

**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, 2022

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)

Michael Chao Du, Chief Financial Officer

Telephone: +86 10 6479 6786

Email: michael.du@17zuoye.com

16/F, Block B, Wangjing Greenland Center

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
American Depositary Shares, each representing ten Class A ordinary shares, par value US\$0.0001 per share	YQ	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)

**Class A ordinary shares, par value
US\$0.0001 per share***

**The Nasdaq Stock Market LLC
(The Nasdaq Global Select Market)**

* 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)EntityExTransitionPeriod

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, 2022, there were 487,435,319 ordinary shares outstanding, being the sum of 428,982,151 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† provided pursuant to Section 13(a) of the Exchange Act. ☒

†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. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>FORWARD-LOOKING INFORMATION</u>	3
<u>PART I.</u>	4
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	4
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	4
ITEM 3. <u>KEY INFORMATION</u>	4
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	71
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	108
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	108
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	127
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	139
ITEM 8. <u>FINANCIAL INFORMATION</u>	141
ITEM 9. <u>THE OFFER AND LISTING</u>	142
ITEM 10. <u>ADDITIONAL INFORMATION</u>	143
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	159
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	160
<u>PART II.</u>	161
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	161
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	161
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	162
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	163
ITEM 16B. <u>CODE OF ETHICS</u>	163
ITEM 16C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	163
ITEM 16D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	164
ITEM 16E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	164
ITEM 16F. <u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	164
ITEM 16G. <u>CORPORATE GOVERNANCE</u>	164
ITEM 16H. <u>MINE SAFETY DISCLOSURE</u>	165
ITEM 16I. <u>DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</u>	165
ITEM 16J. <u>INSIDER TRADING POLICIES</u>	165
<u>PART III.</u>	166
ITEM 17. <u>FINANCIAL STATEMENTS</u>	166
ITEM 18. <u>FINANCIAL STATEMENTS</u>	166
ITEM 19. <u>EXHIBITS</u>	166

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;
- “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;
- “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 Hangfan 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 mainland 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., Beijing Yiqi Education Technology Development Co., Ltd. and Guangzhou Qili Technology 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 mainland 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 RMB6.8972 to US\$1.00, the exchange rate in effect as of December 30, 2022 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 and our ability to adapt our operations and business practices to the evolving regulatory environment of mainland China;
- our mission, goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the industries we operate in;
- the success of operating initiatives, including new product and content development by us and our competitors;
- 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 mainland 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 mainland China but a Cayman Islands holding company with no equity ownership in the VIEs. We conduct our business in mainland China through (i) our mainland China subsidiaries and (ii) the VIEs with which we have maintained contractual arrangements, and (iii) the subsidiaries of the VIEs. Laws and regulations of mainland China restrict and impose conditions on foreign investment in value-added telecommunications services and certain other businesses. Accordingly, we operate these businesses in mainland China through the VIEs, and rely on contractual arrangements among our mainland China 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 95.0%, 99.2% and 93.9% of our total revenues for 2020, 2021 and 2022, 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 mainland 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 are able to direct the activities of and derive economic benefits from the VIEs. We are considered the primary beneficiary of the VIEs for accounting purposes, and we have consolidated the financial results of the VIEs in our consolidated financial statements. Neither we nor our investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the VIEs, and the contractual arrangements are not equivalent to an equity ownership in the business of the VIEs. 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 directing the business operations of the VIEs and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in mainland 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.” 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 laws, regulations and rules of mainland China 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 laws or regulations of mainland China 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 laws or regulations of mainland China, or fail to obtain or maintain any of the required permits or approvals, the relevant mainland

China 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 regulations of mainland China 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 regulatory restrictions of mainland China 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 mainland China 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 mainland China. Our business operations are primarily conducted in mainland China through the VIEs and their subsidiaries, and we are subject to complex and evolving laws and regulations of mainland China. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. 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 mainland 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 mainland China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in mainland 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 legal system of mainland China could adversely affect us.”

Permissions Required from mainland China Authorities for Our Operations

Our operations in mainland China are governed by laws and regulations of mainland China. As of the date of this annual report, our mainland China subsidiaries and the VIEs have obtained the requisite licenses and permits from mainland China government authorities that are material for the business operations of our holding company and the VIEs in mainland 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 mainland 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 mainland China have created compliance uncertainty regarding issuances of securities to foreign investors. Mainland China governmental authorities have recently promulgated laws, regulations and regulatory rules of mainland China, relating to cybersecurity review and overseas listing. In connection with our historical issuance of securities to foreign investors, under current laws, regulations and regulatory rules of mainland China, as of the date of this annual report, we, our mainland China 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 mainland China 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 mainland China 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 mainland China regulatory authorities. These regulatory authorities may impose fines and penalties on our mainland China 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 mainland China governmental authorities may be required in connection with an offering under rules, regulations or policies of mainland China, 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

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the Securities and Exchange Commission, or the SEC, determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the Public Company Accounting Oversight Board, or the PCAOB, for two consecutive years, the SEC will prohibit our shares or the 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 was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China

and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The

PCAOB had historically been 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 of our auditor in the past has deprived 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 may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the 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 mainland China through our subsidiaries and the VIEs in mainland 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 mainland 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 RMB2,632.6 million, RMB4,117.3 million and RMB4,180.7 million (US\$606.1 million) as of December 31, 2020, 2021 and 2022, respectively. Furthermore, cash transfers from our PRC subsidiaries and the VIEs to entities outside of mainland China are subject to PRC government controls on currency conversion. To the extent cash in our business is in the PRC or a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC due to restrictions and limitations imposed by the governmental authorities on currency conversion, cross-border transactions and cross-border capital flows. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries and the VIEs to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. In view of the foregoing, to the extent cash in our business is held in mainland China or by a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC. For risks relating to the fund flows of our operations in mainland 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” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.”

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, 2020, 2021 and 2022, 17 Education & Technology made capital contributions

in the amount of RMB1,024.6 million, RMB1,478.5 million and RMB63.3 million (US\$9.2 million) to our subsidiaries, respectively. For the years ended December 31, 2020, 2021 and 2022, the VIEs received debt financing of nil, RMB18.4 million and RMB65.4 million (US\$9.5 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, 2020, 2021 and 2022, cash paid by the VIEs to the primary beneficiary of the VIEs for service fees were RMB337.8 million, RMB618.6 million and RMB114.0 million

(US\$16.5million), 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 mainland China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Tax calculation ⁽¹⁾
Hypothetical pre-tax earnings ⁽²⁾	100 %
Tax on earnings at statutory rate of 25% ⁽³⁾	(25) %
Net earnings available for distribution	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 mainland 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 mainland 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 mainland 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, 2022						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
Third-party net revenues	—	17,547	14,915	498,602	—	531,064
Inter-company net revenues	—	174,505	210,863	—	(385,368)	—
Total costs and expenses	(149,071)	(212,328)	(183,610)	(197,203)	—	(742,212)
Inter-company costs and expenses	—	—	—	(385,368)	385,368	—
Income from non-operations	5,575	3,294	16,153	8,254	—	33,276
Share of loss from subsidiaries, VIEs and VIEs' subsidiaries	(34,376)	(17,394)	(75,715)	—	127,485	—
Loss before income tax expenses	(177,872)	(34,376)	(17,394)	(75,715)	127,485	(177,872)
Less: income tax expenses	—	—	—	—	—	—
Net loss	(177,872)	(34,376)	(17,394)	(75,715)	127,485	(177,872)

For the Year Ended December 31, 2021						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
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	(1,441,913)	(1,241,321)	(795,663)	(131,323)	2,168,307	(1,441,913)

For the Year Ended December 31, 2020						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
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>

Selected Condensed Consolidated Balance Sheets Information

	For the Year Ended December 31, 2022					
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidate d Total
Assets						
Cash and cash equivalents	493,201	56,124	4,026	154,544	—	707,895
Restricted cash	—	—	10,231	—	—	10,231
Available-for-sale investments	—	—	—	19,531	—	19,531
Accounts receivable	—	—	1,890	32,934	—	34,824
Prepaid expenses and other current assets	3,750	8,735	18,278	110,131	—	140,894
Amount due from inter-companies	788,947	266,261	835,305	123,073	(2,013,586)	—
Property and equipment, net	—	22,154	877	9,264	—	32,295
Right-of-use assets	—	16,434	1,374	12,244	—	30,052
Other non-current assets	—	1,438	294	3,070	—	4,802
Total assets	1,285,898	371,146	872,275	464,791	(2,013,586)	980,524
Accrued expenses and other current liabilities	3,437	17,947	96,419	35,220	—	153,023
Deferred revenue current and non-current	—	—	2,293	40,092	—	42,385
Amount due to inter-companies	29,781	325,817	608,214	1,049,774	(2,013,586)	—
Deficits of investments in subsidiaries, VIEs and VIEs' subsidiaries	493,817	1,152,327	2,013,235	—	(3,659,379)	—
Operating lease liabilities current and non-current	—	13,070	1,441	11,742	—	26,253
Total liabilities	527,035	1,509,161	2,721,602	1,136,828	(5,672,965)	221,661
Total shareholders' equity (deficit)	758,863	(1,138,015)	(1,849,327)	(672,037)	3,659,379	758,863
Total liabilities and shareholders' equity (deficit)	1,285,898	371,146	872,275	464,791	(2,013,586)	980,524

For the Year Ended December 31, 2021						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidate d Total
Assets						
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
Total assets	1,331,285	349,445	959,394	604,771	(1,664,474)	1,580,421
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
Total liabilities	534,249	1,122,809	2,393,199	1,219,028	(4,485,900)	783,385
Total shareholders' equity (deficit)	797,036	(773,364)	(1,433,805)	(614,257)	2,821,426	797,036
Total liabilities and shareholders' equity (deficit)	1,331,285	349,445	959,394	604,771	(1,664,474)	1,580,421

Selected Condensed Consolidated Cash Flows Information

For the Year Ended December 31, 2022						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
Net cash used in operating activities	(23,206)	(129,839)	(175,015)	(135,866)	—	(463,926)
Capital contribution to Group companies	(63,328)	—	—	—	63,328	—
Loans to Group companies	(55,184)	(30,281)	(73,900)	(5,000)	164,365	—
Other investing activities	—	—	579	(9,510)	—	(8,931)
Net cash used in investing activities	(118,512)	(30,281)	(73,321)	(14,510)	227,693	(8,931)
Capital contribution from Group companies	—	63,328	—	—	(63,328)	—

Borrowings under loan from Group companies	29,781	68,684	500	65,400	(164,365)	—
Other financing activities	(33,857)	—	—	—	—	(33,857)
Net cash (used in) generated from financing activities	(4,076)	132,012	500	65,400	(227,693)	(33,857)

For the Year Ended December 31, 2021						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
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						
	17 Education & Technology	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
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

A. Selected Financial Data

The following selected consolidated statements of operations and selected consolidated cash flow

data for the years ended December 31, 2020, 2021 and 2022, and selected consolidated balance sheet data as of December 31, 2021 and 2022 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 year ended December 31, 2019 is derived from our audited consolidated financial statements not included herein. The selected consolidated balance sheet data as of December 31, 2019 and 2020 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, 2019, 2020, 2021 and 2022:

	For the Year Ended December 31,				
	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for share amount and per share data)				
Selected Consolidated Statements of Operations:					
Net revenues	406,245	1,294,371	2,184,520	531,064	76,997
Cost of revenues ⁽¹⁾	(173,476)	(495,671)	(878,236)	(206,208)	(29,897)
Gross profit	232,769	798,700	1,306,284	324,856	47,100
Operating expenses ⁽¹⁾					
Sales and marketing expenses	(583,818)	(1,097,932)	(1,412,873)	(79,129)	(11,473)
Research and development expenses	(491,266)	(614,770)	(800,163)	(235,846)	(34,194)
General and administrative expenses	(157,793)	(420,114)	(445,440)	(221,029)	(32,046)
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	(121,294)	—	—
Total operating expenses	(1,232,877)	(2,132,816)	(2,779,770)	(536,004)	(77,713)
Loss from operations	(1,000,108)	(1,334,116)	(1,473,486)	(211,148)	(30,613)
Interest income	23,834	8,422	24,573	11,352	1,646
Interest expense	(485)	(2,925)	—	—	—
Foreign currency exchange gain/(loss)	12,907	(15,557)	2,326	159	23
Other income, net	102	4,268	4,674	21,765	3,156
Loss before provision for income tax	(963,750)	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Income tax expenses	—	—	—	—	—
Net loss	(963,750)	(1,339,908)	(1,441,913)	(177,872)	(25,788)
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)	(177,872)	(25,788)
Net loss per ordinary share					
Basic and diluted	(27.25)	(44.68)	(2.92)	(0.35)	(0.05)
Weighted average shares used in calculating net loss per ordinary share					
Basic and diluted	57,410,827	93,503,437	494,055,703	502,801,926	502,801,926

Note:

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

	2019	For the Year Ended December 31,			2022
	RMB	2020	2021	RMB	US\$
		RMB	RMB		
		(in thousands)			

Share-based compensation expenses:					
Sales and marketing expenses	8,737	35,077	25,776	17,305	2,509
Research and development expenses	22,508	68,688	60,002	28,624	4,150
General and administrative expense	61,845	252,273	109,436	83,629	12,125
Total	93,090	356,038	195,214	129,558	18,784

The following table presents our selected consolidated balance sheets data as of December 31, 2019, 2020, 2021 and 2022:

	2019	2020	As of December 31,		
	2019	2020	2021	2022	US\$
	RMB	RMB	RMB	RMB	
			(in thousands)		
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	653,859	2,834,962	1,180,898	707,895	102,635
Total current assets	757,624	3,046,580	1,342,724	913,375	132,427
Total assets	918,289	3,389,742	1,580,421	980,524	142,162
Accrued expenses and other current liabilities	309,031	539,787	392,293	153,023	22,186
Deferred revenue and customer advances, current	243,521	596,307	243,878	42,385	6,145
Total current liabilities	680,704	1,205,503	683,056	214,127	31,045
Total liabilities	702,638	1,325,592	783,385	221,661	32,137
Total mezzanine equity	4,675,579	—	—	—	—
Total shareholders' (deficit)/equity	(4,459,928)	2,064,150	797,036	758,863	110,025

The following table presents our selected consolidated cash flow data for the years ended December 31, 2019, 2020, 2021 and 2022:

	As of December 31,				
	2019	2020	2021	2022	US\$
	RMB	RMB	RMB	RMB	
	(in thousands)				
Selected Consolidated Cash Flow Data:					
Net cash used in operating activities	(631,288)	(522,988)	(1,506,692)	(463,926)	(67,263)
Net cash used in investing activities	(28,594)	(89,504)	(117,603)	(8,931)	(1,296)
Net cash generated from/(used in) financing activities	84,449	2,797,421	952	(33,857)	(4,909)
Effect of exchange rate changes	(11,709)	(38,499)	(30,891)	43,942	6,372
Net (decrease)/increase in cash, cash equivalents and restricted cash	(587,142)	2,146,430	(1,654,234)	(462,772)	(67,096)
Cash, cash equivalents and restricted cash at the beginning of the year	1,275,844	688,702	2,835,132	1,180,898	171,214
Cash, cash equivalents and restricted cash at the end of the year	688,702	2,835,132	1,180,898	718,126	104,118

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 and the VIEs 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

- The cessation of the K-12 Academic AST Services and other actions we have taken to comply with the regulatory developments in mainland China 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;
- 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, 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;
- 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 offerings, our business and reputation may be materially and adversely affected;
- If we are not able to attract students or their families to purchase our other educational products and services, including our personalized self-directed learning product, our business and prospects will be materially and adversely affected;
- Our success depends heavily on subscriptions to and purchases of our teaching and learning SaaS offerings by educational authorities and schools, and if we fail to successfully attract new educational authorities and schools to subscribe to or purchase our offerings or to maintain existing subscriptions made by educational authorities and schools, our business and prospects may be materially and 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 educational authorities and schools to our teaching and learning SaaS offerings or attracting students to our other educational products and services, which could harm our reputation and results of operations; and
- 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.

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 mainland China primarily through (i) our mainland China 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 mainland 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 mainland China do not comply with regulations of mainland China 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”);

- We rely on contractual arrangements with the VIEs and their shareholders for our business operations, which may not be as effective as direct ownership;
- 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; 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 mainland 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 mainland China 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 mainland China governmental authorities may be required in connection with an offering under rules, regulations or policies of mainland China, 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 had historically been 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 of our auditor in the past has deprived our investors with the benefits of such inspections; and
- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the 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;
- You may be subject to limitations on transfer of your ADSs; and
- It is likely that we will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year ended December 31, 2022, and possibly for the current taxable year and future taxable years, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.

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 the regulatory developments in mainland China 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 94.1% and 97.4% of our total revenues in 2020 and 2021, respectively. However, in light of regulatory developments in mainland China in 2021, including the joint promulgation of the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education 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”), we have ceased to provide our K-12 Academic AST Services, among other changes in our business operations. At the same time, we have leveraged our extensive knowledge and expertise accumulated through serving mainland China’s educational authorities, schools, teachers, and students over the past decade and launched new product and service offerings. In particular, we have launched our teaching and learning SaaS offerings 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 other educational products and services, including our personalized self-directed learning product for students to respond to the changes in the regulatory environment and market demands—the new products and services are not tutoring services, but instead utilize our technology and data insights to provide personalized content for students intended to improve their learning efficiency.

To support our teaching and learning SaaS offerings and our other educational products and services, 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 offerings and our other educational products and services. 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 Alleviating Burden Opinion and its implementing measures 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 other educational products and services. Although we introduced our smart in-school classroom solution in 2012, our teaching and learning SaaS offerings were launched in September 2021. Similarly, our personalized self-

directed learning product, which was a major component of our other educational products and services in 2022, 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 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.

As we have had limited time to market our current product and service offerings, the source of our net revenues from teaching and learning SaaS offerings are concentrated in a limited number of projects and their fulfillment cycle may cause our results of operations to fluctuate significantly. A number of factors could cause our results of operations to be adversely affected, including but not limited to (i) the tightening of PRC local governments' budget, as many of our SaaS offering customers rely on funding from PRC local governments; (ii) any delay in the progress of our projects; (iii) increased market competition; (iv) any difficulty in collecting fees receivable; and (v) our failure, for any reason, to capitalize on growth opportunities. 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 teaching and learning SaaS offerings, 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 educational authorities; (ii) build up a large and efficient sales and distribution network and partnership network for our teaching and learning SaaS offerings; (iii) maintain and increase the number of customers of our other educational products and services, including our personalized self-directed learning product; (iv) maintain and expand the number of districts, schools and teachers that adopt our teaching and learning SaaS offerings; (v) 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; (vi) innovate and adapt our products, services and solutions to meet evolving needs of current and potential students, including to address evolving market trends; (vii) maintain and increase our access to the data necessary for the development and performance of our solutions; (viii) maintain the proper functioning of teaching and learning SaaS offerings, and other business initiatives as we continue to collect data from our user base through our smart in-school classroom solution; (ix) continuously improve the algorithms underlying the products and the technologies; (x) adapt to a changing regulatory landscape governing privacy matters; (xi) continue to improve our operational, financial and management controls and efficiencies; (xii) successfully enhance and improve our technological systems and infrastructure; (xiii) protect and further develop our intellectual property rights; and (xiv) 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.

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, 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 experienced intense scrutiny and has been subject to significant regulatory changes. In particular, 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 providing tutoring services

on academic subjects (such institutions, the “Academic AST Institutions”) for students in compulsory education or grade ten to twelve, or those providing tutoring for pre-school-age children, (ii) all existing Academic AST Institutions shall be registered as non-profit entities; (iii) online Academic AST Institutions that have filed with the local education administration authorities 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; (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) 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 (vii) for non-academic tutoring, local authorities shall identify corresponding competent authorities for different tutoring categories, set forth standards and approve relevant non-academic tutoring institutions. The Alleviating Burden Opinion further provides that administration and supervision over Academic AST 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 for students in compulsory education to complete registration as non-profit by the end of 2021 and a circular requiring all online Academic AST 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 such Academic AST 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 2022, 2023 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 mainland China 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 also began to provide new educational product and service offerings. Our teaching and learning SaaS offerings were launched in September 2021, and our personalized self-directed learning product, which was a major component of our other educational products and services in 2022, 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 mainland 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 teaching and learning SaaS offerings and our other educational products and services such as our self-directed learning product, will not be deemed to be non-compliant 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 enforcement of the New Regulations not only affect us directly, but also affect the development of the PRC private education industry in general, which may have secondary effect on our business. While we are committed to complying with all applicable PRC laws and regulations, including the New Regulations, if other companies do not comply with the New Regulations and provide prohibited products or services, those products and services may nevertheless reduce demand for our business.

If we are unable to develop and refine our teaching and learning SaaS offerings to meet the evolving demands of educational 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 offerings, our business and reputation may be materially and adversely affected.

Our teaching and learning SaaS offerings development team works closely with educational authorities, and educational experts to understand the educational needs of and the feedback from educational 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 offerings and our business and reputation may be materially and adversely affected.

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

In December 2021, we started to offer our personalized self-directed learning product to Chinese families to respond to the changes in the regulatory environment and market demands. Since then, we have developed other educational products and services including self-directed learning equipment, other student-facing digital product and content, and educational institution-facing digital education services. Our ability to attract customers to purchase our other educational products and services 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 other educational products and services to meet the evolving demands of our existing or prospective customers, 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 paid 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. In addition, in light of significant regulatory pressure on the education industry, many advertising and promotional channels are reluctant to offer service to any education related products and services, including products and services that are compliant with all applicable laws and regulations such as the Alleviating Burden opinion. As a result, we are facing increased user acquisition cost and may experience more difficulty attracting users for our products and services that are perceived to be highly regulated. 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 may decline, which may have a material adverse effect on our business, financial condition and results of operations.

Our success depends heavily on subscriptions to and purchases of our teaching and learning SaaS offerings by educational authorities and schools, and if we fail to successfully attract new educational authorities and schools to subscribe to or purchase our offerings or to maintain existing subscriptions made by educational authorities and schools, 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 mainland China over the last decade, we launched our teaching and learning SaaS offerings. The primary clients of our SaaS offerings are regional educational authorities, which typically require us to go through a stringent procurement and bidding process. Our clients also include public and private schools.

The success of our business depends in large part on our ability to continue to attract new educational authorities and schools to choose our teaching and learning SaaS offerings and keep our existing customers. 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 offerings. However, we cannot assure you that we will be successful in securing subscriptions and purchases from regional educational authorities due to government budgetary cycles, funding availability, evolving government regulations, competition, failure to effectively market our new products and services and maintain their quality and consistency, or other factors.

In particular, regional educational authorities typically have specific budgetary cycles. Some of them are not used to a standard subscription model and may need time to become familiar with such payment structure. For these customers, we charge them in the form of a lump sum payment as we provide to them certain features of our SaaS offerings including the relevant software licenses for the features we provide. However, it is likely that they will continue to procure similar offerings during subsequent budgetary cycles, such as upgrades or expansions, although they are not contractually bound to do so. These repeat purchases are likely because many regional educational authorities tend to procure sophisticated applications, like our offerings, in stages. In addition, whenever their future needs arise, we have a distinct advantage in securing their future subscriptions or purchases as we have an in-depth understanding of their

needs, our offerings are compatible with their existing systems and they can incur less duplicate cost. In fact, we have observed that many of our prominent clients have engaged in the procurement of several related offerings over multiple budgetary cycles.

Regardless of the specific fee structure, any reduction, reallocation or delays in funding for regional educational authorities could adversely impact demand for our products. 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 educational authorities, schools and teachers to our teaching and learning SaaS offerings.

To attract new educational 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 teaching and learning SaaS offerings at schools in mainland 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, 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 promotion of more efficient and effective homework assignments in light of the Alleviating Burden Opinion. However, it may still take longer than we expected for education bureaus, schools and teachers to change their teaching habit and fully accept our teaching and learning SaaS offerings.

In addition, schools that have adopted 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 teaching and learning SaaS offerings in their school, and the new management may attempt to discontinue their relationship with us or stop the subscriptions to or purchases of 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 teaching and learning SaaS offerings 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 teaching and learning SaaS offerings, and our business and prospects will be materially and adversely affected.

We rely on our dedicated sales team to promote our teaching and learning SaaS offerings. We have a dedicated service team to fulfill the customer service needs. 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.

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 educational authorities and schools to our teaching and learning SaaS offerings or attracting students to our other educational products and services, 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 other educational products and services such as 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 in their day-to-day teaching, as well as from

those families and students who use our other educational products and services, such as 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 offerings or attract students to our other educational products and services successfully or efficiently, and our business and results of operations may be materially and adversely affected.

If the market for our teaching and learning SaaS offerings and other business initiative 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 schools' 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 offerings 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. Many educational institutions are not used to paying for the type of services we offer on a subscription basis, and we may change our fee structure to cater to their needs. 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 offerings, 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.

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, such as advanced artificial intelligence technologies, 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 offerings currently integrate 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 mainland China are competitive, and we expect competition in this sector to persist and intensify. We face competition in both mainland 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, subscriptions to or purchases of our teaching and learning SaaS offerings and other educational products and services 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 mainland China. Relevant rules and regulations are fast-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 teaching and learning SaaS offerings and are still in the process of preparing the applications for the filing of our educational apps 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 Related 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, regulations, implementation rules and interpretations 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, including those 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, regulations, implementation rules and interpretations 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 mainland 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 mainland 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 mainland 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 certain users of our other educational products and services. 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, Beijing Qili and Guangzhou Qili Technology Co., Ltd., or Guangzhou 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, recordation, 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, recordation, 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 RMB1,339.9 million, RMB1,441.9 million and RMB177.9 million (US\$25.8 million), respectively, in 2020, 2021 and 2022. We also had negative cash flows from operating activities of RMB523.0 million, RMB1,506.7 million and RMB463.9 million (US\$67.3 million), respectively, in 2020, 2021 and 2022. The cessation of the K-12 Academic AST Services and other measures we have taken to comply with the regulatory developments in mainland China 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 educational authorities, schools and 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, as any change in the regulatory environment could impact market demands.

We started offering our teaching and learning SaaS offerings since 2021, and our personalized self-directed learning product, a major component of our other educational products and services, since 2021.

We aim to continue expanding the coverage of these product and service offerings to meet additional educational needs, as any change in the regulatory environment could impact market demands. 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 mainland China's intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in mainland 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.

We and certain of our directors or officers have been named as defendants in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We and certain of our officers and directors have been named as defendants in a putative securities class action filed on July 19, 2022 in the U.S. District Court for the Central District of California, captioned *Zhang v. 17 Educ. & Tech. Grp. Inc. et al.*, No. 2:22-cv-04937. The action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in the Company's IPO prospectus and registration statement, allegedly in violation of the Sections 11, 12(a)(2) and 15 of the U.S. Securities Act of 1933. On October 24, 2022, the Court appointed Lead Plaintiffs and Lead Counsel. On November 18, 2022, the case was transferred to the U.S. District Court for the Southern District of New York under the caption *Zhang v. 17 Educ. & Tech. Grp. Inc. et al.*, No. 1:22-cv-09843. On January 31, 2023, Lead Plaintiffs filed an Amended Complaint. The Company filed its motion to dismiss the Amended Complaint on March 31, 2023. The case remains in its preliminary stage. We are currently unable to estimate the outcome of this lawsuit or any possible loss or range of loss, if any, associated with the resolution thereof. In the event that our initial defense of this case is unsuccessful, there can be no assurance that we will prevail in any appeal. We may also face new legal proceedings, claims and investigations in the future. The existence of such cases and any adverse outcome of these cases, including any plaintiff's appeal of a judgment, could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows as well as the trading price of our ADSs. Resolution of these matters may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

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, or the CII, 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.

Outbound Data Transfer

- On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer, effective from September 1, 2022, to regulate outbound data transfer activities, protect the rights and interests of personal information, safeguard national security and social public interests, and promote the cross-border security and free flow of data.

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 may be materially and adversely affected by the effects of the COVID-19 pandemic in mainland China.

Beginning in 2020, outbreaks of COVID-19 resulted in the temporary closure of many corporate offices, schools, and manufacturing facilities across mainland China. Normal economic life throughout mainland China was sharply curtailed. Since we leased offices in certain Chinese cities to support our research and development and daily operations, we took a series of measures to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees, and canceling business meetings and travels. The operations of our third-party service providers were also impacted, which may have led to lower efficiency and quality in services provided to us and the users of our products and services.

The population in most of the major cities was locked down to a greater or lesser extent at various times. In particular, normal in-school education was temporarily suspended. 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. On the other hand, our various offline marketing and customer acquisition channels were disrupted, and those channels had significant influence on our growth. While further development of the pandemic remains uncertain, our consolidated results of operations for 2020, 2021 and 2022 were not materially affected by the impact of COVID-19.

China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December. There were surges of cases in many cities during this time, which affected our offline marketing and recruitment efforts aimed at promoting our products. These efforts form an important channel for our growth, and there remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. China may experience economic challenges such as lower family disposable income, which may impact our business in a materially negative way. Consequently, the COVID-19 pandemic may continue to materially and adversely affect our business, product mix, financial condition and results of operations in the current and future years.

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 services. 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 or new students to purchase our other educational products and services 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 our other educational products and services. 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 educational 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 mainland 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, 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 and our other educational products and services, 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 mainland 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 teaching and learning SaaS offerings and other educational products and services, which would result in reduction in the number of teachers using our teaching and learning SaaS offerings and number of students purchasing our other educational products and services. 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 other educational products and services.

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 educational authorities, schools, teachers, students and parents.

In mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 offerings are adopted, the demand for our other educational products and services, 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 our continuous cost optimization and efficiency improvement, we have implemented staffing optimization plans and incurred 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 remain relatively stable. 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.

For our teaching and learning SaaS offerings, we may generate higher net revenues in the third and fourth quarters in the future because of the budgetary cycles of many of our customers that are regional educational authorities. For our other educational products and services, we may generate higher growth in net revenues in the first and third quarters in the future because of increased number of customers 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 February 28, 2023, 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 51,520,421, respectively. See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plan.” We recorded RMB356.0 million, RMB195.2 million and RMB129.6 million (US\$18.8 million) in 2020, 2021 and 2022, 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 mainland 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 mainland 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 mainland 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, 2022. 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 mainland China.

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in mainland 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 mainland 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. 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 2.3% in 2020, 8.1% in 2021, and 3.0% in 2022. 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 mainland 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 mainland 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 mainland 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 mainland 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. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Advertising and Promotion.”

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 mainland China do not comply with regulations of mainland China 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 laws and regulations of mainland China. 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 mainland China subsidiaries and foreign-invested enterprises under laws of mainland China. To comply with laws and regulations of mainland China, we conduct such business activities in mainland 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 direct business operations of 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 mainland China through (i) our mainland China 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 mainland 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 mainland China 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 are able to direct the business operations of and are considered 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 2020, 2021 and 2022, we derived 95.0%, 99.2 % and 93.9% of our total revenues from the VIEs, respectively.

In the opinion of our PRC legal counsel, Tian Yuan Law Firm, (i) the ownership structure of the VIEs and our WFOEs does not result in any violation of laws and regulations of mainland China currently in effect; and (ii) the contractual arrangements among each of our WFOEs, our respective VIEs and their respective shareholders governed by laws of mainland China will not result in any violation of laws or regulations of mainland China currently in effect. However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current or future laws and regulations of mainland China, 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 legal counsel. If the PRC government otherwise find that we are in violation of any existing or future laws or regulations of mainland China 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 laws, regulations, and rules of mainland China 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 AST 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 AST 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 laws and regulations of mainland China. However, there are substantial uncertainties regarding the interpretation and application of current and future laws and regulations of mainland China. If occurrences of any of these events results in our inability to direct the activities of the VIEs in mainland China that most significantly impact its economic performance, and/or our failure to receive the economic benefits from the VIEs, we may not be able to consolidate their financial results in our consolidated financial statements in accordance with U.S. GAAP.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Overseas Listing Trial Measures, and five supporting guidelines, effective on March 31, 2023. At the press conference held for the Overseas Listing Trial Measures on the same day, officials from the CSRC clarified that, as for companies seeking overseas listing with contractual arrangements, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of such companies if they duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources. If we fail to complete the filing with the CSRC in a timely manner or at all, for any future offerings, listing or any other capital raising activities, which are subject to the filings under the Overseas Listing Trial Measures, due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. However, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

Although we believe we, our mainland China subsidiaries and the VIEs are not in violation of current laws and regulations of mainland China, we cannot assure you that the PRC government would agree that our contractual arrangements comply with licensing, registration or other regulatory requirements of mainland China, 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 laws and regulations of mainland China. 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 mainland China 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.

We have relied and expect to continue to rely on contractual arrangements with the VIEs, and their shareholders to operate our business in mainland China. These contractual arrangements may not be as effective as direct ownership in directing the business operations of 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 mainland 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 direct the business operations of 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 law and arbitration of mainland China, litigation and other legal proceedings and therefore will be subject to uncertainties in the mainland China 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 ability to direct 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 law of mainland China, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under law of mainland China. 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 law of mainland China and provide for the resolution of disputes through arbitration in mainland China. Accordingly, these contracts would be interpreted in accordance with law of mainland China and any disputes would be resolved in accordance with mainland China legal procedures. The legal system in mainland China is not as developed

as in some other jurisdictions, such as the United States. As a result, uncertainties in the mainland China 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 law of mainland China. There remain significant uncertainties regarding the ultimate

outcome of such arbitration should legal action become necessary. In addition, under law of mainland China, 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 mainland China 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 direct the business operations of 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 mainland China 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 mainland China entity or individual designated by us, to the extent permitted by law of mainland China. 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 mainland China tax authorities and they may determine that we or the VIEs owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable laws and regulations of mainland China, arrangements and transactions among related parties may be subject to audit or challenge by mainland China tax authorities. We could face material and adverse tax consequences if mainland China 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 laws of mainland China, 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 mainland China tax purposes, which could in turn increase their tax liabilities without reducing our mainland China subsidiaries' tax expenses. In addition, mainland China 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 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 the variable interest entities that we direct business operations 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 mainland 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 mainland China 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 mainland China government authorities if operating in “restricted” 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 ability to direct the business operations of 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 direct the business operations of 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 mainland 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 mainland China, and most of our assets are located in mainland 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 mainland China generally. The economy of mainland China 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 mainland 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 economy of mainland China 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 mainland China, in the policies of the PRC government or in the laws and regulations in mainland China could have a material adverse effect on the overall economic growth of mainland 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 economy of mainland China, 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 mainland 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 mainland 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 mainland China legal system could adversely affect us.

The legal system of mainland China is a civil law system based on written statutes, where prior court decisions have limited precedential value. The legal system of mainland China 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 mainland China's 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 legal system of mainland China 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 mainland China through the VIEs and their subsidiaries in mainland China. Our operations in mainland China are governed by laws and regulations of mainland China. 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 mainland China 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 mainland China governmental authorities. In addition, on February 17, 2023, the CSRC released the Overseas Listing Trial Measures concerning overseas listing by PRC companies, effective on March 31, 2023. See “—The approval and/or other requirements of the CSRC or other mainland China governmental authorities may be required in connection with an offering under rules, regulations or policies of mainland China, 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 the Overseas Listing Trial Measures will be interpreted, or implemented and how they will affect our operations and future overseas offerings.

It remains uncertain how mainland China governmental authorities will regulate overseas listing in general and whether we are required to obtain any other specific regulatory approvals from or complete any specific filing procedures with the CSRC, CAC or any other mainland China governmental authorities for our offshore offerings. If the CSRC, CAC or other regulatory agencies later promulgate new rules or explanations further requiring that we obtain their additional approvals or complete additional filings with them for our future offshore offerings, we may be unable to obtain such approvals or complete such filings in a timely manner, or at all, and such approvals and filings 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 mainland China governmental authorities may be required in connection with an offering under rules, regulations or policies of mainland China, 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 mainland China regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies by using such overseas special purpose vehicle's shares as a means of payment 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 mainland China regulatory authorities, which could include fines and penalties on our operations in mainland China, restrictions or limitations on our

ability to pay dividends outside of mainland 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 mainland China 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.

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. 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.

The new rules for the filing-based administration of overseas securities offerings and listings by Chinese domestic companies released on February 17, 2023, including the Overseas Listing Trial Measures and relevant guidelines, or collectively the New Filing Rules, establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the New Filing Rules, (i) an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC; and (ii) 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, issuance of convertible bonds, offshore relisting after go-private transactions and other equivalent offering activities. In addition, after a domestic company has offered and listed securities in an overseas market, it is required to file a report to the CSRC after the occurrence and public disclosure of certain material corporate events, including but not limited to, change of control and voluntary or mandatory delisting. According to the New Filing Rules, the Company shall be deemed to be a domestic enterprise indirectly listed overseas. However, from March 31, 2023, enterprises that have been listed overseas shall constitute existing enterprises and are not required to conduct the overseas listing filing procedure immediately, but shall carry out filing procedures as required if they conduct future offshore offerings or capital raising activities or are involved in other circumstances that require filing with the CSRC.

On February 24, 2023, the CSRC, together with other relevant government authorities, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Archives Rules, which became effective on March 31, 2023. According to the Archives Rules, domestic mainland China companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Archives Rules also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest. For more details of the New Filing Rules, please refer to "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to M&A and Overseas Listings."

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 additional 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 mainland China 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 mainland China, limit our ability to pay dividends outside of mainland China, limit our operating privileges in mainland China, delay or restrict the repatriation of the proceeds from our offshore offerings into mainland 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 mainland China 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 mainland China and most of our assets are located in mainland 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 mainland China. 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 mainland China 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. Mainland China 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, mainland China 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 mainland China 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 law of mainland China, 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 mainland China 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.

Mainland China 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 mainland China 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 mainland China 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 mainland China governmental authorities. The qualification as an HNTe is subject to annual evaluation and a three-year review by the relevant mainland China 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 mainland China 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 regulations of mainland China 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 mainland China 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 and was amended in June 2022, 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 regulations of mainland China regarding the registration requirements for employee stock ownership plans or share option plans may subject our mainland China 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 mainland 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 mainland China subsidiaries and our mainland China 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 mainland China 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 mainland China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our mainland China 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 mainland China government authorities. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Relating to Foreign Exchange—Regulation on Stock Incentive Plans."

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

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 mainland China residents (including mainland China individuals and mainland China corporate entities as well as foreign individuals that are deemed as mainland China 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 mainland China 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 mainland China 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. Mainland China 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 mainland China 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 mainland China 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 mainland China subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under mainland China laws for evasion of applicable foreign exchange restrictions.

We have used our best efforts to notify mainland China residents or entities who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being mainland China 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 mainland China 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 mainland China 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 mainland China subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our mainland China 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 laws and regulations of mainland China, our mainland China 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 mainland China 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 mainland China 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 mainland China 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.

Mainland China regulation of loans to and direct investment in mainland China 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 mainland China 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 mainland China subsidiaries and VIEs and their subsidiaries. We may make loans to our mainland China 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 mainland China, which are treated as foreign-invested enterprises, or FIEs, under law of mainland China, 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 mainland 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 mainland 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 mainland China subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in mainland 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 mainland 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 mainland China regulations on loans to and direct investment in mainland China 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 mainland China subsidiaries or VIEs or their subsidiaries or with respect to future capital contributions by us to our mainland China subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our

mainland China 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 mainland China. To the extent cash in our business is in mainland China or a mainland China entity, such cash may not be available to fund operations or for other use outside of mainland China due to restrictions and limitations imposed by the governmental authorities on currency conversion, cross-border transactions and cross-border capital flows.

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 mainland China subsidiaries to fund any cash and financing requirements we may have. Under existing foreign exchange regulations of mainland China, 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 mainland 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 mainland 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 mainland China subsidiaries and the VIEs to pay off their respective debt in a currency other than Renminbi owed to entities outside mainland China, or to make other capital expenditure payments outside mainland 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 mainland China 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 utilize cash held in mainland China or generated by a mainland China entity to fund our operations outside of mainland China or pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

The PCAOB had historically been 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 of our auditor in the past has deprived 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 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. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made 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. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm

headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will 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 was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, and our auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F for the fiscal year ended December 31, 2022.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. 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. A prohibition of being able to trade in the United States 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.

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 mainland China are difficult to pursue as a matter of law or practicality in mainland China. For example, in mainland China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside mainland China. Although the authorities in mainland 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. Furthermore, the Overseas Listing Trial Measures provides, among others, that domestic companies or individuals shall obtain consent from CSRC and relevant competent authorities before they provide relevant documents and materials required by overseas securities regulators for investigation and collection of evidence. In addition, the Data Security Law and the Personal Information Protection Law provide that no

entity or individual within the territory of mainland China may provide any foreign judicial body and law enforcement body with any data or any personal information stored within the territory of mainland China without the approval of the competent governmental authority of mainland China. While detailed interpretation of or implementation rules under Article 177 and the above provision of the Overseas Listing Trial Measures have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigation or evidence collection activities within mainland China, the required prior consent from CSRC 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 mainland 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;
- any share repurchase program;
- 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 mainland 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.

We are named as a defendant in putative shareholder class action lawsuits in the United States, and we may be involved in more class action lawsuits in the future. See “—We and certain of our directors or officers have been named as defendants in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.” Such lawsuits 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 February 28, 2023, 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 12.0% of our total issued and outstanding share capital and 80.4% 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.

We cannot guarantee that any share repurchase program will be fully consummated or that any share repurchase program will enhance long-term shareholder value, and share repurchases could increase the volatility of the trading price of the ADSs and could diminish our cash reserves.

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 the ADSs or our ordinary shares over the following 12 months through October 31, 2022. We accumulatively repurchased approximately US\$3.8 million of ADSs under this share repurchase program and the share repurchase program was complete in October 2022. On September 29, 2022, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$10.0 million worth our ordinary shares (including in the form of ADSs) during a 12-month period starting from November 2, 2022. As of December 31, 2022, we accumulatively repurchased approximately US\$1.1 million of ADSs under this share repurchase program. Although our board of directors has authorized this program, we are not obligated to purchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market, business conditions, the trading price of the ADSs or our ordinary shares and the nature of other investment opportunities. Our share repurchase program could affect the price of the ADSs and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of the ADSs. For example, the existence of a share repurchase program could cause the price of the ADSs to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for the ADSs. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities. There can be no assurance that any share repurchases will enhance shareholder value because the market price of the ADSs or our ordinary shares may decline below the levels at which we determine to repurchase the ADSs or our ordinary shares. Although our share repurchase program is intended to enhance long-term shareholder value, there is no assurance that it will do so and short-term share price fluctuations could reduce the program’s effectiveness.

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 depositary

are closed, or at any time if we or the depositary 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 depositary 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 depositary 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 mainland China. All of our current operations are conducted in mainland 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\$1.235 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.

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 2022. 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.

It is likely that we will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year ended December 31, 2022, and possibly for the current taxable year and future taxable years, 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 fair market 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”). Based upon our current and expected income and assets (the value of which are partially determined by reference to the market value of our ADSs), it is likely that we were a PFIC for the taxable year ended December 31, 2022, and could continue to be a PFIC for the current and subsequent taxable years. In addition, it is possible that

any subsidiary that we own or are treated as owning for U.S. federal income tax purposes would also be a PFIC for such taxable years.

If we are a PFIC in 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, such holder may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules, and such holder will generally be subject to reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, in the absence of certain elections by such holder, we will generally continue to be treated with respect to such holder as a PFIC for all succeeding years during which such holder holds our ADSs or ordinary shares, even if we subsequently cease to be a PFIC. For more information see “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations.”

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.

We are named as a defendant in putative shareholder class action lawsuits in the United States, and we may be involved in more class action lawsuits in the future. See “—We and certain of our directors or officers have been named as defendants in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.” Such lawsuits could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. 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 and adverse effect on our financial condition and results of operations.

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 mainland China, Shanghai Yiqi Zuoye Information Technology Co., Ltd., or Shanghai WFOE. In May 2013, we gained the ability to direct the business operations of 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 mainland 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 the ability to direct the business operations of 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 the ability to direct the business operations of 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 mainland China 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 the ability to direct the business operations of 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 mainland 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 the ability to direct the business operations of 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 the ability to direct the business operations of 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 mainland 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 the ability to direct the business operations of Beijing Yiqi Development since Beijing Yiqi Hangfan's establishment in December 2021.

To further expand our business operations, we set up Guangzhou Qili in March 2022 and further entered into a series of contractual arrangements with Guangzhou Qili and its shareholders through which our wholly-owned subsidiary Guangzhou Qixiang gained the ability to direct the business operations of Guangzhou Qili in March 2022.

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) 6479-6786. 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. 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. Our smart, in-school, teaching and learning SaaS offerings assist students, teachers, schoolmasters and educational authorities across China to achieve data-driven teaching, learning and assessment. We also offer other educational products and services such as 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, our products and services have seen significant progress 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 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 decade, 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 teaching and learning SaaS offerings as an upgrade to our pre-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 educational authorities and schools. We price our teaching and learning SaaS offerings based on a number of factors, including the number of students and schools using our offerings, the particular combination of functions and hardware and the payment structure.

We believe our in-school offerings provide substantial benefits for teachers, students, parents and educational 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 educational 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.

After-school

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. We have been exploring alternative forms of education products and services to address market needs, including launching our 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 its 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. We also aim to continue expanding the coverage of our product and service offerings to meet additional educational needs and in response to the changes in the regulatory environment and market demands.

Our Teaching and Learning SaaS Offerings

Our Previous Smart In-School Classroom Solutions

We have been offering free smart in-school classroom solution across China for almost a decade and was a market leader in this segment. Over time, we had 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 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 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.

Our New Teaching and Learning SaaS Offerings

We launched our teaching and learning SaaS offerings in September 2021 as an upgrade to our smart in-school classroom solutions, leveraging the experience and insights we have gained and our leading market position. These offerings are provided as a paid solution to educational authorities and schools, 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 offerings are 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.

In addition to our 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, and additional matching educational contents and services for students to learn better once issues are identified by our teaching and learning SaaS offerings.

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. Historically, our free smart in-school classroom solution had cumulatively serviced over 1.0 million verified teacher users, more than 50.0 million verified student users and close to 50.0 million registered parent users, and was used at over 70,000 K-12 schools in over 300 cities across all provincial-level regions in mainland China.

We launched our teaching and learning SaaS offerings in September 2021. In October 2021, we secured a “precision teaching and adaptive learning system based on intelligent homework” contract with the Minhang District of Shanghai. In 2022, we successfully delivered the precision teaching and adaptive learning system covering the whole Minhang district in Shanghai and this learning system has been used

regularly throughout the teaching and learning process and has been well received by teachers, schools and educational authorities during the COVID-19 pandemic. As of the date of this prospectus, in Minhang District in Shanghai, 100% of the 128 public schools have adopted our teaching and learning SaaS offering, which has cumulatively served over 120,000 students complete over 16 million homework assignments. Our teaching and learning SaaS offering not only improved the educational

quality and operational efficiency of public schools in Minhang District, but also served as a key data collection and analysis tool for the implementation of Minhang District's data-driven Individualized Teaching initiative.

In 2022, we also (i) secured an intelligent in-class and homework SaaS service contract with the Changning District of Shanghai, under which our precision teaching and adaptive learning system were used to promote digitalization of teaching and learning with visualized data to facilitate school management and student development; (ii) secured two contracts with the Xicheng District of Beijing to help build an online integrated student evaluation platform and an integrated student learning performance evaluation platform; and (iii) launched strategic cooperation and pilot school programs in relation to digitalized homework and teaching platforms across different districts in Shanghai and other cities of China. As of December 31, 2022, our teaching and learning SaaS offerings are used in over 90 cities across 29 provincial-level regions in mainland China. We are currently in discussions with a number of regional educational authorities across China regarding the adoption of our teaching and learning SaaS offerings.

With our experiences and insights accumulated over the past year and a half, we have developed a standardized, replicable model of integrated digital solutions in the form of teaching and learning SaaS offerings and related value-add services. We are also seeing increasing acceptance of the SaaS subscription model, compared with the previously more dominant one-time purchase model in the industry. We expect to leverage our experience, including our successful collaboration with the educational authority in Minhang District in Shanghai, to expand our geographical reach to more Districts and more cities throughout China.

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.”

Other Educational Products and Services

We have been exploring alternative forms of education products and services to address market needs and in response to changes in the regulatory environment. We offer a variety of educational products and services bolstered by our exceptional capability to create educational content and our advanced technologies. One of our major products was our personalized self-directed learning product, which constituted the majority of our net revenue from other educational products and services in 2022. Our other educational products and services also include 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. We may also develop and launch other products and services as regulatory environment and market conditions evolve.

From December 2021, we launched our personalized self-directed learning product, with the goal of satisfying families’ educational needs after the implementation of Alleviating Burden Opinion. It 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. The product 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 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.

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, 2022, we had 36 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 other educational products and services. 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, 2022, we had a team of 164 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 regional educational authorities, 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 offerings.

Other Educational Products and Services

We market our other educational products and services, including 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.

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;
- ability to provide products and services to end-users and distributors at competitive price points;
- maintenance of sales networks in China;
- 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

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, 2022, we had registered 304 trademarks, 137 patents, 96 software copyrights and 115 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 mainland 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, which could adversely affect our business, financial condition, results of operations and prospects.”

Regulation Related to After-School Tutoring and Online Private Education

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 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, which, among other things, requires that online after-school training institutions shall file with the competent provincial education regulatory authorities.

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 educational authority; and (iv) Educational Apps adopted by educational 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.

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.

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, or Academic AST Institutions, for students in compulsory education, and the existing Academic AST Institutions shall be registered as non-profit; (ii) online Academic AST Institutions that have filed with the local education administration authorities 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 for preschool-age children and new after-school tutoring institutions providing tutoring services on academic subjects for 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 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 for students in compulsory education to complete registration as non-profit by the end of 2021, and all Academic AST Institutions for students in compulsory education shall, before completing such registration, suspend enrollment of students and charging fees.

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 Academic AST Institutions that have filed with the local education administration authorities to obtain the private school operating permit by the end of 2021, and all online Academic AST Institutions shall, before obtain such permit, suspend enrollment of students and charging fees.

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 non-compliant 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, which could 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 mainland 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 mainland China, including: (i) establishing FIEs in mainland China 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 mainland China 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 mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 14, 2022 and came into effect on August 1, 2022. 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 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.

On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer, or the Outbound Data Transfer Measures, which became effective on September 1, 2022. The Outbound Data Transfer Measures provide that a data processor providing data abroad in the following situations shall report security assessment for its outbound data transfer to the CAC: (i) a data processor provides important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) a data processor, who has cumulatively provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals abroad since January 1 of the previous year, provides personal information abroad; and (iv) other circumstances prescribed by the CAC for which report for security assessment for outbound data transfers is required. According to the Guidelines on Security Assessment Report for Outbound Data Transfer promulgated by the CAC, outbound data transfer means (i) a data processor transfers or stores the data collected or generated during its operation within the PRC abroad, (ii) data collected and generated by a data processor is stored within the PRC while offshore institutions or individuals are able to inquire, retrieve, download and obtain such data; and (iii) other outbound data transfer activities prescribed by the CAC.

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 mainland 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 mainland 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.

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 mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 mainland China including the branches of foreign banks registered in mainland 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

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 mainland 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 mainland 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 mainland 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 mainland 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 mainland China with its “de facto management body” located in mainland 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 mainland China, or has an establishment or place of business in mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 mainland 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 mainland China 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 mainland China 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 mainland China 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 mainland China resident enterprise; and (iii) it must have directly owned such required percentage in the mainland China 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 mainland 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.

The new rules for the filing-based administration of overseas securities offerings and listings by Chinese domestic companies released on February 17, 2023, or New Filing Rules, establish a new filing-

based regime to regulate overseas offerings and listings by domestic companies. The New Filing Rules consist of six sets of rules, including the Trial Administration Measure of Overseas Securities Offerings and Listings by Domestic Companies, or the Overseas Listing Trial Measures, and five relevant guidelines. According to the New Filing Rules, (i) an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC; and (ii) 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. The New Filing Rules also set forth

certain regulatory red lines for overseas offerings and listings by domestic enterprises. However, from March 31, 2023, enterprises that have been listed overseas shall constitute existing enterprises and are not required to conduct the overseas listing filing procedure immediately, but shall carry out filing procedures as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC.

On February 24, 2023, the CSRC, together with the MOF, the National Administration of State Secrets Protection, or the NAPSS, and the National Archives Administration of China, or the SAAC, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas International Securities Offering and Listing by Domestic Companies, or the Archives Rules, which became effective on March 31, 2023. The Archives Rules reiterate that working papers produced in the PRC by securities companies and securities service providers for direct and indirect international offering and listing by domestic companies, should be retained in mainland China, and, without prior approval by competent authorities of mainland China, such working papers shall not be brought, mailed or otherwise transferred to recipients outside of mainland China. Furthermore, the Archives Rules establish a cross-border regulatory cooperation mechanism as prescribed in the PRC Securities Law and strengthen cross-border regulatory cooperation as prescribed in the New Filing Rules, which shifts the overall direction of cross-border supervision of international offering and listing from a “dominated by domestic regulators or depend on the conclusions of inspections by domestic regulators” approach to a “cross-border regulatory cooperation” mechanism.

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 was amended in June 2022 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

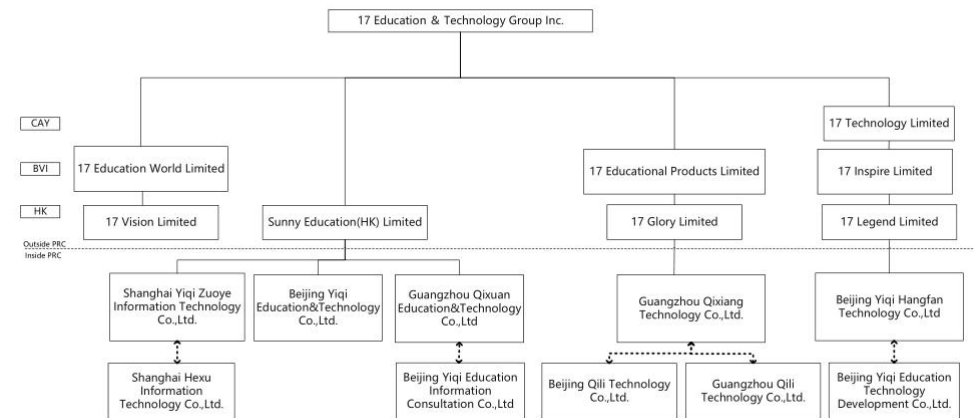
the foreign entity; or (vi) any other necessary measures.

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:



—→ Equity interest (100% unless otherwise indicated)

←---→ Contractual arrangements (For details, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Respective Shareholders”)

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%).

(5) Shareholders of Guangzhou Qili and their respective shareholdings in Guangzhou 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%).

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 mainland China through Shanghai Hexu, Beijing Yiqi Information, Beijing Yiqi Development, Beijing Qili and Guangzhou Qili, 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) direct the activities of 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 enable us to direct the activities of the VIEs

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.

In July 2022, each of Guangzhou 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.

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.

In July 2022, Guangzhou Qixiang, Guangzhou Qili and Guangzhou Qili'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, Beijing Yiqi Development and Beijing Qili 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 Yiqi Information and Guangzhou Qili.

Agreements that allow us to receive economic benefits from the VIEs

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.

In July 2022, Guangzhou Qixiang, Guangzhou Qili and Guangzhou 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.

Agreements that provide us with the option to purchase the equity interests in the VIEs

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.

In July 2022, Guangzhou Qixiang, Guangzhou Qili and Guangzhou 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.

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.

The spouse of each Guangzhou Qili's shareholder respectively executed a consent letter in July 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 mainland China currently are not in violation of applicable laws and regulations of mainland China currently in effect; and
- the contractual arrangements between our WFOEs, the VIEs and their respective shareholders governed by laws of mainland China are valid, binding and enforceable, and will not result in any violation of applicable laws and regulations of mainland China 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 laws, regulations and rules of mainland China. Accordingly, mainland China regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new laws or regulations of mainland China 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 laws or regulations of mainland China, or fail to obtain or maintain any of the required permits or approvals, the relevant mainland China 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 regulations of mainland China 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 Foreign Investment Law" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the mainland China 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, 2022 is summarized below.

Location	Space (in thousands of square meters)	Lease Term (years)
Beijing, China	9.0	1.0—5.0
Others	5.0	3.0—4.0
Total	14.0	

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 4A. 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, which has been upgraded to our teaching and learning SaaS offering since 2021, 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 other educational products and services, such as our personalized self-directed learning product, to 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 94.1% and 97.4% of our total net revenues in 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.

Our net revenues increased by 68.8% from RMB1,294.4 million in 2020 to RMB2,184.5 million in 2021, and further decreased by 75.7% to RMB531.1 million (US\$77.0 million) in 2022. We generated a net loss of RMB1,339.9 million, RMB1,441.9 million and RMB177.9 million (US\$25.8 million) in 2020, 2021 and 2022, 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 the regulatory developments in China 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, which could 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 “We face uncertainties with respect to the development of regulatory requirements on operating licenses and permits for our online education services in mainland 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 mainland China governmental authorities may be required in connection with an offering under rules, regulations or policies of mainland China, 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 teaching and learning SaaS offerings and personalized self-directed learning product, which was a major component of our other educational products and services, in 2022, 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 other educational products and services, including our personalized self-directed learning product, 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 pay for it in a cost-efficient 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 2021 to 2022 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 educational authorities, schools and students and improve our operating efficiency.

Impact of COVID-19 Pandemic

The COVID-19 pandemic has also broadly affected China's education industry. Due to the public health concerns and the need for higher efficiency by relevant governmental authorities, schools and other stakeholders in the education industry, there has been an accelerating demand for teaching and learning SaaS offerings in China since the outbreak of COVID-19. However, the Chinese and world's economy in general and our operations in particular has experienced pressure and slowdown during the COVID-19 outbreaks. In the first half of 2022, local government's administrative priority and budget were also diverted towards COVID-19 relief efforts, which had a downward pressure on the demand growth for our teaching and learning SaaS offerings. 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 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. In 2022, due to the cessation of the Company's online K-12 tutoring services by the end of 2021 in order to be compliant with the PRC regulations, we derived all of our net revenues from teaching and learning SaaS offerings and our other educational products and services. The following table sets forth a breakdown of our total net revenues by amounts and percentages for the periods presented:

	2020		For the Year Ended December 31,				2022	
	RMB	%	2021 RMB	%	RMB		US\$	%
	(in thousands, except for percentages)							
Net revenues								
Teaching and learning SaaS offerings	—	—	—	—	115,365		16,726	21.7
Other educational products and services	75,807	5.9	55,910	2.6	415,699		60,271	78.3
Online K-12 tutoring services	1,218,564	94.1	2,128,610	97.4	—		—	—
Total	1,294,371	100.0	2,184,520	100.0	531,064		76,997	100.0

Our online K-12 tutoring services contributed 94.1% and 97.4%, respectively, of our total revenues in 2020 and 2021. 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.

In 2022, we derived all of our net revenues from teaching and learning SaaS offerings and our other educational products and services. The majority of our net revenue in 2022 came from our other educational products and services, which in 2022 consisted primarily of our personalized self-directed learning product. The larger revenue share of our other educational products and services was a result of the relatively faster ramp-up of our student-facing products and services given our large accumulated user base. Our teaching and learning SaaS offerings has taken a longer time to ramp-up in scale given its different user base and longer business cycle. However, we expect our teaching and learning SaaS offerings to become an increasingly important source of our net revenue going forward, given the significant market potential and the strength of our offerings.

Net revenues from other educational products and services in 2020 and 2021 primarily consisted of the subscription fees we charged for our membership-based premium educational content, with subscription periods ranging from 15 days to one year. In 2022, a majority of our net revenues from other educational products and services came from our personalized self-directed learning product and the remaining from subscription fees for our membership-based premium educational content.

Cost of revenues

Our cost of revenues primarily consists of compensation costs, educational products and materials 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:

	For the Year Ended December 31,						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Compensation costs	327,590	25.3	608,903	27.9	112,386	16,294	21.2
Educational products and materials	67,656	5.2	84,575	3.9	58,944	8,546	11.1
Other costs	100,425	7.8	184,758	8.4	34,878	5,057	6.5
Total	495,671	38.3	878,236	40.2	206,208	29,897	38.8

Compensation costs. Our compensation costs primarily include salaries, welfare and service fees for our (i) instructors and tutors of our online K-12 tutoring services and (ii) consultants and other staff who provide services for customers of our other educational products and services.

Educational products and materials. Our educational products and materials primarily include costs of educational products and materials of our other educational products and services, teaching materials provided to students of our paid courses and the logistics costs.

Other costs. 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,						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Sales and marketing expenses	1,097,932	84.9	1,412,873	64.7	79,129	11,473	14.9
Research and development expenses	614,770	47.5	800,163	36.6	235,846	34,194	44.4
General and administrative expenses	420,114	32.4	445,440	20.4	221,029	32,046	41.6
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	121,294	5.6	—	—	—
Total	2,132,816	164.8	2,779,770	127.3	536,004	77,713	100.9

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,						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Sales and marketing expenses							
Promotional course expenses	487,499	37.7	697,470	31.9	—	—	—
Salaries and welfare						13,93	
	258,881	20.0	432,201	19.8	96,130	8	18.1
Other expenses	351,552	27.2	283,202	13.0	(17,001)	(2,465)	(3.2)
Total	1,097,93		1,412,87			11,47	
	2	84.9	3	64.7	79,129	3	14.9

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 be relatively stable in the foreseeable future. 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,						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Research and development expenses							
Salaries and welfare	480,5		639,2		176,7	25,62	
	36	37.1	14	29.3	65	8	33.3
Other expenses	134,2		160,9		59,08		
	34	10.4	49	7.3	1	8,566	11.1
Total	614,7		800,1		235,8	34,19	
	70	47.5	63	36.6	46	4	44.4

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:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
General and administrative expenses						

Salaries and welfare	347,090	26.8	259,272	11.9	139,929	20,288	26.3
Other expenses	73,024	5.6	186,168	8.5	81,100	11,758	15.3
Total	420,114	32.4	445,440	20.4	221,029	32,046	41.6

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. According to the Hong Kong regulations, Hong Kong entities are subject to a two-tiered income tax rate for taxable income earned in Hong Kong with effect from April 1, 2018. The first HK\$2 million of profits earned by HK entity will be taxed at 8.25%, while the remaining profits will continue to be taxed at the existing 16.5% tax rate. In addition, to avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Considering HK entities were in accumulated loss position, they did not apply to the two-tier tax rates. 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 2020, 2021 and 2022.

PRC

Generally, our PRC subsidiaries, VIEs and VIEs' subsidiaries are subject to enterprise income tax on their taxable income in mainland 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 2022 and 2021 respectively, which reduced their enterprise income tax rate to 15%. Their current HNTE statuses are set to expire in 2024 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% or 13% for general-VAT-payer entities in accordance with PRC tax rules.

Dividends paid by our wholly foreign-owned subsidiaries in mainland China 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 mainland China 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,						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Net revenues							
Teaching and learning SaaS offerings	—	—	—	—	115,365	16,726	21.7
Other educational products and services	75,807	5.9	55,910	2.6	415,699	60,271	78.3
Online K-12 tutoring services	1,218,564	94.1	2,128,610	97.4	—	—	—
Total net revenues	1,294,371	100.0	2,184,520	100.0	531,064	76,997	100.0
Cost of revenues⁽¹⁾					(206,208)	(29,897)	(38.8)
Gross profit	798,700	61.7	1,306,284	59.8	324,856	47,100	61.2
Operating expenses⁽¹⁾							
Sales and marketing expenses	(1,097,932)	(84.9)	(1,412,873)	(64.7)	(79,129)	(11,473)	(14.9)
Research and development expenses	(614,770)	(47.5)	(800,163)	(36.6)	(235,846)	(34,194)	(44.4)
General and administrative expenses	(420,114)	(32.4)	(445,440)	(20.4)	(221,029)	(32,046)	(41.6)
Impairment for property and equipment, right-of-use assets and rental deposits	—	—	(121,294)	(5.6)	—	—	—
Total operating expenses	(2,132,816)	(164.8)	(2,779,770)	(127.3)	(536,004)	(77,713)	(100.9)
Loss from operations	(1,334,116)	(103.1)	(1,473,486)	(67.5)	(211,148)	(30,613)	(39.7)
Interest income	8,422	0.7	24,573	1.2	11,352	1,646	2.1
Interest expense	(2,925)	(0.2)	—	—	—	—	—
Foreign currency exchange (loss) gain	(15,557)	(1.2)	2,326	0.1	159	23	—
Other income, net	4,268	0.3	4,674	0.2	21,765	3,156	4.1
Loss before provision for income tax	(1,339,908)	(103.5)	(1,441,913)	(66.0)	(177,872)	(25,788)	(33.5)
Net loss	(1,339,908)	(103.5)	(1,441,913)	(66.0)	(177,872)	(25,788)	(33.5)

Note:

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

For the Year Ended December 31,						
2020		2021		2022		
RMB	%	RMB	%	RMB	US\$	%
(in thousands, except for percentages)						

Share-based compensation expenses							
Sales and marketing expenses	35,077	2.7	25,776	1.2	17,305	2,509	3.3
Research and development expenses	68,688	5.3	60,002	2.7	28,624	4,150	5.4
General and administrative expenses	252,273	19.5	109,436	5.0	83,629	12,125	15.7
Total	356,038	27.5	195,214	8.9	129,558	18,784	24.4

Year ended December 31, 2022 compared to year ended December 31, 2021

Net revenues

Our net revenues decreased from RMB2,184.5 million in 2021 to RMB531.1 million (US\$77.0 million) in 2022, representing a year-over-year decrease of 75.7%. This decrease was primarily driven by the cessation of our online K-12 tutoring services by the end of 2021 and the steady progress of our business transformation. Our other educational products and services, particularly our personalized self-directed learning product, have generated the majority of our net revenue, as we leveraged our existing user base to quickly ramp-up our offering in this space. As our SaaS business expands, we anticipate it will contribute an increasingly larger proportion of our revenue. Although we intend to strategically focus on our teaching and learning SaaS offering going forward, it will take time for our new business strategies to develop and to generate significant revenue, as a result of its different client base and longer business cycle.

- *Online K-12 tutoring services.* Net revenues from our online K-12 tutoring services decreased from RMB2,128.6 million in 2021 to nil in 2022 as we ceased offering our online K-12 tutoring services by the end of December 2021 and have taken other measures in response to the regulatory developments in China to maintain our continued operations.
- *Teaching and learning SaaS offerings.* Net revenues from our teaching and learning SaaS offerings increased from nil in 2021 to RMB115.4 million (US\$16.7 million) in 2022.
- *Other educational products and services.* Net revenues from our other educational products and services increased from RMB55.9 million in 2021 to RMB415.7 million (US\$60.3 million) in 2022.

Cost of revenues

Our cost of revenues decreased from RMB878.2 million in 2021 to RMB206.2 million (US\$29.9 million) in 2022, which was largely in line with the decrease in net revenues.

- *Compensation costs.* Our compensation costs decreased from RMB608.9 million in 2021 to RMB112.4 million (US\$16.3 million) in 2022, primarily due to staff optimization in line with our business adjustment.
- *Educational products and materials.* Our educational products and materials decreased from RMB84.6 million in 2021 to RMB58.9 million (US\$8.5 million) in 2022, primarily due to the cessation of our online K-12 tutoring services.
- *Other costs.* Our other costs of revenues decreased from RMB184.8 million in 2021 to RMB34.9 million (US\$5.1 million) in 2022, primarily due to decreased rental costs for office space and livestreaming space, depreciation, bandwidth cost, cancellation of loyalty points previously granted to customers of online K-12 tutoring services, as well as other administrative costs in line with our business adjustment.

Gross profit

As a result of the foregoing, our gross profit decreased from RMB1,306.3 million in 2021 to RMB324.9 million (US\$47.1 million) in 2022. The decrease was generally in line with the decrease in our net revenues. Our gross margin increased from 59.8% in 2021 to 61.2% in 2022 due to improvement in our operation leverage.

Operating expenses

Our total operating expenses decreased from RMB2,779.8 million in 2021 to RMB536.0 million (US\$77.7 million) in 2022, including RMB129.6 million (US\$18.8 million) of share-based compensation

expenses.

Sales and marketing expenses. Our sales and marketing expenses decreased from RMB1,412.9 million in 2021 to RMB79.1 million (US\$11.5 million) in 2022, including RMB17.3 million (US\$2.5 million) of share-based compensation expenses. This decrease was mainly driven by the decreases in promotional course expenses and advertising expenditures as a result of the changes in regulatory environment, as well as staff optimization in line with business adjustment.

- *Promotional course expenses.* Promotional course expenses decreased from RMB697.5 million in 2021 to nil in 2022, primarily due to the cessation of our online K-12 tutoring services.

- *Salaries and welfare.* Salaries and welfare for our sales and marketing personnel decreased from RMB432.2 million in 2021 to RMB96.1 million (US\$13.9 million) in 2022, primarily due to staff optimization in line with business adjustment.

- *Other expenses.* Other sales and marketing expenses decreased from RMB283.2 million in 2021 to negative RMB17.0 million (negative US\$2.5 million) in 2022, primarily due to decreased advertising expenditures, rental cost and the cancellation of loyalty points previously granted to customers of our free in-school products.

Research and development expenses. Our research and development expenses decreased from RMB800.2 million in 2021 to RMB235.8 million (US\$34.2 million) in 2022, including RMB28.6 million (US\$4.2 million) of share-based compensation expenses, primarily due to staff optimization in line with business adjustment.

- *Salaries and welfare.* Salaries and welfare for our research and development personnel decreased from RMB639.2 million in 2021 to RMB176.8million (US\$25.6 million) in 2022. The decrease was primarily due to staff optimization in line with business adjustment.

- *Other expenses.* Other research and development expenses decreased from RMB160.9 million in 2021 to RMB59.1 million (US\$8.6 million) in 2022, primarily due to decreases in rental cost, depreciation and content development cost related to online K-12 tutoring services.

General and administrative expenses. Our general and administrative expenses decreased from RMB445.4 million in 2021 to RMB221.0 million (US\$32.0 million) in 2022, including RMB83.6 million (US\$12.1 million) of share-based compensation expenses, primarily due to staff optimization in line with business adjustment.

- *Salaries and welfare.* Salaries and welfare for our general and administrative personnel decreased from RMB259.3 million in 2021 to RMB139.9 million (US\$20.3 million) in 2022, primarily due to staff optimization in line with business adjustment.

- *Other expenses.* Other general and administrative expenses decreased from RMB186.2 million in 2021 to RMB81.1 million (US\$11.8 million) in 2022 due to decreases in rental cost, depreciation and professional service expenses primarily incurred 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 2022 was nil compared with RMB121.3 million in 2021. As a result of the changes in regulatory environment, we 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. We did not recognize impairment losses in 2022.

Loss from operations

Our loss from operations decreased from RMB1,473.5 million in 2021 to RMB211.1 million (US\$30.6 million) in 2022. Loss from operations as a percentage of net revenues in 2022 was negative 39.7%, narrowing from negative 67.5% in 2021. The improvement was due to improvement in overall operational efficiency.

Interest income

Our interest income decreased from RMB24.6 million in 2021 to RMB11.4 million (US\$1.6 million) in 2022, primarily due to a decrease in our cash and cash equivalents.

Net loss

As a result of the foregoing, our net loss decreased from RMB1,441.9 million in 2021 to RMB177.9 million (US\$25.8 million) in 2022.

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 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 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 in 2021.

Cost of revenues

Our cost of revenues increased from RMB495.7 million in 2020 to RMB878.2 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 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.
- Educational products and materials. Our educational products and materials increased from RMB67.7 million in 2020 to RMB84.6 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.
- Other costs. Our other costs of revenues increased from RMB100.4 million in 2020 to RMB184.8 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 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 in 2021, including RMB195.2 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 in 2021, including RMB25.8 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 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 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 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 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 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 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 in 2021, including RMB109.4 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 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 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 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, 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 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 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 in 2021.

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:

	For the Year Ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net revenues of online K-12 tutoring services		2,128,61		
	1,218,564	0	—	—
Add: VAT and surcharges	73,114	125,788	—	—
Add: ending deferred revenue related to online K-12 tutoring services	564,911	—	—	—
Add: ending refund liability related to online K-12 tutoring services	22,869	—	—	—
Less: beginning deferred revenue related to online K-12 tutoring services	218,919	564,911	—	—
Less: beginning refund liability related to online K-12 tutoring services	5,907	22,869	—	—
Gross billings of online K-12 tutoring services (non-GAAP)	1,654,632	1,666,618	—	—

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 2020, 2021 and 2022 were increases of 0.2%, 1.5% and 1.8%, 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,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash used in operating activities		(1,506,692)	(463,926)	(67,263)
Net cash used in investing activities	(522,988)	(117,603)	(8,931)	(1,296)
Net cash generated from (used in) financing activities	2,797,421	952	(33,857)	(4,909)
Effect of exchange rate changes	(38,499)	(30,891)	43,942	6,372
Net increase/(decrease) in cash, cash equivalents and restricted cash	2,146,430	(1,654,234)	(462,772)	(67,096)
Cash, cash equivalents and restricted cash at the beginning of the year	688,702	2,835,132	1,180,898	171,214
Cash, cash equivalents and restricted cash at the end of the year	2,835,132	1,180,898	718,126	104,118

To date, we have financed our operating and investing activities primarily through cash from historical equity and debt financing activities. As of December 31, 2020, 2021 and 2022, our cash, cash equivalents and restricted cash were RMB2,835.1 million, RMB1,180.9 million and RMB718.1 million (US\$104.1 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, 2020, 2021 and 2022, our prepaid expenses and other current assets were RMB211.4 million, RMB161.8 million and RMB140.9 million (US\$20.4 million), respectively. Our prepaid expenses and other current assets primarily consist of prepaid value added taxes, prepaid other service fees, receivables for disposal of property and equipment, deposits, receivables from third-party payment platforms, prepaid rental expenses and others.

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, 2022, 31.3% and 68.7% of our cash and cash equivalents were held in mainland China and Hong Kong, respectively, of which 23.6% were denominated in Renminbi and 76.4% were denominated in U.S. dollars. As of December 31, 2022, 21.8% 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 2022. 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 the VIEs and their subsidiaries, we only have access to the assets or earnings of the VIEs 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 mainland 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 2022 was RMB463.9 million (US\$67.3 million). The difference between net cash used in operating activities and net loss of RMB177.9 million (US\$25.8 million) in the same period was due to adjustments for noncash items that primarily include share-based compensation of RMB129.6 million (US\$18.8 million) and noncash lease expenses of RMB34.2 million (US\$5.0 million), and changes in operating assets and liabilities that primarily include a decrease of RMB233.1 million (US\$33.8 million) in accrued expenses and other current liabilities, a decrease of RMB121.0 million (US\$17.5 million) in operating lease liabilities and a decrease of RMB201.5 million (US\$29.2 million) in deferred revenue and customer advances, partially offset by a decrease of RMB89.7 million (US\$13.0 million) in operating lease right-of-use assets.

Net cash used in operating activities in 2021 was RMB1,506.7 million. The difference between net cash used in operating activities and net loss of RMB1,441.9 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.

Investing activities

Net cash used in investing activities in 2022 was RMB8.9 million (US\$1.3 million), primarily due to investment in available-for-sale investments of RMB19.5 million (US\$2.8 million) and purchase of property and equipment of RMB2.8 million (US\$0.4 million), partially offset by proceeds from disposal of property and equipment of RMB13.4 million (US\$1.9 million).

Net cash used in investing activities in 2021 was RMB117.6 million, primarily due to purchase of property and equipment of RMB129.4 million, partially offset by proceeds from disposal of property and equipment of RMB11.8 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.

Financing activities

Net cash used in financing activities in 2022 was RMB33.9 million (US\$4.9 million), primarily attributable to repurchase of ordinary shares of RMB33.9 million (US\$4.9 million).

Net cash generated from financing activities in 2021 was RMB1.0 million, primarily attributable to proceeds received from exercise of share options of RMB10.5 million, partially offset by payment for the IPO issuance cost of RMB9.6 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.

Material Cash requirements

Our material cash requirements as of December 31, 2022 mainly include capital expenditure and operating lease obligations.

Our capital expenditures are primarily related to leasehold improvements and purchase of electronic equipment. Our capital expenditures were RMB89.5 million, RMB129.4 million and RMB2.8 million (US\$0.4 million) in 2020, 2021 and 2022, 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, 2022.

	Total	Within one year	One to three years	Three to five years	More than five years
		(RMB in thousands)			
Operating lease commitments ⁽¹⁾	28,349	17,963	10,386	—	—

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, 2022.

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

mainland 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 mainland

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 mainland 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, 2022 to December 31, 2022 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.

Revenue Recognition

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our contracts with customers may include promises to transfer multiple goods and services. Determining whether different goods and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Estimation of refund liabilities may also require significant judgment.

For the year ended December 31, 2022, we derived revenue primarily from our teaching and learning SaaS offering and our other education products and services.

For teaching and learning SaaS offerings where we provide customers an access to our hosted applications and platforms on a subscription model, we identify SaaS subscription as one performance obligation and recognize revenue ratably over the subscription period. In certain contracts where customers also purchase proprietary hardware which is adapted to the subscribed SaaS, the hardware provides additional and elevated functionalities when paired with subscribed SaaS. The hardware could not be used and sold separately without our teaching and learning SaaS offerings. Therefore, we determine the hardware and subscribed SaaS represent one performance obligation, as they are highly interdependent and interrelated, and the related revenue is recognized ratably over the SaaS subscription period.

For teaching and learning SaaS offerings contracts that contain purchasing of software license and SaaS subscription, we conclude that software license and subscribed SaaS are distinct since each of their functionalities has utility on their own. The customer can obtain utility from the software license without the SaaS, and the customer can also benefit from the SaaS with readily available resources. We may also provide technical support for purchased software license as post-delivery maintenance services, which is considered as a separate performance obligation. In contracts where customers purchase software license, maintenance service and subscribed SaaS, we allocate the transaction price to each of the performance obligations based on their relative standalone selling prices. We recognize revenue of software license over a period of time during which the control of software license is progressively transferred to customers as our service creates and enhances the software that the customer controls. The measure of progress is based on costs incurred as compared with total estimated budget costs. For the subscribed SaaS, the revenue is recognized ratably over the subscription period. Revenue of maintenance service is recognized over the service period and was immaterial for the periods presented.

For our other educational products and services, we charge users subscription fees for the personalized self-directed learning products with subscription periods ranging from one month to two months. Each month, users receive a package consisting of customized exercises and other learning materials, which is designed to be used together with the mobile app, where users can upload their daily exercises, autoscore their exercise results and watch solution videos online on a daily basis. We assess and conclude that there is only one performance obligation included in the personalized self-directed learning product as the goods and services included are highly interdependent and interrelated because the services and products included are significantly modified to each other. The subscription fee is collected in advance and recorded as deferred revenue. Refunds are offered for the remaining undelivered goods and services, which is accounted for as variable consideration. The revenue is recognized ratably over the subscription period on a straight-line basis while the users simultaneously receive and consume the benefits of such learning products throughout the subscription period.

Our other educational products and services also includes the sales of 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 one performance obligation. We collect 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. 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.

Refund liability represents 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.

Directors and Executive Officers	Age	Position/Title
Andy Chang Liu	44	Founder, Chairman and Chief Executive Officer
Qin Wen	38	Director and Chief Operating Officer
Kuanghao Zhang	35	Senior Vice President
Michael Chao Du	37	Director and Chief Financial Officer
Jiawei Gan	53	Independent Director
Bing Yuan	54	Independent Director
Minghui Wu	41	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. 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 bachelor's degree in fundamental mathematics and a master's degree in computer software and theory from Peking University. Mr. Wu also received a master's degree from AILab at Peking University.

B.Compensation of Directors and Executive Officers

For the year ended December 31, 2022, we paid an aggregate of RMB26.2 million (US\$3.8 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 February 28, 2023, options to purchase

11,208,163 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, 1,485,281 unvested restricted shares are outstanding, and 4,756,399 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 February 28, 2023, options to purchase 2,528,208 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, 2,182,167 unvested restricted shares

are outstanding, and 5,196,256 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 February 28, 2023, the maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2020 Plan is 51,520,421 ordinary shares. As of February 28, 2023, options to purchase 23,313,890 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, 22,317,373 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 February 28, 2023, our employees other than directors and executive officers as a group held options to purchase 32,850,261 ordinary shares, each with an exercise price of US\$0.0014 per share, and are entitled to receive 533,334 ordinary shares subject to the applicable vesting schedules of unvested restricted shares.

The following table summarizes, as of February 28, 2023, the outstanding options and unvested restricted shares that we had granted to our directors and executive officers.

Name	Ordinary Shares Underlying Outstanding Options	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Qin Wen	*	0.0014	July 10, 2021	July 10, 2031
	*	0.0014	January 10, 2022	January 10, 2032
Kuanghao Zhang			August 6, 2018	
			December 1, 2018	
	* (1)	—	October 10, 2020	—
	*	0.0014	July 10, 2021	July 10, 2031
	*	0.0014	January 10, 2022	January 10, 2032
Michael Chao Du			February 17, 2020	
	* (1)	—	October 10, 2020	—
	*	0.0014	July 10, 2021	July 10, 2031
	*	0.0014	January 10, 2022	January 10, 2032
Total	3,134,114			

Note:

* Less than 1% of our total ordinary shares as of February 28, 2023.

(1) Restricted shares.

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 six 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 February 28, 2023)

Country of Principal Executive Offices	PRC
Foreign Private Issuer	Yes
Disclosure Prohibited Under Home Country Law	No
Total Number of Directors	6

	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	0	6	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction		0		
LGBTQ+		0		
Did Not Disclose Demographic Background		0		

D.Employees

We had a total of 480 employees as of December 31, 2022. As of December 31, 2022, substantially all of our employees were based in mainland China. The following table sets forth the numbers of our full-time employees categorized by function as of December 31, 2022:

Function	Number of Employees
Content development	36
Technology	164
Operation	121
Sales and marketing	51
General and administrative	108
Total	480

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, 2022, we had nil dedicated and full-time tutors outsourced by a third-party service provider as we ceased offering tutoring services related to K-12 Academic AST Services at the end of 2021. In 2020 and 2021, 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 mainland 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 February 28, 2023 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 428,186,361 Class A ordinary shares and 58,453,168 Class B ordinary shares issued and outstanding as of February 28, 2023.

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			% of	% of
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	Beneficial Ownersh p	Aggregat e Voting Power
Directors and Executive Officers**:					
Andy Chang Liu ⁽¹⁾	—	58,453,168	58,453,168	12.0	80.4
Qin Wen ⁽²⁾	6,370,168	—	6,370,168	1.3	0.3
Kuanghao Zhang	*	—	*	*	*
Michael Chao Du	*	—	*	*	*
Jiawei Gan	*	—	*	*	*
Bing Yuan	—	—	—	—	—
Minghui Wu	—	—	—	—	—
All Directors and Executive Officers as a Group	11,658,527	58,453,168	70,111,695	14.4	80.9
Principal Shareholders:					
Fluency Holding Ltd. ⁽¹⁾	—	58,453,168	58,453,168	12.0	80.4
H Capital Entities ⁽³⁾	57,973,086	—	57,973,086	11.9	2.7
CL Lion Investment III Limited ⁽⁴⁾	45,798,690	—	45,798,690	9.4	2.1
Esta Investments Pte. Ltd. ⁽⁵⁾	44,100,592	—	44,100,592	9.1	2.0
Walden Investments Entities ⁽⁶⁾	35,592,848	—	35,592,848	7.3	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 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 No. 17 Yulu Road, New World Lizun, Shunyi District, Beijing, People's Republic of China. The business address of Mr. Minghui Wu is China Cyberport Building, No. 1 Wangjing North Road, Chaoyang District, Beijing, China.

† 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 6,370,168 Class A ordinary shares held by Mr. Qin Wen.
- (3)Represents (i) 22,308,979 Class A ordinary shares held by H Capital I, L.P., (ii) 13,552,176 Class A ordinary shares held by H Capital II, L.P., (iii) 12,611,931 Class A ordinary shares held by H Capital IV, L.P., and (iv) 9,500,000 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, L.P., which 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.
- (4)Represents 45,798,690 Class A ordinary shares held by CL Lion Investment III Limited, a British Virgin Islands company. Information regarding beneficial ownership is reported as of December 31, 2022, based on the information contained in the Schedule 13G/A filed by CL Lion Investment III Limited with SEC on February 6, 2023. 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.
- (5)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, 2022, 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 8, 2023. 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.
- (6)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 February 28, 2023, 354,067,040 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.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

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.

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

We have been and may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. 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.

We and certain of our officers and directors have been named as defendants in a putative securities class action filed on July 19, 2022 in the U.S. District Court for the Central District of California, captioned *Zhang v. 17 Educ. & Tech. Grp. Inc. et al.*, No. 2:22-cv-04937. The action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in the Company's IPO prospectus and registration statement, allegedly in violation of the Sections 11, 12(a)(2) and 15 of the U.S. Securities Act of 1933. On October 24, 2022, the Court appointed Lead Plaintiffs and Lead Counsel. On November 18, 2022, the case was transferred to the U.S. District Court for the Southern District of New York under the caption *Zhang v. 17 Educ. & Tech. Grp. Inc. et al.*, No. 1:22-cv-09843. On January 31, 2023, Lead Plaintiffs filed an Amended Complaint. The Company filed its motion to dismiss the Amended Complaint on March 31, 2023.

The case remains in its preliminary stage. We believe this case is without merit and intend to defend our position vigorously to the extent this case remains active, including any appeal of such lawsuit should our initial defense be unsuccessful. We are currently unable to estimate the possible outcome or loss or possible range of loss, if any, associated with the resolution of this lawsuit despite our belief that it is meritless. In the event that our initial defense is unsuccessful, we cannot assure you that we will prevail in any appeal. Any adverse outcome of this case, including any plaintiff's appeal of a judgment, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and reputation. The litigation process may be costly and divert management's attention from the day-to-day operations, all of which could harm our business. For risks and uncertainties relating to the pending cases against us, please see "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We and certain of our directors or officers have been named as defendants in a putative shareholder class action

lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.”

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 mainland 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 depositary, as the registered holder of such Class A ordinary shares, and the depositary 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 mainland China with a "de facto management body" within mainland China 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 mainland 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 mainland China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in mainland 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 mainland China ; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in mainland China ; and (iv) at least 50% of the enterprise's voting board members or senior executives habitually reside in mainland China .

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 mainland China. 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 mainland 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 mainland China. 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 or ordinary shares 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 should 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. The discussion below assumes that the representations contained in the deposit agreement are and will continue to be true, and that the obligations in the deposit agreement and any related agreement have been and will be complied

with in accordance with their terms. 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 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 generally treated 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 have the ability to direct 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 and include their assets and income in calculations for purposes of the tests described above. 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, it may increase the likelihood that we will be a PFIC for a given taxable year.

Based upon our income and assets (including unbooked goodwill), as well as the market price of our ADSs, we believe we will likely be classified as a PFIC for the taxable year ended December 31, 2022. Depending upon the composition of our income and assets and the market price of our ADSs and ordinary shares during the current and subsequent taxable years, we could continue to be classified as a PFIC for such years; however, PFIC status is a factual determination made annually that is not generally determinable until the close of each taxable year. Furthermore, even if the composition of our assets and income were to change such that we did not believe we were a PFIC, there are uncertainties in the application of the relevant rules, and it is possible that the IRS may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, each of which may increase the likelihood of us becoming classified as a PFIC for the current or subsequent taxable years. Accordingly, there can be no assurance regarding our PFIC status for our current or subsequent taxable years, and U.S. Holders of our ADSs or ordinary shares should be willing to assume the risks of investing in a PFIC. If we are 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

As noted above, we were likely a PFIC for our most recent taxable year ended December 31, 2022, and may also be a PFIC for our current taxable year. Accordingly, the treatment most likely to apply to a U.S. Holder is set forth below in “Passive Foreign Investment Company Rules.” If our ADSs or ordinary shares are not treated as stock of a PFIC with respect to a particular U.S. Holder, the following rules generally apply. 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 depositary, 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 (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period and other 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. Although the law in this regard is not entirely clear, since we do not expect our ordinary shares will be listed on any securities market, we do not believe that ordinary shares that are not represented by ADSs will generally be considered to be readily tradable on an established securities market in the United States. Moreover, as discussed above, we believe we will likely be classified as a PFIC for the taxable year ended December 31, 2022.

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, and regardless of whether the ADSs are readily tradable on an established securities market in the United States, 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. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on the ADSs or ordinary shares (see “—People’s Republic of China Taxation”). 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 should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition

Subject to the discussion below under “Passive Foreign Investment Company Rules,” 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 should 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 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 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 should 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" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to the ADSs, 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 a PFIC and we subsequently cease to be 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 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.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable United States Treasury regulations. The ADSs, but not our ordinary shares, will be treated as marketable stock so long as our ADSs are listed on the Nasdaq Global Market. If the Nasdaq Global Market delists our ADSs, the ADSs will not be treated as marketable stock for the purposes of the mark-to-market election. If our ADSs continue to be listed on the Nasdaq Global Market, we anticipate that the ADSs should qualify as being regularly traded, but no assurances may be given in this regard.

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 our ADSs or ordinary shares are treated as stock of a PFIC with respect to a U.S. Holder that has not made a mark-to-market election, such PFIC treatment will generally continue to apply to such holder even if we cease to be a PFIC unless the U.S. Holder makes a “purging” election. One type of purging election creates a deemed sale of ADSs or ordinary shares at their fair market value. Any gain recognized in this deemed sale will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of this election, the U.S. Holder will have additional basis (to the extent of any gain recognized on the deemed sale) and, solely for purposes of the PFIC rules, a new holding period in the ADSs or ordinary shares.

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.

J.Annual Report to Security Holders

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.DESCRPTION 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):

Service	Fees
•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
•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, 2022.

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, 2022, we had used RMB2,023.6 million (US\$293.4 million) of the net proceeds received, which consisted of research and development and the promotional activities of our after-school tutoring business, investment into our new teaching and learning SaaS offering and self-learning products, and general corporate purpose including expanding and strengthening our sales and marketing activities, and share repurchase program. 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 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, 2022. 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, 2022, 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, 2022.

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\$1.235 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 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

ITEM 16B. 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 16C. 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.

	For the Year Ended December	
	31,	
	2021	2022
	(in thousands of RMB)	
Audit fees ⁽¹⁾	6,620	8,598
Tax fees ⁽²⁾	198	109

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.

(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 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. 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 ADSs) over the following 12 months. The share repurchase program was publicly announced on November 2, 2021. As of December 31, 2022, we had repurchased a total of approximately 2,250,075 million ADSs under this share repurchase program.

On September 29, 2022, 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 ADSs) during a 12-month period starting from November 2, 2022. As of December 31, 2022, we had repurchased 817,745 ADSs under this share repurchase program.

The table below is a summary of the ordinary shares repurchased by us in 2022 under the two share repurchase programs described above. We did not make any other share repurchases in 2022.

Period	Total Number of ADSs Purchased	Average Price Paid per ADSs (US\$)	Total Number of ADSs Purchased as Part of the Share Repurchase Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Share Repurchase Programs (US\$, in millions)
March 2022	209,645	2.47	209,645	9.48
May 2022	900	1.51	900	9.48
June 2022	67,839	1.86	67,839	9.35
July 2022	662,769	1.75	662,769	8.20
August 2022	493,721	1.94	493,721	7.24
September 2022	381,953	1.71	381,953	6.58
October 2022	412,821	0.99	412,821	6.18
November 2022	351,401	0.90	351,401	9.69
December 2022	486,771	1.69	486,771	8.86

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. 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 2022. 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 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, and our auditor was subject to that determination.

In May 2022, 17 Education & Technology was conclusively listed by the SEC as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021.

On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report.

To the best of our knowledge, no Cayman Islands governmental entities owns any shares of 17 Education & Technology and no governmental entities in China own shares of any of the VIEs in mainland China, as of the date of this annual report.

To the best of our knowledge, no PRC governmental entities own any shares of 17 Education & Technology or the VIEs as of the date of this annual report. Therefore, the PRC governmental entities do not have a controlling financial interest in 17 Education & Technology or the VIEs as of the date of this annual report.

None of the members of the board of directors of 17 Education & Technology or our operating entities, including the VIEs, is an official of the Chinese Communist Party as of the date of this annual report.

The currently effective memorandum and articles of association of 17 Education & Technology and

equivalent organizing documents of our operating entities, including the VIEs, do not contain any charter of the Chinese Communist Party.

ITEM 16J. INSIDER TRADING POLICIES

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

Exhibit Number	Description of Document
1.1	<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>
2.1	<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>
2.2	<u>Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the 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>
2.3	<u>Form of Deposit Agreement, among the Registrant, the depositary 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>
2.4	<u>Description of Securities (incorporated herein by reference to Exhibit 2.4 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
2.5	<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>
4.1	<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>
4.2	<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>
4.3	<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>
4.4	<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>

- 4.5 [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\)](#)
- 4.6 [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 Number	Description of Document
	<u>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)</u>
4.7	<u>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)</u>
4.8	<u>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)</u>
4.9	<u>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)</u>
4.10	<u>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)</u>
4.11	<u>English translation of the Powers of Attorney by each shareholder of Beijing Qili dated March 4, 2022 (incorporated herein by reference to Exhibit 4.11 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.12	<u>English translation of the Equity Interest Pledge Agreement among Guangzhou Qixiang, Beijing Qili and shareholders of Beijing Qili dated March 4, 2022 (incorporated herein by reference to Exhibit 4.12 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.13	<u>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 (incorporated herein by reference to Exhibit 4.13 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.14	<u>English translation of the Exclusive Option Agreement among Guangzhou Qixiang, Beijing Qili and shareholders of Beijing Qili dated March 4, 2022 (incorporated herein by reference to Exhibit 4.14 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.15	<u>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 (incorporated herein by reference to Exhibit 4.15 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.16	<u>English translation of the Powers of Attorney by each shareholder of Beijing Yiqi Information dated March 21, 2022 (incorporated herein by reference to Exhibit 4.16 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.17	<u>English translation of the Equity Interest Pledge Agreement among Guangzhou Qixuan, Beijing Yiqi Information and shareholders of Beijing Yiqi Information dated March 21, 2022 (incorporated herein by reference to Exhibit 4.17 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>
4.18	<u>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 (incorporated herein by reference to Exhibit 4.18 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))</u>

- 4.19 [English translation of the Exclusive Option Agreement among Guangzhou Qixuan, Beijing Yiqi Information and shareholders of Beijing Yiqi Information dated March 21, 2022 \(incorporated herein by reference to Exhibit 4.19 to the Form 20-F filed on April 27, 2022 \(File No. 001-39742\)\)](#)
- 4.20 [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 \(incorporated herein by reference to Exhibit 4.20 to the Form 20-F filed on April 27, 2022 \(File No. 001-39742\)\)](#)

Exhibit Number	Description of Document
4.21	English translation of the Powers of Attorney by each shareholder of Beijing Yiqi Development dated March 4, 2022 (incorporated herein by reference to Exhibit 4.21 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))
4.22	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 (incorporated herein by reference to Exhibit 4.22 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))
4.23	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 (incorporated herein by reference to Exhibit 4.23 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))
4.24	English translation of the Exclusive Option Agreement among Beijing Yiqi Hangfan, Beijing Yiqi Development and shareholders of Beijing Yiqi Development dated March 4, 2022 (incorporated herein by reference to Exhibit 4.24 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))
4.25	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 (incorporated herein by reference to Exhibit 4.25 to the Form 20-F filed on April 27, 2022 (File No. 001-39742))
4.26*	English translation of the Powers of Attorney by each shareholder of Guangzhou Qili dated July 18, 2022
4.27*	English translation of the Equity Interest Pledge Agreement among Guangzhou Qixiang, Guangzhou Qili and shareholders of Guangzhou Qili dated July 18, 2022
4.28*	English translation of the Exclusive Management Services and Business Cooperation Agreement among Guangzhou Qixiang, Guangzhou Qili and shareholders of Guangzhou Qili dated July 18, 2022
4.29*	English translation of the Exclusive Option Agreement among Guangzhou Qixiang, Guangzhou Qili and shareholders of Guangzhou Qili dated July 18, 2022
4.30*	English translation of executed form of the Consent Letter granted by the spouse of each shareholder of Guangzhou Qili, as currently in effect, and a schedule of all executed Consent Letters adopting the same form
4.31	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)
4.32	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)
8.1*	List of Principal Subsidiaries and Consolidated Variable Interest Entities of the Registrant
11.1	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)
12.1*	Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- 13.2** [Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1* [Consent of Maples and Calder \(Hong Kong\) LLP](#)
- 15.2* [Consent of Tian Yuan Law Firm](#)
- 15.3* [Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm](#)
- 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

Exhibit Number	Description of Document
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)

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 26, 2023

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>CONTENTS</u>	<u>PAGES</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F-1
<u>CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2021 and 2022</u>	F-2 - F-3
<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022</u>	F-4
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022</u>	F-5
<u>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022</u>	F-6
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022</u>	F-7
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-8 - F-51
<u>ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I</u>	F-52 - F-56

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, 2021 and 2022, 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, 2022, 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, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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
Shanghai, the People's Republic of China
April 26, 2023

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,		
	2021	2022	2022
	RMB	RMB	USD
			(Note 2)
ASSETS			
Current assets			
Cash and cash equivalents	1,180,898	707,895	102,635
Restricted cash	—	10,231	1,483
Available-for-sale investments	—	19,531	2,832
Accounts receivable, net of allowances of nil and RMB1,609 as of December 31, 2021 and 2022, respectively	—	34,824	5,049
Prepaid expenses and other current assets, net of allowances of nil and RMB95 as of December 31, 2021 and 2022, respectively	161,826	140,894	20,428
Total current assets	1,342,724	913,375	132,427
Non-current assets			
Property and equipment, net	69,811	32,295	4,682
Right-of-use assets	153,963	30,052	4,357
Other non-current assets	13,923	4,802	696
TOTAL ASSETS	1,580,421	980,524	142,162
LIABILITIES			
Current liabilities			
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Group of RMB93,115 and RMB35,220 as of December 31, 2021 and 2022, respectively)	392,293	153,023	22,186

Deferred revenue and customer advances, current (including deferred revenue and customer advances, current of the consolidated VIEs without recourse to the Group of RMB239,267 and RMB40,092 as of December 31, 2021 and 2022, respectively)	243,878	42,385	6,145
Operating lease liabilities, current (including operating lease liabilities, current of the consolidated VIEs without recourse to the Group of RMB29,113 and RMB8,179 as of December 31, 2021 and 2022, respectively)	46,885	18,719	2,714
Total current liabilities	683,056	214,127	31,045
Non-current liabilities			
Operating lease liabilities, non-current (including operating lease liabilities, non-current of the consolidated VIEs without recourse to the Group of RMB57,906 and RMB3,563 as of December 31, 2021 and 2022, respectively)	100,329	7,534	1,092
TOTAL LIABILITIES	<u>783,385</u>	<u>221,661</u>	<u>32,137</u>

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,		
	2021	2022	2022
	RMB	RMB	USD
			(Note 2)
Commitments and Contingencies (Note 14)			
SHAREHOLDERS' EQUITY			
Class A ordinary shares (par value of USD0.0001 per share; 1,300,000,000 shares authorized as of December 31, 2021 and 2022; 449,578,517 and 428,982,151 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	293	300	43
Class B ordinary shares (par value of USD0.0001 per share; 100,000,000 shares authorized as of December 31, 2021 and 2022; 58,453,168 shares issued and outstanding as of December 31, 2021 and 2022)	38	38	6
Treasury stock	—	(21)	(3)
Additional paid-in capital	10,859,107	10,954,822	1,588,300
Accumulated other comprehensive income	18,691	62,689	9,089
Accumulated deficit	(10,081,093)	(10,258,965)	(1,487,410)
TOTAL SHAREHOLDERS' EQUITY	797,036	758,863	110,025
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,580,421</u>	<u>980,524</u>	<u>142,162</u>

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 2)
Net revenues	1,294,371	2,184,520	531,064	76,997
Cost of revenues	(495,671)	(878,236)	(206,208)	(29,897)
Gross profit	798,700	1,306,284	324,856	47,100
Operating expenses:				
Sales and marketing expenses	(1,097,932)	(1,412,873)	(79,129)	(11,473)
Research and development expenses	(614,770)	(800,163)	(235,846)	(34,194)
General and administrative expenses	(420,114)	(445,440)	(221,029)	(32,046)
Impairment for property and equipment, right-of-use assets and rental deposits	—	(121,294)	—	—
Total operating expenses	(2,132,816)	(2,779,770)	(536,004)	(77,713)
Loss from operations	(1,334,116)	(1,473,486)	(211,148)	(30,613)
Interest income	8,422	24,573	11,352	1,646
Interest expense	(2,925)	—	—	—
Foreign currency exchange (loss) gain	(15,557)	2,326	159	23
Other income, net	4,268	4,674	21,765	3,156
Loss before provision for income tax	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Income tax expenses	—	—	—	—
Net loss	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Accretion of convertible redeemable preferred shares	(2,837,991)	—	—	—
Net loss available to ordinary shareholders				
of 17 Education & Technology Group Inc.	(4,177,899)	(1,441,913)	(177,872)	(25,788)
Net loss per ordinary share				
Basic and diluted	(44.68)	(2.92)	(0.35)	(0.05)

Weighted average shares used in
calculating
net loss per ordinary share

Basic and diluted	93,503,437	494,055,703	502,801,926	502,801,926
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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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 2)
Net loss	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Other comprehensive (loss) income, net of tax of nil:				
Change in cumulative foreign currency translation adjustments	(38,602)	(30,923)	43,998	6,379
Total comprehensive loss attributable to 17 Education & Technology Group Inc.	<u>(1,378,510)</u>	<u>(1,472,836)</u>	<u>(133,874)</u>	<u>(19,409)</u>

The accompanying notes are an integral part of the consolidated financial statements.

17 EDUCATION & TECHNOLOGY GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' 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	Number of Treasury stocks	Treasury stock	Accumulate d other comprehen sive loss	Accumulate d deficit	Total 17 Education & Technology Group Inc. shareholders' equity
Balance as of January 1, 2020 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
Net loss	—	—	—	—	—	—	—	—	—	—	—	(177,872)	(177,872)
Share-based compensation	—	—	—	—	—	—	—	129,558	—	—	—	—	129,558
Share repurchase	—	—	(30,678,200)	—	—	—	—	(33,927)	30,678,200	(21)	—	—	(33,948)
Exercise of stock options	—	—	10,081,834	7	—	—	—	84	—	—	—	—	91
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	43,998	—	43,998
Balance as of December 31, 2022 in RMB	—	—	428,982,151	300	58,453,168	38	—	10,954,822	30,678,200	(21)	62,689	(10,258,965)	758,863
Balance as of December 31, 2022 in USD	—	—	428,982,151	43	58,453,168	6	—	1,588,300	30,678,200	(3)	9,089	(1,487,410)	110,025

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Adjustments to reconcile net loss to net cash generated from operating activities				
Depreciation of property and equipment	39,700	64,756	24,728	3,585
Share-based compensation	356,038	195,214	129,558	18,784
Foreign currency remeasurement (gain) loss	(38)	(32)	55	8
Noncash lease expenses	62,997	100,828	34,203	4,959
Loss from disposal of property and equipment	—	—	3,833	556
Expected credit loss	—	—	1,704	247
Impairment for property and equipment, right-of-use assets and rental deposits	—	121,294	—	—
Impairment for other assets	—	—	3,642	528
Changes in operating assets and liabilities:				
Accounts receivable	—	—	(36,433)	(5,282)
Prepaid expenses and other current assets	(145,137)	31,628	15,658	2,270
Operating lease right-of-use assets	(184,517)	(68,269)	89,708	13,006
Other non-current assets	(2,760)	11,946	2,867	416
Accrued expenses and other current liabilities	213,439	(127,431)	(233,123)	(33,800)
Deferred revenue and customer advances	354,116	(354,411)	(201,493)	(29,214)
Operating lease liabilities	123,082	(40,302)	(120,961)	(17,538)
Net cash used in operating activities	(522,988)	(1,506,692)	(463,926)	(67,263)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of available-for-sale investments	—	—	(19,531)	(2,832)
Purchase of property and equipment	(89,504)	(129,356)	(2,763)	(401)
Proceeds from disposal of property and equipment	—	11,753	13,363	1,937
Net cash used in investing activities	(89,504)	(117,603)	(8,931)	(1,296)
CASH FLOWS FROM FINANCING ACTIVITIES				
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)	—	—
Repurchase and cancellation of vested options	(528)	—	—	—
Repurchase of ordinary shares	—	—	(33,948)	(4,922)
Proceeds from exercise of share options	195	10,508	91	13
Proceeds from the issuance of Series F convertible redeemable preferred shares	849,528	—	—	—
Repayment of short-term borrowings	(85,000)	—	—	—
Net cash generated from (used in) financing activities	2,797,421	952	(33,857)	(4,909)
Effect of exchange rate changes	(38,499)	(30,891)	43,942	6,372
Net increase (decrease) in cash and cash equivalents and restricted cash	2,146,430	(1,654,234)	(462,772)	(67,096)
Cash, cash equivalents and restricted cash at beginning of the year	688,702	2,835,132	1,180,898	171,214
Cash, cash equivalents and restricted cash at end of the year	2,835,132	1,180,898	718,126	104,118
Supplemental schedule of cash flow information				
Interest paid	3,031	—	—	—
Non-cash activities				

Right-of-use assets obtained in exchange for operating lease obligations	169,725	99,667	2,298	333
Reduction of right-of-use assets and operating lease liabilities due to lease modifications	—	157,379	58,375	8,464
Payables for purchase of property and equipment	13,024	10,229	4,083	592
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	—	—	—
Reconciliation to amounts on the Consolidated Balance Sheets				
Cash and cash equivalents	2,834,962	1,180,898	707,895	102,635
Restricted cash	170	—	10,231	1,483
Total cash, cash equivalents and restricted cash	<u>2,835,132</u>	<u>1,180,898</u>	<u>718,126</u>	<u>104,118</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, 2020, 2021 and 2022
(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 94.1% and 97.4% of total net revenues for the years ended December 31, 2020 and 2021, respectively. For the year ended December 31, 2022, no revenue was generated from Online K-12 tutoring services. 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 in relation to its Online K-12 tutoring services.

Following the implementation of the Alleviating Burden Opinion, the Group transformed its business, and started to provide the teaching and learning Software-as-a-Service offerings ("Teaching and learning SaaS offerings") from September 2021, and to introduce a new personalized self-directed learning product in December 2021, which was a major component of other education products and services ("Other educational products and services") in 2022.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(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, 2022, the Company's major subsidiaries and VIEs were as follows:

Name(1)	Later of date of establishment or acquisition	Place of establishment	Percentage of direct or indirect economic ownership	Principal activities
Subsidiaries:				
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
VIEs:				
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.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, and certain other businesses, the Company conducts certain 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, 2022, the VIEs included Shanghai Hexu, Beijing Qili, Beijing Yiqi Information, Beijing Yiqi Development and Guangzhou Qili Technology Co., Ltd. ("Guangzhou Qili").

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

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.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

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 obtains any equity of Shanghai Hexu held by the applicable shareholder for any reasons, she would be bound by the transaction documents described above.

In 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 Company has (1) the power to direct the activities that most significantly affect the economic performance of 2021 VIEs, and (2) the right to receive the economic benefit of

2021 VIEs that could potentially be significant to 2021 VIEs. Accordingly, the Company is considered as the primary beneficiary of the 2021 VIEs, and has consolidated the financial results of 2021 VIEs in its consolidated financial statements.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

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.

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.

In 2022, to further expand the Group's business operations, the Company set up Guangzhou Qili and further entered into a series of contractual arrangements with Guangzhou Qili and its shareholders through a wholly-owned subsidiary Guangzhou

Qixiang Technology Co., Ltd., in which the terms included are substantially similar to the contractual agreements entered into by and among 2021 WFOEs, 2021 VIEs and their respective shareholders as disclosed above. Through these contractual arrangements, the Company has (1) the power to direct the activities that most significantly affect the economic performance of Guangzhou Qili, and (2) the right to receive the economic benefit of Guangzhou Qili that could potentially be significant to Guangzhou Qili. Accordingly, the Company is considered as the primary beneficiary of Guangzhou Qili, and has consolidated the financial results of Guangzhou Qili in its consolidated financial statements.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

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, 2021 and 2022, the VIEs and VIEs' subsidiaries accounted for an aggregate of 31% and 35% of the Group's consolidated total assets, respectively, and 54% and 39% of the Group's consolidated total liabilities, respectively.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

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, 2021 and 2022 and for the years ended December 31, 2020, 2021 and 2022 was included in the accompanying consolidated financial statements:

	As of December 31,	
	2021	2022
	RMB	RMB
Cash and cash equivalents	239,520	154,544
Available-for-sale investments	—	19,531
Accounts receivable	—	32,934
Prepaid expenses and other current assets	115,333	110,131
Total current assets	354,853	317,140
Property and equipment, net	33,854	9,264
Right-of-use asset	89,853	12,244
Other non-current assets	8,138	3,070
Total non-current assets	131,845	24,578
Total assets	486,698	341,718
Accrued expenses and other current liabilities	93,115	35,220
Deferred revenue and customer advances, current	239,267	40,092
Operating lease liabilities, current	29,113	8,179
Total current liabilities	361,495	83,491
Operating lease liabilities, non-current	57,906	3,563
Total non-current liabilities	57,906	3,563
Total liabilities	419,401	87,054

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The VIE arrangements – continued

Risks in relation to VIE structure – continued

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Net revenues	1,229,126	2,166,327	498,602
Net income	<u>301,096</u>	<u>797,867</u>	<u>309,653</u>

The following are cash flows of the VIEs and VIEs' subsidiaries for the years ended December 31, 2020, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Net cash generated from (used in) operating activities	347,773	(137,607)	(135,866)
Net cash used in investing activities	(85,788)	(61,413)	(14,510)
Net cash (used in) generated from financing activities	<u>(9,000)</u>	<u>18,400</u>	<u>65,400</u>

For the years ended December 31, 2020, 2021 and 2022, for all of the VIEs and VIEs' subsidiaries, excluding inter-company transactions:

- (1) the cash generated from operating activities were RMB685,530, RMB581,190 and RMB50,755, respectively;
- (2) the cash used in investing activities were RMB85,788, RMB59,413 and RMB9,510, respectively; and
- (3) the cash used in financing activities were RMB9,000, nil and nil, respectively.

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, 2022. 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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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) income 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.

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 31, 2022 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.8972 representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2022. 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, 2022, 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.

Restricted cash

Restricted cash represents the cash and cash equivalents deposited in bank accounts that are legally restricted as to withdrawal or for use.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Available-for-sale investments

Available-for-sale investments are wealth management products issued by commercial banks with variable interest rates and unsecured principal and no restriction on withdrawal. The Group classified these investments as available-for-sale and record them at fair value in accordance with ASC 825 Financial Instruments with unrealized gains and losses recorded in accumulated other comprehensive income. Due to the relatively short maturities, the unrealized losses of these investments were insignificant for the year ended December 31, 2022.

Accounts receivable

Accounts receivable represents those receivables derived in the ordinary course of business, net of allowance for doubtful accounts. The Group evaluates its accounts receivable for expected credit losses on a regular basis. The Group maintains an estimated allowance for credit losses to reduce its accounts receivable to the amount that it believes will be collected. The Group uses the creditworthiness of customers, aging of the receivables, transaction history with customers and their current condition, changes in customer payment terms, specific facts and circumstances, and the overall economic climate in the industries the Group serves to monitor the Group's receivables within the scope of expected credit losses model and use these as a basis to develop the Group's expected loss estimates.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, restricted cash, available-for-sale investments and receivables from third party payment platforms.

As of December 31, 2021 and 2022, the carrying values of cash and cash equivalents, restricted cash, available-for-sale investments and receivables from third party payment platforms approximated their fair values reported in the consolidated balance sheets due to the short term maturities of these instruments.

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:

<u>Category</u>	<u>Estimated useful life</u>
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, RMB104,651 and nil for the years ended December 31, 2020, 2021 and 2022, respectively.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

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 the Online K-12 tutoring services in 2017, which became a major revenue stream in 2020 and 2021. As described in Note 1, the Group ceased to offer Online K-12 tutoring courses to comply with the new regulations at the end of 2021.

In 2022, as a result of its business transformation, the Group's revenues were generated from Teaching and learning SaaS offerings and Other educational products and services.

(1) Teaching and learning SaaS offering

From September 2021, the Group launched Teaching and learning SaaS offerings which integrate software and hardware to provide data driven recommendation and other value-added functions to cater the needs of students, teachers, schoolmasters and educational authorities. These offerings help schools and teachers digitalize traditional teaching resources, achieve data synchronization across different education functions, and gain insights into students' academic performance. The Group's Teaching and learning SaaS offerings is provided based on independently configurable modules, including classroom solutions, question banks, homework assignments, self-directed learning and multi-role reporting, etc. The major customers of Teaching and learning SaaS offerings are regional educational authorities and schools.

For Teaching and learning SaaS offerings where the Group provides customers an access to its hosted applications and platforms on a subscription model, the Group identifies SaaS subscription as one performance obligation and recognizes revenue ratably over the subscription period. In certain contracts where customers also purchase proprietary hardware which is adapted to the subscribed SaaS, the hardware provides additional and elevated functionalities when paired with subscribed SaaS. The hardware

could not be used and sold separately without the Group's Teaching and learning SaaS offerings. Therefore, the Group determines the hardware and subscribed SaaS represent one performance obligation, as they are highly interdependent and interrelated, and the related revenue is recognized ratably over the SaaS subscription period.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

(1)Teaching and learning SaaS offering – continued

For Teaching and learning SaaS offerings contracts that contain purchasing of software license and SaaS subscription, the Group concludes that software license and subscribed SaaS are distinct since each of their functionalities has utility on their own. The Group may also provide technical support for purchased software license as post-delivery maintenance services, which is considered as a separate performance obligation. In contracts where customers purchase software license, maintenance service and subscribed SaaS, the Group allocates the transaction price to each of the performance obligations based on their relative standalone selling prices. The Group recognizes revenue of software license over a period of time during which the control of software license is progressively transferred to customers as the Group's service creates and enhances the software that the customer controls. The measure of progress is based on costs incurred as compared with total estimated budget costs. For the subscribed SaaS, the revenue is recognized ratably over the subscription period. Revenue of maintenance service is recognized over the service period and was immaterial for the periods presented.

(2)Other educational products and services

The personalized self-directed learning product was a major component of Other education products and services for the year ended December 31, 2022. The Group charges users subscription fees for the personalized self-directed learning products with subscription periods ranging from one month to two months. Each month, users receive a package consisting of customized exercises and other learning materials, which is designed to be used together with the mobile app, where users can upload their daily exercises, autoscore their exercise results and watch solution videos online on a daily basis. The Group assessed and concluded that there is only one performance obligation included in the personalized self-directed learning product as the goods and services included are highly interdependent and interrelated. The subscription fee is collected in advance and recorded as deferred revenue. Refunds are offered for the remaining undelivered goods and services, which is accounted for as variable consideration. The revenue is recognized ratably over the subscription period on a straight-line basis while the users simultaneously receive and consume the benefits of such learning products throughout the subscription period.

Other educational products and services also includes the sales of 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 one 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. 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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

(3) 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 able to fulfil 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.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

(3)Online K-12 tutoring services – continued

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.

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,	
	2021	2022
	RMB	RMB
Deferred revenue and customer advances	243,878	42,385
Refund liabilities	5,559	389

Deferred revenue as of December 31, 2022 primarily consisted of the service fees of Teaching and learning SaaS offerings and Other educational products and services received from customers for which the Group's revenue recognition criteria have not been met.

The deferred revenue has been recognized as revenue when the related service was delivered. For the years ended December 31, 2021 and 2022, revenue recognized that was included in the deferred revenue balance at January 1, 2021 and January 1, 2022 amounted to RMB596,307 and RMB243,878, respectively.

Refund liabilities represent the customer advances collected by the Group for Other educational products and services 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, 2022, the aggregate amount of the transaction price allocated for the remaining performance obligations amounted to RMB42,385. The Group expects to recognize revenue of RMB42,385 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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Disaggregation of revenue

For the years ended December 31, 2020, 2021 and 2022, 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,		
	2020	2021	2022
	RMB	RMB	RMB
Teaching and learning SaaS offerings	—	—	115,365
Other educational products and services	75,807	55,910	415,699
Online K-12 tutoring services	1,218,564	2,128,610	—
Total net revenues	1,294,371	2,184,520	531,064

Cost of Revenue

Cost of revenues mainly consists of salaries, welfare, service fees and rental expenses for office space, depreciation and amortization of property and equipment, bandwidth costs and cost of purchased educational products, materials and hardware.

For Online K-12 tutoring service, 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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Sales and marketing expenses

Sales and marketing expenses primarily consist of (i) teaching materials and gifts provided for promotional online courses of Online K-12 tutoring service; (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 RMB163,768 and RMB76,456 and nil for the years ended December 31, 2020, 2021 and 2022, 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% or 13% 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 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 three 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.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

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 9) 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 RMB555,219 and RMB169,696 as of December 31, 2021 and 2022, respectively.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Significant risks and uncertainties – continued

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, 2021 and 2022, 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, 2020, 2021 and 2022.

The following table summarizes accounts receivable from customers that accounted for 10% or more of the Group's accounts receivable:

	As of December 31, 2022 RMB
Percentage of accounts receivable from Customer A	49%
Percentage of accounts receivable from Customer B	19%
Percentage of accounts receivable from Customer C	17%

Newly adopted accounting pronouncements

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 adoption did not have a material impact on the Group's consolidated financial statements.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

3.ACCOUNTS RECEIVABLE, NET

The following is a summary of accounts receivable as of December 31, 2021 and 2022:

	As of December 31,	
	2021	2022
	RMB	RMB
Accounts receivable, gross	—	36,433
Less: allowance for credit loss	—	(1,609)
Accounts receivable, net	—	34,824

The Group recorded a provision for current expected credit loss. The following table sets out movements of the expected credit loss provision for the years ended December 31, 2022:

	As of December 31, 2022
	RMB
Balance as of January 1, 2022	—
Addition	(1,609)
Balance as of December 31, 2022	(1,609)

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets consisted of the following:

	As of December 31,	
	2021	2022
	RMB	RMB
Prepaid VAT	79,434	62,121
Prepaid other service fees ⁽¹⁾	37,339	49,645
Receivables for disposal of property and equipment	—	12,983
Deposits ⁽²⁾	9,968	6,016
Receivables from third-party payment platforms ⁽³⁾	23,100	4,215
Prepaid rental expenses ⁽⁴⁾	6,909	721
Others	5,076	5,288
Less: allowance for other receivables	—	(95)
Total	161,826	140,894

(1) Prepaid other service fees mainly consisted of the prepayments for the purchase of promotion gifts and learning materials for Online K-12 tutoring services and the purchase of third party educational content and hardware. The nature of such prepayment was generally short-term.

(2) 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.

(3) Receivables from third-party payment platforms consisted of cash that had been received from customers but held by the third-party payment platforms.

(4) The prepaid rental expenses balance represented the prepaid rental expenses for short-term leases.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

5.PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As of December 31,	
	2021	2022
	RMB	RMB
Electronic equipment	183,893	101,947
Software	18,804	18,656
Leasehold improvement	40,697	13,914
Furniture and office equipment	11,832	3,777
Total	255,226	138,294
Less: accumulated depreciation	(127,986)	(88,491)
Less: accumulated impairment loss	(57,429)	(17,508)
	<u>69,811</u>	<u>32,295</u>

Depreciation expenses were RMB39,700, RMB64,756 and RMB24,728 for the years ended December 31, 2020, 2021 and 2022, 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 years ended December 31, 2021 and 2022.

6.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, 2021 and 2022, the Group has no finance lease.

The components of lease expense for the years ended December 31, 2020, 2021 and 2022 were as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Operating lease cost	72,020	114,168	39,333

Lease cost for leases with terms less than one year	26,684	36,110	990
Total lease cost	98,704	150,278	40,323

For the years ended December 31, 2020, 2021 and 2022, there is no variable lease cost and sublease income recognized in the consolidated financial statements of the Group.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

6. OPERATING LEASES – continued

The following is a maturity analysis as of December 31, 2021 and 2022:

	As of December 31,	
	2021	2022
	RMB	RMB
2022	75,134	—
2023	59,198	17,963
2024	22,577	8,201
2025	7,176	2,185
2026	—	—
Less: imputed interest	(16,871)	(2,096)
Total	<u>147,214</u>	<u>26,253</u>

The following table provides a summary of the Group's lease terms and discount rates for the years ended December 31, 2020, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
Weighted average remaining lease term (years)	3.04	2.60	1.60
Weighted average discount rate (percentage)	8.58	9.35	9.23

Supplemental information related to the Group's operating leases for the years ended December 31, 2020, 2021 and 2022 were as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Cash paid for operating leases	<u>70,458</u>	<u>94,641</u>	<u>36,383</u>

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.

7. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the followings:

	As of December 31,	
	2021	2022
	RMB	RMB
Rental deposits	5,674	2,910
Prepayment for purchase of property and equipment	7,886	1,632
Others	363	260
	<u>13,923</u>	<u>4,802</u>

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

8.ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The components of accrued expenses and other current liabilities were as follows:

	As of December 31,	
	2021	2022
	RMB	RMB
Salary and welfare payable	234,209	106,844
Accrued operating expenses	82,625	39,694
Payable for acquisitions of property and equipment	10,229	4,083
Other tax payable	8,973	2,013
Refund liabilities ⁽¹⁾	5,559	389
Payables for paid and promotional courses ⁽²⁾	50,698	—
	<u>392,293</u>	<u>153,023</u>

(1)Refund liabilities represented the estimated amounts of fee received for Other educational products and services that is estimated to be refunded as described in Note 2.

(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 tutoring services.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.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.

The vesting schedules under the 2020 Plan shall be determined by the plan administrator, which is specified in the relevant award agreements.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

The following table summarized the Group's share option activities for the year ended December 31, 2022:

	Number of options	Weighted average exercise price US\$	Weighted average remaining contract life	Weighted average grant date fair value US\$	Aggregate intrinsic value US\$
Outstanding as of January 1, 2022	34,759,959	0.20	7.36	0.30	3,210,349
Granted	10,280,000	0.0014	—	0.12	—
Forfeited	(6,019,585)	0.0014	—	2.46	—
Exercised	(4,402,853)	0.0100	—	2.52	—
Outstanding as of December 31, 2022	34,617,521	0.20	6.82	1.00	5,366,449
Vested and expect to vest as of December 31, 2022	34,617,521	0.20	6.82	1.00	5,366,449
Exercisable as of December 31, 2022	20,646,357	0.33	5.61	0.88	2,489,373

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 2020, 2021 and 2022 were as follows:

	For the years ended December 31		
Grant date	2020	2021	2022
Expected volatility	50.1%~50.9%	45.6%~50.2%	58.0%~59.0%
Risk-free interest rate	2.7%~3.2%	2.9%~3.1%	2.75%~2.84%
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	\$1.52~\$4.20	\$1.12~\$5.32	\$0.09~\$0.24

(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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

(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.

(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.

Repurchase of vested options

During 2020, the Company voluntarily repurchased employees' vested options upon the termination of their employment in cash. Those options were subsequently cancelled. Cash payments amounting RMB528 were made during the years ended December 31, 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 years ended December 31, 2021 and 2022.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

Modification of options

(1) Modification in March 2020

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 31, 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 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.

(2) Modification in February 2022

In February 2022, the Company's board of directors approved the accelerated vesting and continued vesting of the options previously granted to staff who left the Group, according to which, all remaining unvested portions of the options as of the date of the termination of their employment were allowed to vest immediately or vest continuously after change in their employment status.

The Company accounted for the above modifications as improbable to probable (Type

III) modifications as the staff who left the Group would have forfeited their awards upon termination of their employments under the original terms of the option agreements. The incremental cost related to those options is equal to the fair value of the modified awards on the modification date. This incremental compensation cost is recognized immediately upon the termination of employment or continuously vested and recognized after change in their employment status.

The total incremental cost as a result of the modification amounted to RMB3,750. The Company recorded compensation expense amounting to RMB2,638 related to this modification for the year ended December 31, 2022.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

The Group recorded compensation expense of RMB133,975, RMB101,303 and RMB58,880 for the years ended December 31, 2020, 2021 and 2022, respectively related to share options.

As of December 31, 2021 and 2022, the unrecognized compensation expense related to share options amounted to RMB280,092 and RMB251,842, respectively, which will be recognized over a weighted-average period of 3.46 years and 2.99 years, respectively.

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, 2022:

	Number of Restricted Shares	Grant date fair value per share US\$
Outstanding as of January 1, 2022	11,132,535	3.3
Granted	—	—
Vested	(5,678,981)	3.0
Forfeited	—	—
Outstanding as of December 31, 2022	<u>5,453,554</u>	<u>3.5</u>

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

Employee Benefit Trust – continued

The share-based compensation expenses recognized for these restricted shares held by the Shareholding Platform for the years ended December 31, 2020, 2021 and 2022, were RMB44,625, RMB93,911 and RMB70,678, respectively.

As of December 31, 2021 and 2022, the unrecognized compensation expense related to the restricted shares held by the Shareholding Platform amounted to RMB173,888 and RMB115,752, respectively, which will be recognized over a weighted-average period of 2.60 years and 1.53 years, respectively.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

9.SHARE-BASED COMPENSATION – continued

Restricted shares to Mr. Andy Chang LIU, the founder, chairman and Chief Executive Officer of the Group (the "Founder") – continued

(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 2020, 2021 and 2022 were RMB140,706, nil and nil, respectively. As of December 31, 2022, the Founder held no restricted shares.

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, 2020, 2021 and 2022 were as follows:

	For the years ended December 31		
	2020	2021	2022
Sales and marketing expenses	35,077	25,776	17,305
Research and development expenses	68,688	60,002	28,624
General and administrative expenses	252,273	109,436	83,629
	<u>356,038</u>	<u>195,214</u>	<u>129,558</u>

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

10. INCOME TAXES

Cayman Islands and the British Virgin Islands (“BVI”)

The Company and its subsidiaries and 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, 2020, 2021 and 2022.

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. According to the Hong Kong regulations, Hong Kong entities are subject to a two-tiered income tax rate for taxable income earned in Hong Kong with effect from April 1, 2018. The first HK\$2 million of profits earned by HK entity will be taxed at 8.25%, while the remaining profits will continue to be taxed at the existing 16.5% tax rate. In addition, to avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Considering HK entities were in accumulated loss position, they did not apply to the two-tier tax rates. 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 2020, 2021 and 2022.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

10. INCOME TAXES – continued

PRC

The Company's subsidiary, 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 2022 to 2024 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, 2020, 2021 and 2022, respectively.

The principal components of deferred taxes were as follows:

	As of December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Deferred tax assets			
Advertising expenses carrying forwards	24,202	24,485	24,859
Accrued expenses	12,142	13,757	—
Impairment for prepaid expenses and other current assets	—	—	647
Expected Credit Loss	—	—	277
Impairment for property and equipment, right-of-use assets and rental deposits	—	11,140	—
Depreciation of property and equipment	388	775	—
Net operating loss carrying forwards	724,597	1,017,664	1,054,013
Total deferred tax assets	761,329	1,067,821	1,079,796
Less: valuation allowance	(761,329)	(1,067,821)	(1,079,796)
Deferred tax assets, net	—	—	—

As of December 31, 2022, the Group had net operating loss carried forward of RMB4,721,883 from the Group's PRC entities, which will expire on various dates from

December 31, 2022 to December 31, 2032.

F-45

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

10. INCOME TAXES – continued

PRC – continued

The reconciliation of the effective tax rate and the statutory income tax rate applicable to PRC operations was as follow:

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Loss before provision for income taxes	(1,339,908)	(1,441,913)	(177,872)
Income tax benefit computed at an applicable tax rate of 25%	(334,977)	(360,478)	(44,468)
Effect of non-deductible expenses	11,540	5,083	6,980
Effect of research and development expenses super deduction	(24,037)	(19,199)	(6,698)
Effect of preferential tax rate	18,513	50,248	28,615
Effect on tax rates in different tax jurisdictions	80,928	17,854	3,596
Change in valuation allowance	248,033	306,492	11,975
	<u>—</u>	<u>—</u>	<u>—</u>

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, 2022.

The movements of valuation allowance for the years end December 31, 2021 and 2022 were as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Balance at beginning of the period	513,296	761,329	1,067,821
Additions	248,033	306,492	11,975

Balance at end of the period	1,067,82	1,079,79
	<u>761,329</u>	<u>1</u>
		<u>6</u>

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2021 and 2022.

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, 2020, 2021 and 2022.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

10. INCOME TAXES – continued

PRC – continued

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%.

11. ORDINARY SHARES

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.

During the year ended December 31, 2022, 10,081,834 Class A ordinary shares were issued in relation to the share-based compensation.

On November 1, 2021, the Company's Board of Directors approved a share repurchase program under which the Company was authorized to repurchase up to US\$10,000 of its Class A ordinary shares in the form of ADSs over the following 12 months. No shares were repurchased during the year ended December 31, 2021. On September 29, 2022, the Company's Board of Directors authorized another share repurchase program, under which the Company was authorized to repurchase up to US\$10,000 of its Class A

ordinary shares in the form of ADSs over the 12 months starting from November 2, 2022. During the year ended December 31, 2022, the Company repurchased 3,067,820 ADSs (equivalent to 30,678,200 Class A ordinary shares) at a total consideration of RMB33,948. The total par value of the repurchased shares was recorded as treasury stock on the consolidated balance sheets as of December 31, 2022, and the difference between the par value and the amount of cash paid was recorded in additional paid-in capital.

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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

12.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,		
	2020	2021	2022
	RMB	RMB	RMB
Numerator:			
Net loss attributable to ordinary shareholders	(4,177,899)	(1,441,913)	(177,872)
Denominator:			
Weighted average ordinary shares outstanding used in computing basic and diluted net loss per share	93,503,437	494,055,703	502,801,926
Basic and diluted loss per share	<u>(44.68)</u>	<u>(2.92)</u>	<u>(0.35)</u>

For the years ended December 31, 2020, 2021 and 2022, 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,		
	2020	2021	2022
Shares issuable upon exercise of share options	55,825,379	46,558,578	38,654,688
Shares issuable upon vesting of restricted shares	9,272,591	14,430,689	8,315,206

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

13.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 RMB100,957, RMB219,884 and RMB64,908 for the years ended December 31, 2020, 2021 and 2022, respectively.

14.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, 2021 and 2022 are disclosed in Note 6.

Contingencies

On July 19, 2022, the Company and certain of its officers and directors were named as defendants in a putative securities class action filed on July 19, 2022 in the U.S. District Court for the Central District of California. The action was brought on behalf of a class of persons who allegedly suffered damages caused by the alleged misstatements and omissions in the Company's IPO prospectus and registration statement, allegedly in violation of the Sections 11, 12(a)(2) and 15 of the U.S. Securities Act of 1933. On November 18, 2022, the case was transferred to the U.S. District Court for the Southern District of New York. The Company filed its motion to dismiss the Complaint on March 31, 2023.

This case remains in the preliminary stage and the likelihood of any unfavorable outcome or the amount or range of any potential loss associated with the resolution of this lawsuit cannot be reasonably estimated. Therefore, no accrual for contingency loss was recognized in the consolidated statements of operations.

From time to time, the Group may be subject to other 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
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

15.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.

16.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.

17 EDUCATION & TECHNOLOGY GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 and 2022
(In thousands of RMB and USD, except for share and per share data, or otherwise noted)

16.RESTRICTED NET ASSETS – continued

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 RMB4,117,308 and RMB 4,180,697, as of December 31, 2021 and 2022, 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,		
	2021	2022	2022
	RMB	RMB	USD
			(Note 3)
ASSETS			
Current assets			
Cash and cash equivalents	597,522	493,201	71,507
Amounts due from subsidiaries	733,763	788,947	114,387
Prepaid expenses and other current assets	—	3,750	544
Total current assets	1,331,285	1,285,898	186,438
TOTAL ASSETS	1,331,285	1,285,898	186,438
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accrued expenses and other current liabilities	59	3,437	498
Amounts due to subsidiaries	—	29,781	4,318
Total current liabilities	59	33,218	4,816
Non-current liabilities			
Deficits of investments in subsidiaries, VIEs and VIEs' subsidiaries	534,190	493,817	71,597
Total non-current liabilities	534,190	493,817	71,597
TOTAL LIABILITIES	534,249	527,035	76,413
SHAREHOLDERS' EQUITY			
Class A ordinary shares (par value of USD0.0001 per share; 1,300,000,000 shares authorized as of December 31, 2021 and 2022; 449,578,517 and 428,982,151 shares issued and outstanding as of December 31, 2021 and 2022, respectively)			
	293	300	43
Class B ordinary shares (par value of USD0.0001 per share; 100,000,000 shares authorized as of December 31, 2021 and 2022; 58,453,168 shares issued and outstanding as of December 31, 2021 and 2022)			
	38	38	6
Treasury stock	—	(21)	(3)
Additional paid-in capital	10,859,107	10,954,822	1,588,300
Accumulated other comprehensive income	18,691	62,689	9,089
Accumulated deficit	(10,081,093)	(10,258,965)	(1,487,410)
TOTAL SHAREHOLDERS' EQUITY	797,036	758,863	110,025
TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY	1,331,285	1,285,898	186,438

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 3)
Sales and marketing expenses	(35,077)	(25,776)	(17,305)	(2,509)
Research and development expenses	(68,688)	(60,002)	(28,646)	(4,153)
General and administrative expenses	(257,873)	(118,816)	(103,120)	(14,951)
Total operating expenses	(361,638)	(204,594)	(149,071)	(21,613)
Loss from operations	(361,638)	(204,594)	(149,071)	(21,613)
Interest income	1,045	3,991	5,580	809
Foreign currency exchange gain (loss)	1,699	11	(5)	(1)
Loss before provision for income tax	(358,894)	(200,592)	(143,496)	(20,805)
Income tax expenses	—	—	—	—
Loss from investment in subsidiaries	(981,014)	(1,241,321)	(34,376)	(4,983)
Net loss	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Accretion of convertible redeemable preferred shares	(2,837,991)	—	—	—
Net loss available to ordinary shareholders of 17 Education & Technology Group Inc.	(4,177,899)	(1,441,913)	(177,872)	(25,788)

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 3)
Net loss	(1,339,908)	(1,441,913)	(177,872)	(25,788)
Other comprehensive (loss) income, net of tax of nil:				
Change in cumulative foreign currency translation adjustments	(38,602)	(30,923)	43,998	6,379
Total comprehensive loss	(1,378,510)	(1,472,836)	(133,874)	(19,409)

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	USD
				(Note 3)
Net cash used in operating activities	(4,214)	(3,979)	(23,206)	(3,365)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investments in subsidiaries	(1,024,607)	(1,478,469)	(63,328)	(9,182)
Loans to Group companies	—	—	(55,184)	(8,001)
Net cash used in investing activities	(1,024,607)	(1,478,469)	(118,512)	(17,183)
CASH FLOWS FROM FINANCING ACTIVITIES:				
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)	—	—
Borrowings under loan from Group companies	—	—	29,781	4,318
Proceeds from exercise of share options	—	10,508	91	13
Repurchase and cancellation of vested options	(528)	—	—	—
Repurchase of ordinary shares	—	—	(33,948)	(4,922)
Proceeds from issuance of Series F convertible redeemable preferred shares	849,528	—	—	—
Net cash generated from (used in) financing activities	2,882,226	4,905	(4,076)	(591)
Effect of exchange rate changes	(35,401)	(33,517)	41,473	6,013
Net increase (decrease) in cash and cash equivalents	1,818,004	(1,511,060)	(104,321)	(15,126)
Cash and cash equivalents at beginning of the year	290,578	2,108,582	597,522	86,633

Cash and cash equivalents at end of the year	2,108,58 2	597,522	493,201	71,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F-55

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 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 31, 2022 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.8972 representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2022. 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, 2022, or at any other rate.

