities for Breach of Agreement

9.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representations or warranties, such Party shall be liable for all the losses of other Parties for breach of the Agreement. This Article 9 shall not influence any other right of Party A under this Agreement.

9.2 This Article 9 shall survive any modification, recession or termination of this Agreement

10. Force Majeure

Force Majeure means any event that cannot be anticipated at the time of the execution of the Agreement, and the occurrence of which cannot be avoided, controlled or conquered by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or rebellion, etc..

The Party suffering such Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) in every instance, to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or remove the effect of such Force Majeure with all reasonable dispatch, and continue its performance of the Agreement after such effect is mitigated or removed.

11. Change of Parties

In the event that Party B no longer possesses any shares of Party C, Party B shall be deemed no longer as a party of this Agreement. In the event that any third party becomes a shareholder of Party C, Party B and Party C shall take effort to cause such third party executing relevant legal documents and becoming one of Party B of this Agreement.

## 12. Termination

Party B and/or Party C shall not terminate this Agreement without written consent of Party A.

Unless this Agreement is terminated subject to this Article 12, provided that Party B and Party C fully and completely perform all obligations under this Agreement and pay off all the secured debts, Party A shall terminate the Pledge under this Agreement as soon as reasonable as required by Party B and coordinate with Party B to deregister recording of the Pledge in the Shareholders' Book of Party C and complete the deregistration process with administration for market regulation authorities.

## 13. Miscellaneous

### 13.1 Applicable Law and Dispute Resolution

#### 13.1.1 Applicable Law

This Agreement and any related matters shall be governed by and construed in accordance with the PRC laws.

#### 13.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 13.1 shall not be influenced by the modification, rescission and termination of this Agreement.

### 13.2 Notices

(1) All notices and other communications required or permitted to be given under this Agreement shall be delivered personally or sent by registered mail, commercial courier service or e-mail to the address of such Party as set forth below. The dates on which such notices shall be deemed to be validly served shall be determined as follows: (i) notice sent by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices; and (ii) notices sent by e-mail, it shall be deemed effectively given on the date of successful transmission.

(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:  
Address: [\*\*\*]  
Attention: Zheng Lu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Party B:  
Chang Liu  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

Zhan Xie  
Address: [\*\*\*]  
Attention: Chang Liu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

- 13.3 This Agreement shall become effective on the date of signature by the parties, and the parties agree and confirm that the force of this Agreement shall be retroactive to December 29, 2021. The Pledge right under this Agreement shall be established from the date it is registered with the market supervision and administration department to which Party C belongs. Unless Party A executes the Pledge right in accordance with this Agreement during the term of this Agreement, this Agreement shall terminate until all the principal contracts have been performed, lapsed or terminated or the parties have reached any written agreement on the termination of this Agreement, whichever is later.
- 13.4 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which other provisions or other parts of the provisions shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provisions to achieve the purpose of the original provision.
- 13.5 This Agreement shall be made in Chinese in five originals, one copy for each of Party A and Party C and one copy for each of Party B. The remaining originals shall be submitted to the relevant market supervision and administration department for record registration or retained by Party A.
- 13.6 This Agreement and its annexes constitute the entire agreement regarding the transactions under this Agreement, and this Agreement, once signed, shall supersede any prior undertakings,



memoranda, agreements or any other documents between any parties in respect of the matters covered by this Agreement.

13.7 Any amendment or supplement to this Agreement must be in writing and must be validly signed by all parties hereto.

[THE SIGNATURE PAGE]

Party A: **Beijing Yiqi Hangfan Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

Party B :  
**Chang Liu**

/s/ Chang Liu

**Zhan Xie**

/s/ Zhan Xie

Party C : **Beijing Yiqi Education Technology Development Co., Ltd.**

Authorized Representative: Xuhong Liu

/s/ Xuhong Liu

## **Appendix I List of Main Agreements**

1. Exclusive Option Agreement entered into by and among Beijing Yiqi Hangfan Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Yiqi Education Technology Development Co., Ltd. as of March 4, 2022
2. Exclusive Management Service and Business Cooperation Agreement entered into by and among Beijing Yiqi Hangfan Technology Co., Ltd., Chang Liu, Zhan Xie and Beijing Yiqi Education Technology Development Co., Ltd. as of March 4, 2022
3. "Power of Attorney" executed by Chang Liu as of March 4, 2022
4. "Power of Attorney" executed by Zhan Xie as of March 4, 2022
5. "Letter of Consent" executed by Limin Chen as of March 4, 2022
6. "Letter of Consent" executed by Furong Xiao as of March 4, 2022

Appendix II Shareholders' Book

Shareholders' Book of Beijing Yiqi Education Technology Development Co., Ltd.

Name of Shareholders	Amounts of Capital Contribution (RMB)	Proportion of Capital Contribution	Equity Interest Pledge
Chang Liu	49,500,000	99%	99% of the equity interest has been pledged to Beijing Yiqi Hangfan Technology Co., Ltd.
Zhan Xie	500,000	1%	1% of the equity interest has been pledged to Beijing Yiqi Hangfan Technology Co., Ltd.

Beijing Yiqi Education Technology Development Co., Ltd.

Name: Xuhong Liu  
Occupation: Legal Representative

Authorized Representative:  
Xuhong Liu  
Legal Representative

## Exclusive Management Service and Business Cooperation Agreement

This Exclusive Management Service Business Cooperation Agreement ("**Agreement**") is entered into as of March 4, 2022 by and among the following parties in Beijing, the People's Republic of China ("**PRC**"):

Party A: **Beijing Yiqi Hangfan Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at No.603, 6/F, Block C, No.28 Xijiekouwai Street, Xicheng District, Beijing;

Party B: **Beijing Yiqi Education Technology Development Co., Ltd.** ("**Beijing Yiqi Development**"), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 1703, Floor 17, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing;

Subsidiaries of Party B: All agencies invested in or controlled (including controlled by agreement arrangement) by Party B according to this Agreement from time to time (including but not limited to any company or relevant agencies in which Party B holds, directly or indirectly, more than 50% equity interest)

Part C:

Chang Liu, PRC citizen, whose Identity Number is [\*\*\*];

Zhan Xie, PRC citizen, whose Identity Number is [\*\*\*];

(Each of Party A, Party B and Party C, a "**Party**", and collectively the "**Parties**".)

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, owning resources to provide software development, basic software services; application software services, information systems integration, technology development, technology consultation, technology exchange, technology transfer and technology promotion, technology services, necessary resources regarding retail of computers, software and auxiliary equipment.

(2) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, mainly engaging in the development and sales of software and hardware.

(3) Party C is the shareholder of Party B and owns 100% of the equity interests of Party B;

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(4) Party A agrees to use its personnel, technology and information advantages to provide Party B and Subsidiaries of Party B (including Subsidiaries of Party B as renewed from time to time during the term of this Agreement, hereinafter the same) with exclusive corporate management consulting, intellectual property licensing, technical support and business support services, and Party B and Subsidiaries of Party B accepts relevant services provided by Party A.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

## 1. Provision of Services

1.1 In accordance with the terms and conditions herein, Party B, Subsidiaries of Party B and Party C appoint Party A as the exclusive technical and service provider to provide full-scope corporate management consultant, intellectual property license, technical support and consultant services, the specific contents of services within the scope of business of Party B and Subsidiaries of Party B in whole or in part determined by Party A from time to time, as provided in Appendix I. Party B and Subsidiaries of Party B are as **Service Accepting Party**.

Party B and Subsidiaries of Party B shall determine the specific contents of services within the scope listed in **Appendix I** with Party A or any entity designated by Party A based on the actual need in their business. Both parties confirm that the services provided by Party A is confined to the approved operation scope. In the event Party B and Subsidiaries of Party B require Party A to provide services beyond the approved operation scope, Party A is entitled to or designate a third party to expand Party A's operation scope with accordance to PRC laws, and provide such services after approval.

1.2 Party B, Subsidiaries of Party B and Party C further agree that during the effective period of this Agreement, Party B, Subsidiaries of Party B and Party C shall not directly and indirectly obtain the same or similar exclusive technical and services as provided under this Agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein.

1.3 To ensure the normal operation of the ordinary business of Party B, Subsidiaries of Party B, Party A may, but not obligated to, provide guarantee for the performance of the agreements concluded by Party B or Subsidiaries of Party B with any third party with respect to the business of Party B and Subsidiaries of Party B. Party B, Subsidiaries of Party B and Party C hereby agree and confirm that if they need to provide any guarantee for the performance of any agreement or loan by Party B in the operation process, it will ask Party A as its guarantor firstly.

## 2. Service Fee and Payment

2.1 Party A can refer to the specific service content and service targets, and use Party B and Subsidiaries of Party B 's income and customer volume in a specific period as a reference

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to determine the service price and appropriate payment method by itself. The calculation and payment of the service fee is stipulated in **Appendix II** of the Agreement.

- 2.2 If Party A determines the fee calculation mechanism specified herein should no longer apply due to whatever reason, Party A shall actively and faithfully render an adjustment scheme to determine a new fee standard or mechanism. If Service Accepting Party does not response within the 7-day period as mentioned above, it shall be deemed as having accepted the adjustments proposed by Party A.

### **3. Intellectual Properties**

3.1 Party A shall solely and exclusively own any ownership, interest and right of the intellectual properties produced by performance of this Agreement, including but not limited to copyrights, patents, claims of patent application and technical secrets, and without Party A's consent, Party B, Subsidiaries of Party B and Party C enjoy no rights other than those provided herein. Party B shall actively assist with Party A for all necessary method to cause Party A obtains such intellectual properties. For avoidance of any doubt, any intellectual property that is in the process of filing with governmental authorities or owned by the Party B or Subsidiaries of Party B shall be transferred by the beneficial owner or the applicant of such intellectual property to Party A or its affiliate as required by Party A, and Party B and/or Subsidiaries of Party B shall execute transfer agreement for such intellectual property except the intellectual properties that are necessary for Party B or its subsidiaries in ordinary business or shall be held by Party B or Subsidiaries of Party B according to relevant P.R.C. laws and regulations.

3.2 However, if the development is based on the intellectual properties owned by Party B or Subsidiaries of Party B, such intellectual properties should be flawless. Otherwise Party B and Subsidiaries of Party B shall bear all damages and losses caused to Party A by any flaw of such intellectual properties. If Party A is to bear any liabilities to any third party because of this, it has the right to recover all of its losses from Party B and Subsidiaries of Party B.

3.3 This Article 3 of this Agreement shall survive any modification, dissolution or termination of this Agreement.

### **4. Exercise of Party A's rights**

In view of Article 1 in this Agreement, in order to specify respective rights and obligations of each Party, to ensure Party A's actual performance in providing management services to Party B and Subsidiaries of Party B according to this Agreement, and to ensure the implement of business services between Party A, Party B and Subsidiaries of Party B and the payment of the amounts that shall be paid by Party B and Subsidiaries of Party B to Party A, Party B, Subsidiaries of Party B and Party C agree the followings:

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- 4.1 Party A is entitled to provide suggestions and requirements with respect to the operation of Party B and Subsidiaries of Party B, financial management and employment, and Party B and Subsidiaries of Party B shall strictly perform or abide by such suggestions or requirements.
  - 4.2 Party C, Party B and Subsidiaries of Party B will elect the person designated by Party A to be the director of Party B and Subsidiaries of Party B in accordance with the procedures stipulated by laws, regulations and the company's articles of association, cause such elected directors to elect the person recommended by Party B and Subsidiaries of Party B as the chairman of the board of directors , and appoint the persons designated by Party A as senior managers of Party B and Subsidiaries of Party B, including but not limited to the manager, the chief financial officer, the responsible officers of each branch of business, financial managers, financial superintendents and accountants.
  - 4.3 Party C, Party B and Subsidiaries of Party B shall dismiss any director and/or senior manager of Party B in accordance with the requirement of Party A, and elect and engage others as Party A designates.
  - 4.4 On the purpose of Article 4.3, Party C, Party B and Subsidiaries of Party B shall conduct necessary internal and external procedures in accordance with law, Articles of Association and this Agreement to complete such dismiss and engagement procedures.
  - 4.5 Party A is entitled to check accounts of Party B and Subsidiaries of Party B termly and momentarily. Party B and Subsidiaries of Party B shall keep accounts timely and accurately, and provide accounts, audit reports, financial statements and any operation records, business contracts, financial materials as Party A requires. During the effective period of this Agreement, Party B and Subsidiaries of Party B shall assist Party A and any third party designated by Party A to conduct audit (including but not limited to audit of affiliated transactions and any other audits), provide information and materials with respect to the operation, business, clients, finance and employees of Party B and Subsidiaries of Party B, and permit Party A to disclose such information and materials for securities supervision.
  - 4.6 Party C hereby agrees that upon it executes this Agreement, it shall execute a Power of Attorney the form and substance of which shall be satisfied by Party A, and shall comprehensively, appropriately, and completely perform the obligation under such Power of Attorney, including but not limited to unconditionally and irrevocably authorize Party A or the party designated by Party A ("Trustee", and Party C shall not be such Trustee) to exercise the rights of shareholders and/or board of Party B as Party C's agent according to the Trustee's own will.
  - 4.7 Party C confirms that upon it executes this Agreement, it has comprehensively and clearly understood Party B and its subsidiaries' obligations hereunder, and that it is willing to pledge the equity interest of Party B and Subsidiaries of Party B it owns (collectively 100%
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equity interest of Party B) to Party A, as a security for the performance of the obligations of Party B and Subsidiaries of Party B under this Agreement. Each Party will separately execute the agreements for equity interest pledge.

- 4.8 Upon Party A's requests in writing, Party B, Subsidiaries of Party B and Party C shall set all accounts receivable and/or other legal assets which could be disposed as collaterals for the performance of obligations of service fee payment in Article 2.1 under this Agreement. During the effective period of this Agreement, Party B and Subsidiaries of Party B shall maintain completed licenses necessary for its business operation and the right and capacity to conduct relevant business within Chinese territory.
- 4.9 In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation for whatever reasons, Party C, Party B and Subsidiaries of Party B shall assign personnel recommended by Party A as liquidators permitted by PRC laws and regulations to manage the property of Party B and Subsidiaries of Party B. In the event Party B and Subsidiaries of Party B conducts the dissolution or the liquidation, no matter Article 4.9 can be enforced or not and subject to the restriction under PRC law, Party C, Party B and Subsidiaries of Party B shall respectively deliver all the property obtained from the liquidation of Party B under PRC laws and regulations to Party A.
- 4.10 Without Party A' prior written consent, Party B and Subsidiaries of Party B shall not conduct any transaction that may have substantial effect on the assets, obligations, rights or operation, including but not limited to the followings:
- a) conducting any business beyond the scope of normal operation or in the way different from prior usual manners;
  - b) raising a loan or undertaking any debts;
  - c) changing or removing any director or any senior manager;
  - d) selling, purchasing or disposing any asset or interest in any manner to any third, including but not limited to intellectual properties;
  - e) setting corporate assets or intellectual properties as collaterals, providing warranties in any other ways, or setting any other encumbrances on corporate properties for the debts not belonging to Party B and Subsidiaries of Party B;
  - f) modifying the Articles of Association or the scope of operation;
  - g) modifying corporate operation modes, business procedures or any significant internal regulations;
  - h) making significant adjustment on business modes, marketing strategies, operation tactics or client relationship;
  - i) distributing profits and dividend in any manner;
  - j) conducting liquidation and distributing residual properties;
  - k) transferring or assigning rights and obligations hereunder to any third party;
  - l) executing any agreement or enter into any arrangement colliding with or damages Party A's rights and interests in this Agreement with any third party;
  - m) engaging in any arrangement of contractual operation, leasing management, merger, division, join venture, shareholding reform or other method to change the method of
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operation and equity structure, or sell, transfer, convert to equity interest and any other manners to dispose any or all asset or equity interest of Party B or Subsidiaries of Party B.

Furthermore, Party B and Subsidiaries of Party B shall, and Party C shall cause Party B notify Party A timely when there is or may be any significant adverse effect on business and operation of Party B and/or Subsidiaries of Party B and do their best to prevent the occurrence of such issues and/or the expansion of damages.

4.11 Party B and Subsidiaries of Party B hereby grants to Party A an irrevocable and exclusive a Purchase Right which subject to the PRC laws allows Party A to purchase, at its option, any or all of assets (including all interests held by Party B or Subsidiaries of Party B in their subsidiaries) and business of Party B and Subsidiaries of Party B with the lowest price as permitted under the PRC laws. If the aforementioned lowest price as permitted under PRC law is not zero consideration, Party B and Subsidiaries of Party B further agree to give the full transfer price to Party A or the party designated by Party A, as requested by Party A. Parties shall execute the agreement for such transfer of assets and business and determined the terms and conditions for such transfer of assets and business.

## **5. Term and Right of Termination**

5.1 The Agreement is executed and becomes effective as of the date stated above. The Parties hereby agree and confirm that the force of this Agreement shall be retroactive to December 29, 2021.

5.2 Unless all Parties reach an agreement to terminate this Agreement earlier, the term of this Agreement shall be effective during the business operation period of Party A, Party B.

5.3 Party A shall have the option right to terminate this Agreement at any time. During the exercise of this Agreement, Party A is entitled to terminate this Agreement with written notice at any time.

5.4 Without Party A's written consent, Party B, Subsidiaries of Party B and/or Party C have no right to terminate this Agreement.

## **6. Representations and Warranties**

6.1 Party A represents and warrants to Party B and Subsidiaries of Party B as follows:

- a) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, and has the capacity to take responsibilities;
  - b) Party A has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party A assumes legal, effective and binding obligations and such obligations may be enforced compulsory according to this Agreement;
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- c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party A shall not conflict with, breach or violate (i) any operation license of Party A or any article of Party A's Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party A, or (iii) any article of contracts or agreements executed by Party A.
- 6.2 Party B and Subsidiaries of Party B makes the following statements and warranties to Party A:
- a) Party B and Subsidiaries of Party B are limited liability companies duly registered and validly existing under the PRC laws, and have the capacity to take responsibilities with their registered capital;
  - b) Party B and Subsidiaries of Party B has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party B and Subsidiaries of Party B assumes legal, effective and binding obligations and such obligations may be enforced compulsory according to this Agreement;
  - c) Either the execution of this Agreement or the performance of obligations under this Agreement by Party B or Subsidiaries of Party B shall not conflict with, breach or violate (i) any operation license of Party B or Subsidiaries of Party B or any article of their Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applied to Party B or Subsidiaries of Party B, or (iii) any article of contracts or agreements executed by Party B or Subsidiaries of Party B;
  - d) Party B and Subsidiaries of Party B shall provide relevant information and documents to Party A as Party A requires, and arrange special personnel to correspond and coordinate with Party A and provide assistance with research and collection of materials in Party B and Subsidiaries of Party B;
  - e) If necessary, Party B and Subsidiaries of Party B shall provide requisite working facilities and conditions to Party A, and bear related expense and costs during the period that such personnel provide management service in Party B and Subsidiaries of Party B;
  - f) Develop and operate relevant information service in effective, prudent and legal manners, and maintain and renew in time requisite licenses and authorities of relevant information service under this Agreement provided by Party B and Subsidiaries of Party B to keep the effective and entire validity of such licenses and authorities; establish and maintain an independent accounting for relevant information service;
  - g) Provide Party A with any requisite technology or other materials deemed necessary by Party A, and provide Party A with the access to requisite places and facilities for service under this Agreement.;
  - h) Party B and Subsidiaries of Party B shall operate in accordance with relevant laws and regulations, conduct entire relevant procedure necessary for operation, and provide duplicates of such licenses;
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- i) Party B and Subsidiaries of Party B possesses all permissions, licenses, authorities, approvals and facilities, and guarantee such permissions, licenses, authorities and approvals are continually effective and legitimate during the whole effective period of this Agreement;
- j) Pay the service fee to Party A on time.

## **7. Confidentiality**

- 7.1 This Agreement and all clauses hereof belong to confidential information and shall not be disclosed to any third party except for relevant high-ranking officers, directors, employees, agents or professional consultants of such parties or affiliates who are relevant with the transaction contemplated under this Agreement and who are obligated to keep such confidential information confidential. This clause shall not apply in the event parties hereto are required by relevant laws or regulations or relevant securities exchange institutions to disclose information or contents relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.
- 7.2 This clause shall survive any modification or termination of this Agreement.

## **8. Liabilities for Breach of Agreement**

- 8.1 In the event any Party failed to perform any of its obligations under this Agreement, or made any untrue or inaccurate representation or warranty, such Party shall be liable for all the losses of other Parties for breach of the Agreement, or pay the penalties to the other Parties as agreed by the relevant Parties.
- 8.2 In the event that Party B or Subsidiaries of Party B is deemed as breach of the Agreement in accordance with Article 8.1, Party B and Subsidiaries of Party B shall compensate for entire loses, damages or responsibilities of Party A for the execution of this Agreement, including but not limited to damages and costs caused by any suits, claims of compensation, or other requests.
- 8.3 This clause shall survive any modification or termination of this Agreement.

## **9. Force Majeure**

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event the performance of the Agreement is influenced by any Force Majeure, the Party suffering Force Majeure shall (i) notify the other parties by telegram, facsimile or other

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electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such Force Majeure within fifteen (15) business days; (ii) take all reasonable and viable manners to mitigate or remove the effect of force majeure, and continue its performance of the Agreement after such effect is mitigated or removed.

**10. Assignment of this Agreement and the Change of Parties**

- 10.1 Without prior written consent of Party A, Party C, Party B and Subsidiaries of Party B shall not transfer, assign any right or obligation under this Agreement to any third party, except that Party A acquires the equity interest of Party B directly or indirectly according to the Exclusive Option Agreement.
  - 10.2 Part B and Subsidiaries of Party B hereby agrees that Party A shall have right to transfer or assign any of its rights and obligations without prior consent of Party B or its subsidiaries by informing written notice to Party B and its subsidiaries at the transfer or assignment.
  - 10.3 Increase of Subsidiaries of Party B. If, at any time after the effective date of this agreement, any new Subsidiaries of Party B are added, Party B and Party C shall cause such new Subsidiary to sign confirmation letter of which the format and contents of Right and Obligation Assumption Letter listed in Appendix III or other legal documents permitted or required by the PRC laws to make such new subsidiary to enjoy and undertake all the rights and obligations under this Agreement as those of Subsidiaries of Party B hereunder. As of the date of signature of such Right and Obligation Assumption Letter or other legal documents, the new subsidiary should be deemed as one party to this Agreement. Other Parties of the Agreement hereby agree with such arrangements.
  - 10.4 Rights and obligations under this Agreement shall be legally binding upon assignees, successors of Parties hereof, no matter such assignment of obligations and rights is caused by takeover, restructuring, success, assignment or any other reason.
  - 10.5 In the event of death, incapacity, marriage, divorce or other circumstances that may affect the exercise of Party B's equity interest held by Party C, the successors of Party C (including spouse, children, parents, siblings, grandparents, grandparents) shall be deemed to be a party to this Agreement and shall succeed to and assume all of Party C's rights and obligations under this Agreement.
  - 10.6 In the event that Party C no longer possesses any shares of Party B, Party C shall be deemed no longer as a party of this Agreement. In the event that any other third party becomes a shareholder of Party B, Party B and Party C shall take effort to cause this third party executing relevant legal documents and becoming one of Party C of this Agreement. If, with consent of Part A', any Subsidiary which is dissolved or ceases to be under their control, it shall automatically be deemed no longer as a party to this Agreement.
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## 11. Miscellaneous

### 11.1 Applicable Law and Dispute Resolution

#### 11.1.1 Applicable Law

The laws of the People's Republic of China shall apply to the signing, entry into force, interpretation, performance, amendmet and termination of this Agreement and the settlement of disputes under this Agreement.

#### 11.1.2 Dispute resolution

All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to the China International Economic and Trade Arbitration Commission by any Party and shall be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration ruling shall be final. The place of arbitration shall be in Beijing. The language used in arbitration shall be in Chinese. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those in dispute. The validity of this Article 11.1 shall not be influenced by the modification, rescission and termination of this Agreement.

### 11.2 Notices

(1) All notices and other communications required or permitted to be given under this Agreement shall be delivered by hand or sent by postage prepaid registered mail, commercial courier service or e-mail to the address of such party as set forth below. The date on which such notices shall be deemed to be validly served shall be determined as follows: (i) if the notice is sent by personal delivery, courier service or postage prepaid registered mail, it shall be deemed to be validly served on the date of delivery or rejection at the address designated for receipt of the notice; and (ii) if the notice is sent by electronic mail, it shall be deemed to be validly served at the time it is successfully sent.

(2) For the purposes of the notice, the addresses of the parties are as follows.

Party A:  
Address: [\*\*\*]  
Attention: Zheng Lu  
Phone: [\*\*\*]  
E-mail: [\*\*\*]

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Party B and Subsidiaries of Party B:

Address: [\*\*\*]

Attention: Xuhong Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Party C:

Chang Liu

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Zhan Xie

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

- 11.3 Each party acknowledges that this Agreement shall be enforceable to the extent permitted by law. If any provision of this Agreement or any part of a provision is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions of this Agreement or other parts of such provisions, which shall remain in full force and effect, and the parties shall use their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.
- 11.4 Appendixes constitute an integral part of this Agreement and shall have the same legal effect as the other parts of this Agreement.
- 11.5 This Agreement shall be written in Chinese. The Agreement is executed in four (4) counterparts, Party A and Party B hold one copy, and both Party C each hold one copy.
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[THE SIGNATURE PAGE OF THE EXCLUSIVE MANAGEMENT SERVICE AND BUSINESS COOPERATION AGREEMENT]

Party A: **Beijing Yiqi Hangfan Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

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Party B: **Beijing Yiqi Education Technology Development Co., Ltd.**

Authorized Representative: Xuhong Liu

/s/ Xuhong Liu

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Party C:

Chang Liu

/s/ Chang Liu

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Zhan Xie

/s/ Zhan Xie

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## Appendix I: Contents of Service

- (1) Providing opinions and advises for the assets, business operation and negotiation, execution and performance of material contracts;
  - (2) Providing services for proposing middle or short term development of market, market planning;
  - (3) Providing service of market research, study and consulting service;
  - (4) Providing the opinions and advises for handling the creditor rights and debts;
  - (5) Providing the opinions and advices for merger and acquisition;
  - (6) Providing services for human resources management, occupation and pre-occupation skills training for employees;
  - (7) Licensing of intellectual properties (if there is) such as software, trademark, domain name, technology secrets, etc.,
  - (8) Providing services for developing and supporting Information Service Software;
  - (9) Providing services of technology development, technology transfer, and technology consulting;
  - (10) Providing services for management and maintenance for the human resources information management system, payment management information system, internal informatization management system and other management system;
  - (11) Providing services for developing, upgrading of network and the ordinary maintenance, supervision, adjustment and trouble removal of computer network equipment;
  - (12) Providing technology consultation and solution for the questions about network facilities, technology products and software;
  - (13) Providing services for public relationship;
  - (14) Providing daily maintenance services for office equipment;
  - (15) Providing services for seeking and electing appropriate third-party service providers for Service Accepting Party;
  - (16) Providing third-party service providers for the Service Accepting Party in ordinary management;
  - (17) Providing consulting service regarding the overseas market for Service Accepting Party; and/or
  - (18) Other services determined from time to time by Party A and the Service Accepting Party according to the need of business and capacity of provision of services.
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## Appendix II: Calculation and Payment of the Service Fee

1. The Fee for the services provided under this Agreement is calculated as the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations, the sum of Fee shall be determined by Party A in its discretion taking account of the following factors:
    - (1) The technical difficulty and complexity of the services;
    - (2) The resources spending by Party A and the time spent by employs of Party A concerning the services;
    - (3) The contents and commercial value of the services;
    - (4) The benchmark price of similar services in the market;
    - (5) The operation performance of Service Accepting Party.
  2. Party A will calculate the fee payable on a fixed term (determined by Party A and Service Accepting Party shall agree such decision) basis and send Service Accepting Party the bill of service fee for the previous term. Service Accepting Party shall pay the fee to the bank account designated by Party A within 10 business days after receipt of the bill, and send copy of the remittance certificate by facsimile or mail to Party A within 10 business days after payment.
  3. In addition to the service fee, Service Accepting Party shall bear any and all reasonable cost, advance payment and out-of-pocket expense in any kind ("Expense") for Party A resulted from or relevant to the performing or providing services and shall reimburse Party A all Expenses.
  4. Service Accepting Party shall pay to the Party A the service fees and shall reimburse all Expenses according to this Agreement and its supplemental agreements executed from time to time. Party A shall provide to the Service Accepting Party all the official receipts of the service fees and Expense in time. All payment made by Service Accepting Party to Party A shall pay via method of remittance or other methods as agreed by both Parties to the bank account designated by Party A. Both Parties Agreed that Party A may change the direction of payment from time to time by deliver notice to Service Accepting Party.
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### Appendix III: Right and Obligation Assumption Letter

This entity, \_\_\_\_\_, is the subsidiary of Beijing Yiqi Education Technology Development Co., Ltd. (“**Beijing Yiqi Development**”), established and registered on \_\_\_\_\_ (date). The Beijing Yiqi Development possesses \_\_% of this entity’s share.

In accordance with Exclusive Management Service and Business Cooperation Agreement (“Agreement”) entered into by and between Beijing Yiqi Development, Beijing Yiqi Hangfan Technology Co., Ltd. and other relevant parties, this entity shall join the Agreement according to Article 10.3 of the Agreement as the new subsidiary of Party B under this Agreement.

This entity agrees to join the Agreement as a new Subsidiary of the Beijing Yiqi Development, enjoy rights under the Agreement, and perform obligations the Agreement. This Assumption Letter came into effect upon the date of execution.

[       ]

Signature of Legal Representative:

Date:

## Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”), dated as of March 4, 2022, is made by and among the following parties in Beijing, the People’s Republic of China (“PRC”):

Party A: **Beijing Yiqi Hangfan Technology Co., Ltd.**, a wholly foreign-owned enterprise duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*] and whose registered address is at No.603, 6/F, Block C, No.28 Xijiekouwai Street, Xicheng District, Beijing;

Party B: **Chang Liu**, PRC citizen, whose Identity Number is [\*\*\*];  
**Zhan Xie**, PRC citizen, whose Identity Number is [\*\*\*];

Party C: **Beijing Yiqi Education Technology Development Co., Ltd.** (“**Beijing Yiqi Development**”), a company with limited liabilities duly established and validly registered under the laws of the PRC, whose unified social credit code is [\*\*\*], and whose registered address is at Room 1703, Floor 17, Building 7, Zone 4, Wangjing Dongyuan, Chaoyang District, Beijing; and

The agencies invested in or controlled (including controlled by agreement arrangement) by Party C as updated from time to time under this Agreement (including but not limited to the companies and related agencies 50% investment interest of which is directly or indirectly owned by Party C (hereinafter collectively referred to as “**Subsidiaries**”, each, a “**Subsidiary**”. Beijing Yiqi Development and Subsidiaries hereinafter collectively referred to as “**Party C**”)

(If there is a controlling relationship between Beijing Yiqi Development and its Subsidiaries, each controlling parties of Party C and Party B are respectively hereinafter referred to as “**Shareholder**”, and are collectively referred to as “**Shareholders**”; Party A, Party B and Party C are respectively hereinafter referred to as “**Party**”, and collectively referred to as “**Parties**”)

### WHEREAS:

The Shareholders legally owns the equity interest of Party C. Through amiable negotiation, the Parties mentioned above intend to enter into an agreement concerning Party A or its designated party purchasing the equity interests of Party C owned by Shareholders.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

### 1. Exclusive Purchase Right

1.1 Upon the execution of this Agreement, Party A shall have right to, at any time, require Party B upon the following situation, subject to the requirements by Party A, to transfer any and all of the 100% equity interest of Party C held by Shareholders (“**Equity Interests**”) in the

consideration provided in the Section 3 of this Agreement, and Shareholders shall transfer the Equity Interest to Party A or the third party designated by the Party A according to the requirements by Party A:

- 1.1.1 Party A or the third party designated by Party A is permitted to hold any or all of the Equity Interest under the PRC laws; or
  - 1.1.2 Subject to the PRC laws, any situation as Party A thinks is appropriate or necessary.  
Party A's right to purchase the Equity Interest provided under this Agreement shall be exclusive, unconditional and irrevocable.
- 1.2 The Parties hereby agree that subject to the terms and condition of this Agreement and without violating the PRC law Party A shall have right to, at its option, exercise any or all of the right to purchase the Equity Interest and acquire any or all Equity Interest. The Parties hereby further agree that the time, method, amount and frequency of Party A to exercise its right to purchase the Equity Interest shall not be limited.
- 1.3 The Parties hereby agree that subject to the terms and conditions of this Agreement and without violating the PRC laws., Party A shall have right to designate any third party to acquire any and all of the Equity Interest. Unless prohibited by the PRC laws, Shareholders shall not refuse to transfer any or all the Equity Interest to such designated third party.
- 1.4 Shareholders shall not transfer the Equity Interest to any third party without Party A' prior written consent until all the Equity Interest have been transferred to Party A or its designated party in accordance with this Agreement, i.e., until Shareholders no longer holds any equity interest of Party C. Shareholders shall not create any pledge or any encumbrance on the Equity Interest in the benefit of any third party except that provided in the Equity Interest Pledge Agreement executed by Party A and Shareholders.
- 1.5 Shareholders hereby agrees that as the shareholder of Party C, subject to the PRC laws, before Shareholders transfers the Equity Interest to Party A, Shareholders shall deliver the dividends, bonus, or any other property distributed from Party C to Party A or any third party designated by Party A as soon as possible within three (3) days after receipt of such dividends, bonus or any other property the taxes of required by PRC laws have been paid.

## 2. Exercise Procedure

- 2.1 In the event that Party A decides to exercise its exclusive right to purchase share according to the Section 1.1 above, Party A shall provide a written notice to Shareholders ("**Purchase Notice**") in the form set forth in Appendix 3 of this Agreement, and such Purchase Notice shall specify the following information: (a) the portion or number of equity interest Party A intends to purchase; and (b) the name and identity of the purchaser. Shareholders and Party C shall provide all of materials and documents necessary for the transfer of Purchased Share within seven (7) days as of the date of the Purchase Notice, including but not limited to the Equity Transfer Agreement and Confirmation Letter in the form set forth in the Appendix 2 and Appendix 3 of this Agreement.

- 2.2 Except the Purchase Notice provided in the Section 2.1 of this Agreement, there shall be no other prerequisite or attached conditions for Party A to exercise his right to purchase Equity Interest.
- 2.3 Shareholders and Party C shall assist and coordinate with Party A in time and to complete the approval procedures (if required by the PRC laws) and the procedures with administration for market regulation authorities in accordance with the PRC laws.
- 2.4 The date when all the procedures of transferring 100% equity interest of Shareholders in accordance with this Agreement have been completed shall be regarded as the completion date of Party A in exercising its exclusive right to purchase Equity Interest.

### **3. Purchase Price**

- 3.1 Without violation of the PRC laws or regulations, when Party A exercises its right to purchase Equity Interest, the purchase price of the Equity Interest ("Purchase Price") shall be zero or the lowest price permitted under PRC laws. In the event that the Equity Interest is transferred in different installments, the Purchase Price shall be determined by the relevant specific time and proportion of the transfer of Equity Interest.
- 3.2 If the Equity Interest is unable to transfer without consideration, Shareholders hereby agrees that after Party A or its designated party exercises the right to purchase Equity Interest, Shareholders shall deliver all the consideration and payment that Shareholders obtain from the transfer of Equity Share to Party C, Party A or its designated party according to the requirement of Party A.
- 3.3 Party C shall bear the taxes and expenses incurred due to the performance of the transfer (including the price gift) of the equity of the bid under this Article 3.

### **4. Warrants, Representations and Covenants**

- 4.1 Each Party hereby warrant, represent to the each other that:
- 4.1.1 It has all necessary rights, power and authorities to execute and perform this Agreement;
- 4.1.2 It has performed all internal procedures that are necessary to execute, deliver and perform this Agreement and has obtained all internal and external authorities and approvals for executing and performing this Agreement;
- 4.1.3 Upon the execution of this Agreement and the Equity Transfer Agreement to which it is a party, this Agreement and the Equity Transfer Agreement shall constitute, or will constitute the legal, valid, and binding obligations and shall be enforceable against it in accordance with its provisions and conditions;

- 4.1.4 The execution and performance of this Agreement by it will not conflict with, breach or violate (i) its business license or any provision of its Articles of Association; (ii) any law, rules, regulation, authorization or approval by any applicable governmental authority or department; or (iii) any contract or agreement to which it is a party;
- 4.1.5 without the prior agreement of Party A, Party C shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) the debts incurred from the ordinary course of business other than through loans, and (ii) debts disclosed to Party A for which Party A's written consent has been obtain;
- 4.1.6 Party C have complied with all applicable laws and regulation in asset acquisition;
- 4.1.7 There is no pending or threatened litigation, arbitration or administrative procedures against the Equity Interest, assets of Party C (including any interest held by Party C in its Subsidiaries, the same below) or Party C;
- 4.2 Party B and Party C hereby warrant, represent and covenant to Party A as follows:
- 4.2.1 As of the date of execution of this Agreement, Party B is P.R.C citizen, and Shareholders shall have the legal ownership right of all the Equity Interest of Party C, and shall have complete and valid right to dispose the Equity Interest. The registered capital of Party C shall have fully paid in. Except the pledge right provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, there is not any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Shareholders, the Equity Interest is free from any claim by any third party, and any third party shall not have any option right to purchase the Equity Interest, right to convert, subscribe in preference or right to cause, transfer, sell, or convert any equity interest in Party C;
- 4.2.2 During the effective term of this Agreement, except the pledge provided in the Equity Interest Pledge Agreement executed by all Parties and other right that have obtained Party A's prior written consent, Shareholders shall not transfer any equity interest of Party C to any third party and shall not create any pledge, mortgage, guarantee, or any other right in the benefit of any third party in the Equity Interest held by Party B, and shall ensure that the Equity Interest is free from any claim of any third party;
- 4.2.3 They will not supplement, change or amend the Articles of Association and bylaws of Party C in any manner, increase or reduce Party C's registered capital or change Party C's structure of registered capital in any other manner without Party A's prior written consent;
- 4.2.4 They will not enter into any material contract or change the scope of business of Party C;
- 4.2.5 Subject to the PRC laws, Party B and Party C shall extent the operation period of Party C based on the operation period of Party A and cause the operation period of Party C the same



as that of Party A or adjust the operation period of Party C based on the requirements of Party A in accordance with Party A;

- 4.2.6 They shall operate Party C's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs, and shall obtain all governmental permits and licenses that are necessary for the business of Party C;
- 4.2.7 they shall always operate all of the businesses of Party C in ordinary course to maintain the asset value of Party C, and shall not terminate any material contract to which Party C is a party or entered into any agreement that affect Party C's financial status and asset value;
- 4.2.8 they shall not create, succeed, warrant or allow any debt except the account payable occurred in ordinary course, provided however, such account payable shall not be created by loan from any other person without the prior written consent of Party A;
- 4.2.9 they shall inform Party A immediately of any litigation, arbitration or administrative proceeding that will occur or may occur related to the assets, businesses, revenues of Party C;
- 4.2.10 they shall not announce or pay any dividend to the shareholders without prior written consent of Party A;
- 4.2.11 Upon the request of Party A, they shall appoint or remove directors, supervisors and/or senior officers designated by Party C and comply with all relevant resolution and filing procedures; Party A shall be entitled to replace and reappoint the above-mentioned persons;
- 4.2.12 Without the prior written consent of Party A, they shall not at any time following the date hereof sell, transfer, license or dispose in any manner any asset of Party C, or allow the encumbrance hereon of any asset of Party C, unless Party C is able to prove that the such sale, transfer, license, deposition or encumbrance is necessary for the business of Party C in ordinary course and the transaction amount of one single transaction shall not higher than 100,000 RMB;
- 4.2.13 In the event that during the effective term of this Agreement Party C liquidates or dissolve, subject to the PRC law, Party B and Party C shall designate person recommended by Party A to constitute the liquidation group and manage the asset of Party C. Shareholders hereby confirms that in the event of liquidation or dissolution of Party C, Party B shall delivered all the asset distribute in the liquidation and dissolution to Party A or its designated party in the manner that is permitted by the PRC law regardless this 4.2.12 is enforceable;
- 4.2.14 In the event of death, incapacity, marriage, divorce or other circumstances which may affect the exercise of Equity Interest held by Party B, this Agreement shall inure to the benefit of and be binding upon the successors of Party B whose rights or obligations hereunder are

affected by such terms and conditions, including spouse, children, parents, siblings, grandparents, grandparents. Such Party B's successors shall succeed to and assume all of Party B's rights and obligations under this Agreement and transfer the Equity Interest to Party A or its designated party in accordance with the then applicable laws and this Agreement.

## **5. Governing Law and Dispute Resolution**

### **5.1 Governing Law**

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

### **5.2 Methods of Resolution of Disputes**

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, and to be solved in accordance with its effective Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties. Except the parts that have submitted for arbitration, other parts of this Agreement shall remain valid. The validity of this section shall not be influenced by the modification, rescission or termination of this Agreement.

## **6. Liabilities**

6.1 If any Party fails to perform any of its obligation under this Agreement, or any warrant or representation made by such party under this Agreement is found false or incorrect, it shall constitute a breach of this Agreement by such Party, and such Party shall indemnify other Parties all loss resulted from such breach.

6.2 Unless it is otherwise prohibited by laws, Part B and Party C shall have no right to terminate or rescind this Agreement in any situation.

6.3 This Article shall survive any modification, dissolution or termination of this Agreement.

## **7. Notices**

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by e-mail to the address of such Party set forth below. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notice given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices;

7.1.2 Notices given by e-mail shall be deemed effectively given on the date of successful transmission.

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Address: [\*\*\*]

Attention: Zheng Lu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Party B:

Chang Liu

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Zhan Xie

Address: [\*\*\*]

Attention: Chang Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

Party C:

Address: [\*\*\*]

Attention: Xuhong Liu

Phone: [\*\*\*]

E-mail: [\*\*\*]

7.3 Any Party whose mailing address, mailing number or other contact information changes as described above shall notify the other Parties of such change within seven (7) days after such change occurs, otherwise, the original addresses of such Party shall be deemed effective.

## **8. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information and without obtaining the written consent of the other Party, it shall

not disclose any relevant confidential information to any third parties, except for the information that (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is needed to be disclosed by any Party to its legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Sections. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

## **9. Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

## **10. Miscellaneous**

### **10.1 Entry into force, Amendments, Changes and Supplements**

This agreement is effective when it is signed on the date indicated at the beginning of the text. The Parties hereby agree and confirm that the force of this Agreement shall be retroactive to December 29, 2021.

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

### **10.2 Headings**

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

### **10.3 Language**

This Agreement shall be written in Chinese, and in quadruplicate, one for each party, and each copy has equal legal validity.

### **10.4 Severability**

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity,

legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as closed as possible to the economic effect of those invalid, illegal or unenforceable provisions.

#### 10.5 Newly Added Subsidiaries

In case at any time after the entry into force of this Agreement, any entity is added into and as Subsidiaries, Party C shall procure such newly added Subsidiary to sign the Rights and Obligations Assumption Letter in the form set forth in Appendix 4 of this Agreement and any other legal documents permitted or required under PRC laws to permit the newly added Subsidiary added into this Agreement and to fully assume the rights and obligations that should be enjoyed and borne by Subsidiaries. As of the date of execution of such Rights and Obligations Assumption Letter and any other legal documents permitted or required under PRC laws, such newly added Subsidiary shall be deemed to be a party to this Agreement. All the other Parties hereby agree to fully accept the foregoing arrangement.

#### 10.6 Changes of Parties to this Agreement

10.6.1 Neither Party B nor Party C shall be entitled to assign any of its rights and obligations under this Agreement to any third party without Party A's prior written consent.

10.6.2 Party B and Party C hereby agree that Party A may assign its rights and obligations under this Agreement to any third party and that Party A only need to give written notice to Party B and Party C when such assignment occurs and not need to obtain another consent from Party B or Party C.

10.6.3 If Party B no longer holds any Equity Interest of Beijing Yiqi Development, such Party B shall automatically be deemed as a party to this Agreement. If any third party becomes a shareholder of Beijing Yiqi Development, then Party B and Party C shall endeavor to procure that such third party become a party to this Agreement as soon as possible by signing appropriate legal documents. If, with consent of Party A, any Subsidiary which is dissolved or ceases to be under the control of Beijing Yiqi Development, shall automatically be deemed no longer as a party to this Agreement.

#### 10.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

#### 10.8 Force Majeure

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event of any failure to perform this Agreement due to the Force Majeure Event, the Party suffered by the Force Majeure Event shall immediately (i) inform the other Parties by telegram, facsimile transmission, or other electronic means the Force Majeure Event and shall provide the proofs of Force Majeure in writing within fifteen (15) business days and (ii) take all reasonable and practicable methods to eliminate or mitigate the influence by Force Majeure Event and shall resume the performance of obligations after the influence of Force Majeure Event is eliminated or mitigated.

#### 10.9 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

#### 10.10 Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early terminations hereof.

#### 10.11 Entire Agreement

Except for the amendment, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

*(There is no text in the remaining page.)*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A : **Beijing Yiqi Hangfan Technology Co., Ltd.**

Authorized Representative: Zheng Lu

/s/ Zheng Lu

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party B :  
**Chang Liu**

/s/ Chang Liu

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**Zhan Xie**

/s/ Zhan Xie

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party C: **Beijing Yiqi Education Technology Development Co., Ltd.**

Authorized Representative: Xuhong Liu

/s/ Xuhong Liu

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## Notice of Exercise

To: [ ]; and/or  
[ ]

WHEREAS, Beijing Yiqi Hangfan Technology Co., Ltd. (the "Company") entered into the Exclusive Option Agreement among Beijing Yiqi Education Technology Development Co., Ltd. and other related parties on [ ], which stipulates that you shall, upon the request of the Company, sell all or part of your equity interest of [ ] to the Company or the third party designated by the Company, subject to the conditions permitted by the relevant laws and regulations of the PRC.

Accordingly, the Company hereby issues this notice to you as follows.

The Company hereby requests to exercise the option under the Exclusive Option Agreement to purchase the equity interest held by you in [ ], representing [ ]% of the registered capital of [ ] (the "Proposed Transferred Equity Interest"), at a price of RMB[ ]. Please complete the necessary procedures for the sale of all the Proposed Transferee Equity Interests to the Company/the Company's third party designated transferee by Company in accordance with the Exclusive Option Agreement immediately upon receipt of this notice.

**Beijing Yiqi Hangfan Technology Co., Ltd.**

Name:  
Position:  
Date:

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## Equity Interest Transfer Agreement

This Equity Interest Transfer Agreement (the “**Agreement**”), dated as of [ ], is made by and among the following parties in [ ], China:

Transferor:

[ ]

Transferee:

[ ]

Through amiable negotiation the Parties stated above agree as follows about the equity interest transfer stated herein:

1. Transferor agrees to transfer the [ ]% equity interest in [ ] Company (“**Target Equity Interests**”) to Transferee at a price of RMB \_\_\_\_, and Transferee agrees to purchase such Target Equity Interests.
2. Upon completion of transfer of Target Equity Interests, Transferor shall no longer enjoy while Transferee enjoys any rights and bear all obligations as the shareholder of Target Equity Interests.
3. Any matters not mentioned in the Agreement may be determined by supplementary agreements signed by both parties.
4. The Agreement becomes effective on the date of signature by both parties.
5. The Agreement is executed in four (4) counterparts, each party holding one and the rest used for Industrial and Commercial alteration registration.

**Transferor:** [ ]:

Signature:

**Transferee:** [ ]

Authorized Representative:

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## Confirmation Letter

To: Beijing Yiqi Hangfan Technology Co., Ltd.

I, the shareholder of [ ] (the "Company") hereby agree and confirm as follows:

1. I agree to and accept all the terms and conditions of the Exclusive Option Agreement entered by me, the Company, Beijing Yiqi Hangfan Technology Co., Ltd. ("**WFOE**") and other related parties on \_\_\_\_\_, and waive the right of first refusal to such equity interest when WFOE exercises its Purchase Right under such agreement. I will take all measures to assist WFOE on the transfer procedures for such equity interest.
2. I agree to waive the right of first refusal when other shareholders of the Company transfer the equity interest it owns to WFOE or any third party designated by WFOE.
3. In the event other shareholders of the Company transfers the equity interests it owns to WFOE or any third party designated by WFOE, I will sign or provide necessary documents for the transfer procedures of such equity interests.

[ ]  
Signature:  
Date: [ ]

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## **Rights and Obligations Assumption Letter**

Our Entity, \_\_\_\_\_, is a limited liability company established on \_\_\_\_\_, \_\_\_\_\_, and Beijing Yiqi Education Technology Development Co., Ltd. (hereinafter referred to as "Beijing Yiqi Development") holds [ ]% equity interest of Our Entity since \_\_\_\_\_, \_\_\_\_\_, i.e. Our Entity became a subsidiary of Beijing Yiqi Development since \_\_\_\_\_, \_\_\_\_\_.

Pursuant to the Exclusive Option Agreement (the "Agreement") entered into by and among, Beijing Yiqi Hangfan Technology Co., Ltd. and other related parties on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ Our Entity acts as a newly added Subsidiary under that Agreement and joins that Agreement pursuant to the provisions of Section 10.5.

Our Entity hereby agree to join that Agreement as a newly added Subsidiary of Beijing Yiqi Development, to have the rights of "Subsidiary", "Shareholder" and "Party C" (as the case may be) under that Agreement and to perform all obligations of "Subsidiary", "Shareholder" and "Party C" (as the case may be) under that Agreement in accordance with the provisions of the Agreement, effective as of the execution of this Assumption Letter.

[Chapter]

Legal representative:

Dated:

## Letter of Consent

I, Limin Chen (ID number: [\*\*\*]), am the legal spouse of Chang Liu (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Yiqi Education Technology Development Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Beijing Yiqi Hangfan Technology Co., Ltd.(hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 4, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

3. I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agrees and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time, upon request by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

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This consent letter is executed on March 4, 2022 and becomes effective as of the date hereof. I hereby agree and confirm that the force of this consent letter shall be retroactive to December 29, 2021.

/s/ Limin Chen

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Limin Chen

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## Letter of Consent

I, Furong Xiao (ID number: [\*\*\*]), am the legal spouse of Zhan Xie (a citizen of the People's Republic of China, ID number: [\*\*\*], hereinafter referred to as "**My Spouse**"). Regarding the equity interests (hereinafter referred to as "**Equity Interest**") of Beijing Yiqi Education Technology Development Co., Ltd. (hereinafter referred to as the "**Company**") held by My Spouse, I hereby unconditionally and irrevocably issue this consent as follows:

I acknowledge that :

All Equity Interest in the Company held by My Spouse will be disposed in accordance with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement entered into by and among My Spouse, the Company, other shareholders of the Company and Beijing Yiqi Hangfan Technology Co., Ltd. (hereinafter referred to as the "**WFOE**") and the Power of Attorney signed by My Spouse to WFOE on March 4, 2022 (collectively with Exclusive Option Agreement, Equity Pledge Agreement and Exclusive Management Services and Business Cooperation Agreement, the "**Controlling Documents**") and the Equity Interest are under the control of the WFOE.

I confirm that I acknowledge and agree that My Spouse executed the above Controlling Documents and dispose relevant Equity Interest of the Company in accordance with the Controlling Documents. I will not take any action at any time to hinder such disposal, including but not limited to claiming that the above Equity Interest belongs to the community property of My Spouse and me. I further confirm that the performance of such Controlling Documents or the amendment or termination of any Controlling Documents by My Spouse requires no additional authorizations or consent from me. I undertake to execute all necessary documents and take all necessary actions to ensure the proper performance of the Controlling Documents, as amended from time to time.

I agree and undertake to unconditionally and irrevocably waive any right which may be granted to me by any applicable law in respect of the Equity Interest or any assets of the Company. In case for any reason any portions of the Equity Interests in the Company acquired by me, I agree and confirms that I will be bound by and will comply with the obligations as one of the shareholders of the Company under the Controlling Documents, as amended from time to time. And for the purpose of the foregoing, I will execute a series of written documents in the same form and contents as the Controlling Documents, as amended from time to time, upon request by WFOE. I further undertake and warrant that in no event will I directly or indirectly, or proactively or passively, take any action or propose any claims or institute any proceedings out of any intent in conflict with the arrangements described above.

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This consent letter is executed on March 4, 2022 and becomes effective as of the date hereof. I hereby agree and confirm that the force of this consent letter shall be retroactive to December 29, 2021.

/s/ Furong Xiao

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Furong Xiao

**List of Principal Subsidiaries and Consolidated Variable Interest Entities of  
17 Education & Technology Group Inc.**

**Subsidiary**

17 Technology Limited  
 17 Education World Limited  
 17 Educational Products Limited  
 17 Inspire Limited  
 Sunny Education (HK) Limited  
 17 Vision Limited  
 17 Glory Limited  
 17 Legend Limited  
 Shanghai Yiqi Zuoye Information Technology Co., Ltd.  
 Beijing Yiqi Education & Technology Co., Ltd.  
 Guangzhou Qixiang Technology Co., Ltd.  
 Guangzhou Qixuan Education&Technology Co., Ltd.  
 Beijing Yiqi Hangfan Technology Co., Ltd.

**Consolidated Variable Interest Entity**

Shanghai Hexu Information Technology Co., Ltd.  
 Beijing Yiqi Education Information Consultation Co., Ltd.  
 Beijing Qili Technology Co., Ltd.  
 Beijing Yiqi Education Technology Development Co., Ltd.

**Place of Incorporation**

Cayman Islands  
 British Virgin Islands  
 British Virgin Islands  
 British Virgin Islands  
 Hong Kong  
 Hong Kong  
 Hong Kong  
 Hong Kong  
 People's Republic of China  
 People's Republic of China  
 People's Republic of China  
 People's Republic of China  
 People's Republic of China

**Place of Incorporation**

People's Republic of China  
 People's Republic of China  
 People's Republic of China  
 People's Republic of China

**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andy Chang Liu, certify that:

1. I have reviewed this annual report on Form 20-F of 17 Education & Technology Group Inc. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: April 27, 2022

By: /s/ Andy Chang Liu  
Name: Andy Chang Liu  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael Chao Du, certify that:

1. I have reviewed this annual report on Form 20-F of 17 Education & Technology Group Inc. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: April 27, 2022

By: /s/ Michael Chao Du

Name: Michael Chao Du

Title: Chief Financial Officer

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**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of 17 Education & Technology Group Inc. (the "Company") on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andy Chang Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2022

By:           /s/ Andy Chang Liu            
Name: Andy Chang Liu  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of 17 Education & Technology Group Inc. (the "Company") on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Chao Du, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2022

By: /s/ Michael Chao Du

Name: Michael Chao Du

Title: Chief Financial Officer

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Our ref VSL/773369-000002/22210785v1

17 Education & Technology Group Inc.  
16/F, Block B, Wangjing Greenland Center  
Chaoyang District, Beijing 100102  
People's Republic of China

27 April 2022

Dear Sirs

**17 Education & Technology Group Inc.**

We have acted as legal advisers as to the laws of the Cayman Islands to 17 Education & Technology Group Inc., an exempted company incorporated in the Cayman Islands with limited liability (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2021 (the "**Annual Report**").

We hereby consent to the reference to our firm under the headings "Item 10. Additional Information—E. Taxation—Cayman Islands Taxation" and "Item 16G. Corporate Governance" in the Annual Report and further consent to the incorporation by reference of the summaries of our opinions under these headings into the Company's registration statement on Form S-8 (File No. 333-255632) of 17 Education & Technology Group Inc.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP  
Maples and Calder (Hong Kong) LLP



April 27, 2022

To: 17 Education & Technology Group Inc.  
16/F, Block B, Wangjing Greenland Center  
Chaoyang District, Beijing 100102, People's Republic of China

**Re: Consent of People's Republic of China Counsel**

We consent to the reference to our firm under the headings “Item 3. Key Information—D. Risk Factors” and “Item 4. Information On The Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Respective Shareholders” in the annual report of 17 Education & Technology Group Inc. for the year ended December 31, 2021 (the “**Annual Report**”), which is filed with the U.S. Securities and Exchange Commission (the “**SEC**”) on the date hereof, and further consent to the incorporation by reference of the summaries of our opinions under these headings into the Registration Statement on Form S-8 (File No. 333-255632) of 17 Education & Technology Group Inc. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2021.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Tian Yuan Law Firm  
**Tian Yuan Law Firm**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-255632 on Form S-8 of our report dated April 27, 2022, relating to the financial statements of 17 Education & Technology Group Inc. appearing in this Annual Report on Form 20-F for the year ended December 31, 2021.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Beijing, the People's Republic of China  
April 27, 2022