

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 February 28, 2023.
- 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: 001-38264

Four Seasons Education (Cayman) 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)

Room 1301, Zi'an Building
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At the address of the Company set forth above

(Name, Telephone, E-mail 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 one representing ten ordinary shares, par value US\$0.0001 per share*	FEDU	New York Stock Exchange

*Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares

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

None

(Title of Class)

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

None

(Title of Class)

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

21,189,215 ordinary shares, par value US\$0.0001 per share, as of February 28, 2023

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 "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer
Emerging growth company

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 used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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

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

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

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires:

- “Four Seasons,” “we,” “us,” “our company,” “the Company,” and “our” refer to the Parent and its subsidiaries;
- “parent” refers to Four Seasons Education (Cayman) Inc., a Cayman Islands holding company;
- “shares” or “ordinary shares” refer to our ordinary shares, par value US\$0.0001 per share;
- “variable interest entities” or “VIEs” refers to Shanghai Luoliang Network Technology Co., Ltd. (formally known as Shanghai Four Seasons Education and Training Co., Ltd.) and Shanghai Four Seasons Education Investment Management Co., Ltd, and their subsidiaries, which are PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP as we have effective control over, and are the primary beneficiary of these entities. Our reference to control over the VIEs and their subsidiaries and our position of being the primary beneficiary of the VIEs and their subsidiaries for the accounting purposes are strictly in the context of the conditions that we met for consolidation of the VIEs under U.S. GAAP. Such conditions include that (i) we have the power to govern the activities which most significantly impact the VIEs and their subsidiaries’ economic performance, (ii) we are contractually obligated to absorb losses of the VIEs and their subsidiaries that could potentially be significant to the VIEs and their subsidiaries, and (iii) we are entitled to receive benefits from the VIEs and their subsidiaries that could potentially be significant to the VIEs and their subsidiaries. Only if we meet the aforementioned conditions for consolidation of the VIEs and their subsidiaries under U.S. GAAP, we will be deemed as the primary beneficiary of the VIEs and their subsidiaries, and the VIEs and their subsidiaries will be consolidated in our consolidated financial statements for accounting purposes;
- “gross billings” refer to the total amount of cash received for the sale of courses in a specific period, net of the total amount of refunds in such period but inclusive of sales tax and value-added tax, or VAT;
- “K-12” refers to the three years before the first grade through the last year of high school;
- “K9 Academic AST Services” refers to the offering of academic subjects to students from kindergarten through grade nine;
- “learning center” refers to the physical establishment of a learning facility at a specific geographic location, directly owned and operated by one of the VIEs;
- “study camp” refers to our planned physical establishment of a facility catering for certain immersive enrichment activities at a specific geographic location open to group or individual learners at all age;
- “the 2021 fiscal year” refers to the fiscal year ended February 28, 2021, “the 2022 fiscal year” refers to the fiscal year ended February 28, 2022, and “the 2023 fiscal year” refers to the fiscal year ended February 28, 2023;
- “ADSs” refer to our American depositary shares, each one representing ten ordinary shares;
- “China” or “PRC” refers to the People’s Republic of China, including Hong Kong, Macau and Taiwan; the only instances in which Hong Kong, Macau and Taiwan are not included in the definition of “China” or “PRC” is when we reference specific laws and regulations that have been adopted by the People’s Republic of China and other legal and tax matters related to the People’s Republic of China;
- “PRC government” or “State” refers to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them;
- “RMB” and “Renminbi” refers to the legal currency of China; and
- “US\$,” “U.S. dollars,” “\$” and “dollars” refer to the legal currency of the United States.

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

This annual report on Form 20-F includes our audited consolidated balance sheets as of February 28, 2022 and 2023 and our audited consolidated statements of operations, statements of comprehensive loss, statements of cash flows and statements of changes in shareholders’ equity for the years ended February 28, 2021, 2022 and 2023.

Our reporting currency is the Renminbi (“RMB”). The functional currency of our Company and subsidiaries incorporated outside the mainland China is the United States dollar (“U.S. Dollar” or “US\$”). The functional currency of all the other subsidiaries and the VIEs is RMB. This annual report contains translations of certain Renminbi amounts into U.S. Dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. Dollars have been made at the rate of RMB6.9325 to US\$1.00, being the noon buying rate in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York in effect as of February 28, 2023 set forth in the H.10 statistical release of the U.S. Federal Reserve Board for translation into U.S. Dollars. We make no representation that the Renminbi or U.S. Dollar amounts referred to in this annual report 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.

We listed our ADSs on the NYSE under the symbol “FEDU” on November 8, 2017.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information — D. Risk Factors,” that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

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

- government policies and regulations relating to our industry;
- our goals and strategies;
- our ability to maintain and increase our learner enrollment;
- our ability to continue to offer new and attractive courses and increase our course fees;
- our ability to retain our teachers, as well as our ability to engage and train new teachers;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- growth of and trends of competition in our industry;
- our expectation regarding the use of proceeds from our initial public offering; and
- general economic and business conditions in the PRC.

You should read this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. 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 any forward-looking statements, whether as a result of new information, future events or otherwise.

This annual report also contains statistical data and estimates that we obtained from industry publications and reports generated by government or third-party providers of market intelligence. Statistical data in these publications also include projections based on a number of assumptions. If one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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

Four Seasons Education (Cayman) Inc. is not an operating company in the People's Republic of China ("China" or "PRC"), but a Cayman Islands holding company which does not conduct operations and has no equity ownership in the VIEs. PRC laws and regulations place certain restrictions on direct foreign investment ownership of China-based companies, and also places separate restrictions on foreign investment in the private education businesses. Accordingly, we conduct operations in the PRC principally through contractual arrangements among (i) our WFOE, namely Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi, (ii) variable interest entities consolidated under U.S. GAAP, or the VIEs, namely Shanghai Luoliang Network Technology Co., Ltd. (formally known as Shanghai Four Seasons Education Training Co., Ltd.) and Shanghai Four Seasons Education Investment Management Co., Ltd., limited liability companies established under PRC law, and their subsidiaries, and (iii) the shareholders of the VIEs, which provides investors with exposure to foreign investment in the Chinese operating companies. Net revenues contributed by the VIEs accounted for 100%, 100% and 97.6% of our net revenues in the fiscal years ended February 28, 2021, 2022 and 2023, respectively. As used in this annual report, "we," "us," "our company," and "our" refers to the Parent, a Cayman Islands company, and its subsidiaries. The VIEs are consolidated for accounting purposes when describing the consolidated financial information. Investors of our ADSs are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in the Parent, a holding company incorporated in the Cayman Islands, and may never hold equity interests in the VIEs.

Our reference to control over the VIEs and our position of being the primary beneficiary of the VIEs for the accounting purposes are strictly in the context of the conditions that we met for consolidation of the VIEs under U.S. GAAP. Such conditions include that (i) we have the power to govern the activities which most significantly impact the VIEs' economic performance, (ii) we are contractually obligated to absorb losses of the VIEs that could potentially be significant to the VIEs, and (iii) we are entitled to receive benefits from the VIEs that could potentially be significant to the VIEs. Only if we meet the aforementioned conditions for consolidation of the VIEs under U.S. GAAP, we will be deemed as the primary beneficiary of the VIEs, and the VIEs will be consolidated in our consolidated financial statements for accounting purposes.

WFOE has entered into the following contractual arrangements with the VIEs and their shareholders, that enable the Company to (i) have power to direct the activities that most significantly affect the performance of the VIEs, and (ii) receive the benefits of the VIEs that could be significant to the VIEs. The Company is fully and exclusively responsible for the management of the VIEs, absorbs all risk of losses of the VIEs, and has the exclusive right to exercise all voting rights of the VIE shareholders. Therefore, the Company, through its WFOE, Shanghai Fuxi, has been determined to be the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities and cash flows in the Company's consolidated financial statements.

In the opinion of Fangda Partners, our PRC counsel:

- the ownership structure of Shanghai Fuxi and the VIEs do not violate applicable PRC laws and regulations currently in effect; and

- the contractual arrangements between Shanghai Fuxi, the VIEs and their respective shareholders governed by PRC law currently are valid and binding. However, we have been advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC legal counsel. Especially, on July 24, 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Double Alleviating Opinions, which prohibits foreign investors from investing into after-school tutoring institutions providing tutoring service related to academic subjects in compulsory education stage, including through variable interest entity structure. Despite that rules and regulations have been promulgated in connection with the scope of academic subjects in compulsory education stage, it remains unclear, and subject to relevant governmental authorities' discretion, as to whether the products and services we offer fall into the scope of academic subjects of compulsory education stage. Based on our consultation with relevant governmental authorities, we ceased offering the K9 Academic AST Services in mainland China at the end of 2021, and believe that the remaining products and services we currently offer do not constitute "tutoring service related to academic subjects of compulsory education stage" and thus not subject to the above restrictions. However, there can be no assurance that we will not be subject to penalties for historical violation, or the interpretation and implementation of relevant governmental authorities will not change in the future. Additionally, on April 7, 2021, the State Council promulgated the Amended Implementation Rules for Private Education Law, which took effective on September 1, 2021. The Amended Implementation Rules for Private Education Law stipulates that related party transactions to which a private school is a party would be required to be concluded on a fair and just basis without impediment to the interests of the state, the school, the teachers and the students, which could potentially impact our contractual arrangements with the VIEs. Please see "—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

A series of contractual agreements, including exclusive business service agreements, exclusive call option agreement, equity pledge agreement, shareholder voting rights proxy agreement and irrevocable power of attorney, and spousal consent letter by and among our WFOE, the VIEs and their respective shareholders. These contractual agreements include:

Exclusive Service Agreement

Pursuant to the exclusive service agreement, Shanghai Fuxi has the exclusive right to provide or designate any third party to provide technical services and management and consulting services to the VIEs. In exchange, the VIEs pay annual service fees to Shanghai Fuxi in an amount at Shanghai Fuxi's discretion. Without the prior written consent of Shanghai Fuxi, the VIEs cannot accept services provided by or establishing similar corporation relationship with any third party. Shanghai Fuxi owns the exclusive intellectual property rights created as a result of the performance of this agreement unless otherwise provided by PRC laws or regulations. The agreement will remain effective unless terminated upon the full exercise of call option in accordance with the exclusive call option agreement or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance. Unless otherwise required by applicable PRC laws, the VIEs do not have any right to terminate the exclusive service agreement.

Exclusive Call Option Agreement

Pursuant to the call option agreement, the shareholders of the VIEs unconditionally and irrevocably granted Shanghai Fuxi or its designated third party exclusive call options to purchase from the shareholder part or all of its equity interests in the VIEs, as the case may be, at the nominal price or for the minimum amount of consideration permitted by the applicable PRC laws and regulations. Such shareholder will not grant a similar right or transfer any of the equity interests in the VIEs to any party other than Shanghai Fuxi or its designee, nor will it pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. Shanghai Fuxi has sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The agreement will remain effective unless terminated upon the full exercise of call option or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance.

Equity Pledge Agreement

Pursuant to the equity pledge agreement, the shareholders of the VIEs unconditionally and irrevocably pledged all of its equity interests in the VIEs to Shanghai Fuxi, to respectively guarantee the performance of the VIEs of their obligations under the relevant contractual agreements. Should the VIEs or their shareholder breach or default under any of the contractual arrangements, Shanghai Fuxi has the right to require the transfer of the pledged equity interests to itself or its designee, to the extent permitted by PRC law, or require an auction or sale of the pledged equity interests and has priority in any proceeds from the auction or sale of such pledged interests. Moreover, Shanghai Fuxi has the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge. Without the prior written consent of Shanghai Fuxi, the shareholders of the VIEs shall not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Shanghai Fuxi's interest. Unless the VIEs have fully performed all of their obligations in accordance with the contractual agreements, or the pledged equity interests have been fully transferred to Shanghai Fuxi or its respective designee in accordance with the exclusive call option agreement, or unilaterally terminated by Shanghai Fuxi with a 30-day prior notice, the equity interest pledge agreement will continue to remain in effect.

The shareholders of the VIEs have registered the equity pledge in favor of Shanghai Fuxi with the local counterpart of the State Administration for Industry and Commerce in accordance with PRC laws and regulations.

Shareholder Voting Rights Proxy Agreement and Irrevocable Power of Attorney

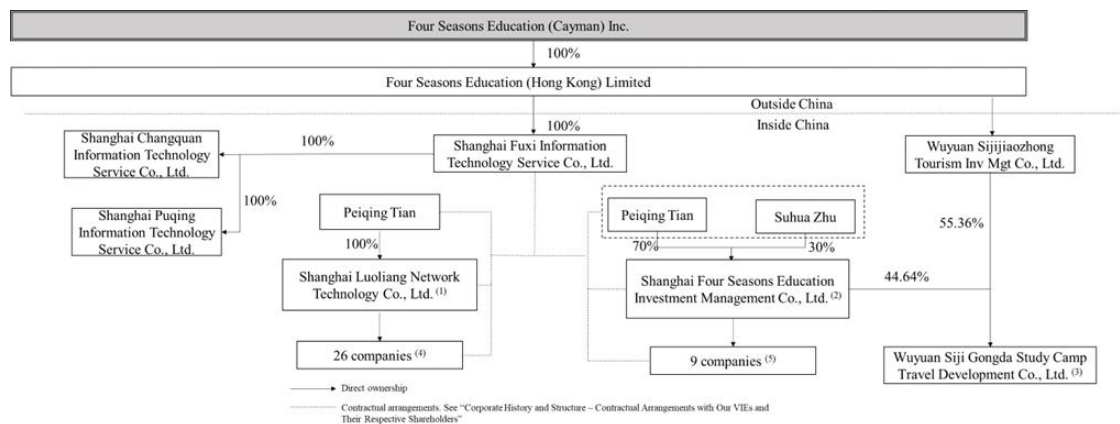
The shareholders of the VIEs have each executed a shareholder voting rights proxy agreement appointing Shanghai Fuxi, or any person designated by Shanghai Fuxi, as their proxy to act for all matters pertaining to such shareholding and to exercise all of their rights as shareholders, including but not limited to attending shareholders' meetings and designating and appointing directors, supervisors, the chief executive officer and other senior management members, and selling, transferring, pledging or disposing the equity interests of the VIEs. Shanghai Fuxi may authorize or assign its rights to any other person or entity at its sole discretion without prior notice to or prior consent from the shareholders of the VIEs. The agreement will remain effective unless Shanghai Fuxi terminates the agreement by written notice or terminated upon the full exercise of call option in accordance with the exclusive call option agreement.

Spousal Consent Letter

Pursuant to the spousal consent letter executed by the spouse of the shareholders of our VIEs, each of such spouse unconditionally and irrevocably agreed to the execution of exclusive service agreement, exclusive call option agreement, shareholder voting rights proxy agreement and irrevocable power of attorney and equity pledge agreement described above by the applicable shareholder. They further undertakes not to make any assertions in connection with the equity interests of the VIEs held by the applicable shareholder, and confirm that the shareholder can perform the relevant transaction documents described above and further amend or terminate such transaction documents without the authorization or consent from such spouse. The spouse of each applicable shareholder agrees and undertakes that if he/she obtains any equity interests of the VIE held by the applicable shareholder for any reasons, he/she would be bound by the transaction documents described above and the amended and restated exclusive service agreement between Shanghai Fuxi and the VIE. The valid term of spousal consent letter is same as the term of the exclusive call option agreement.

Terms contained in each set of contractual arrangements with the VIEs and their respective shareholders are substantially similar. As a result of the contractual arrangements, we have effective control over and are considered the primary beneficiary of the VIEs for accounting purposes, and we have consolidated the financial results of the VIEs in our consolidated financial statements.

The following diagram sets out details of our significant subsidiaries and VIEs as of February 28, 2023:



- (1) Mr. Peiqing Tian holds 100% equity interest in Shanghai Luoliang Network Technology Co., Ltd.
- (2) Mr. Peiqing Tian and Ms. Suhua Zhu, hold 70% and 30% equity interests in Shanghai Four Seasons Education Investment Management Co., Ltd., respectively.
- (3) Wuyuan Sijijiaozhong Tourism Inv Mgt Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd., hold 55.36% and 44.64% equity interests in Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd., respectively.
- (4) 26 companies that operate in the fields including educational tourism and planning, non-academic tutoring, faculty training, investment management, and management consulting.
- (5) Nine companies that operate in the fields including educational technology, tourism, educational management, study trip development, culture development, corporate management, and publications.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and there can be no assurance that the PRC government will take a view that is not contrary to or otherwise different from the opinion of our PRC counsel. Control through these contractual arrangements may be less effective than direct ownership, and we could face heightened risks and costs in enforcing these contractual arrangements due to these substantial uncertainties. These contractual arrangements have not been tested in a court of law. If the PRC government finds these contractual arrangements non-compliant with the restrictions on direct foreign investment in the relevant industries, or if the relevant PRC laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties, including being prohibited from continuing operations, which could materially and adversely affect us and the VIEs' business, financial condition, and results of operations, and/or the value of our ADSs or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, if any of these events causes us unable to direct the activities of the VIEs or lose the right to receive their economic benefits, we may not be able to consolidate the VIEs into our consolidated financial statements in accordance with U.S. GAAP, which could cause the value of our ADSs to significantly decline or become worthless. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Our business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties." and "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

Furthermore, if the VIEs or their shareholders fail to perform their obligations under the contractual arrangements, we may be limited in our ability to enforce such contractual arrangements that give us effective control. If we are unable to maintain effective control over the VIEs, we would not be able to continue to consolidate their financial results in our consolidated financial statements. In the 2021, 2022 and 2023 fiscal years, substantially all of our revenue was derived from the operations of the VIEs. We rely on dividends and other distributions paid to us by our WFOE, Shanghai Fuxi, which in turn depends on the service fees paid to Shanghai Fuxi by the VIEs. There are significant PRC legal restrictions on the payment of dividends by PRC companies and restrictions on foreign exchange control and foreign investments, all of which may adversely affect our ability to access the revenue of Shanghai Fuxi and the VIEs. In the 2023 fiscal year, Shanghai Fuxi received service fees of RMB1.3 million (US\$0.2 million) from the VIEs and did not distribute any dividends. Notwithstanding our business decisions to continue to invest and expand our PRC operations and launching new programs, our WFOE may receive service fees from the VIEs or make distributions to us in the future.

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, regulations on the use of variable interest entities, and oversight on cybersecurity and data privacy, as well as the lack of inspection on our auditors by the Public Company Accounting Oversight Board, or the PCAOB, which may impact our ability to conduct certain businesses, accept foreign investments, or list and conduct offerings on a United States or other foreign exchange. These risks could subject us and the VIEs to severe penalties, including being prohibited from continuing operations, which could materially and adversely affect us and the VIEs' business, financial condition, and results of operations, and/or the value of our ADSs, or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of our ADSs to significantly decline or become worthless. For a detailed description of risks related to doing business in China, "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC."

The 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 in this nature may cause the value of such securities to significantly decline or become worthless. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — The PRC government's oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs."

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

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

On June 30, 2020, the Standing Committee of the National People’s Congress of the PRC, or the SCNPC promulgated the Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region, or the Law of PRC on Safeguarding National Security in Hong Kong, the interpretation of which involves a degree of uncertainty. The PRC government has also announced recently that it would step up supervision of overseas listed PRC businesses, and check sources of funding for securities investment and control leverage ratios. The PRC government has also opened a probe into several U.S.-listed technology companies focusing on anti-monopoly, financial technology regulation and more recently, with the passage of the PRC Data Security Law, how companies collect, store, process and transfer personal data. Currently these laws (other than the Law of the PRC on Safeguarding National Security in Hong Kong) are expected to apply to China domestic businesses, rather than businesses in Hong Kong which operate under a different set of laws from China. However, there can be no assurance that the government of Hong Kong will not enact similar laws and regulations applicable to companies operating in Hong Kong. For example, the PRC government may pressure the government of Hong Kong to enact similar laws and regulations to those in the PRC, which may seek to exert control over offerings conducted overseas by Hong Kong companies. If any or all of the foregoing were to occur, and if our Hong Kong subsidiary elects to carry out substantive business activities in the future, it could lead to a material adverse change in our operations and limit or hinder our ability to offer securities to overseas investors or remain listed in the United States, which could cause the value of our ADSs to significantly decline or become worthless. As of the date of this annual report, our Hong Kong subsidiary has not received any inquiry or notice or any objection from any PRC authority or Hong Kong authority. See “Risk Factors — Risks Related to Doing Business in China — Implementation of the Law of the PRC on Safeguarding National Security in Hong Kong involves uncertainty, and the recent policy pronouncements by the PRC government regarding business activities of U.S.-listed PRC businesses may negatively impact our existing and future operations in Hong Kong.”

Permissions Required from the PRC Authorities for Our Operations and those of the VIEs

Four Seasons Education (Cayman) Inc. is a holding company with no operations of its own. We conduct business primarily through our subsidiaries and the VIEs in China. Our operations and those of the VIEs in China are governed by PRC laws and regulations. As part of the efforts to fully comply with the Opinion and applicable rules, regulations and measures, we ceased offering the K9 Academic AST Services in PRC at the end of 2021, spun off some of the subsidiaries engaged in K9 Academic AST Services and stopped to renew our Permits for Operating Private School. As of the date of this annual report, all our PRC subsidiaries and the VIEs have obtained business license, both two learning centers, Shanghai Huangpu Fantasy Further Education School, and Chongqing Jingzhan Technology Training Center Co., Ltd., have obtained Permits for Operating Private School and fire safety permits, one subsidiary of a VIE, Shanghai Huashi Oriental Digital Publishing Co., Ltd., has obtained the permit for Operating Publications Business, Shanghai Jiahe International Travel Service Co. Ltd. has obtained the Travel Agency Business Operation License, and one of the VIEs, Shanghai Luoliang Network Technology Co., Ltd., has obtained the filing certificate of Information System Security Level Protection. As such, based on the advice of our PRC counsel, Fangda Partners, we believe our PRC subsidiaries and the VIEs have obtained all of the requisite licenses and permits from the PRC government authorities that are necessary for the business operations and our Cayman holding company does not need to obtain any licenses or permits from the PRC government authorities as it has no business operation in PRC.

Furthermore, in connection with our issuance of securities to foreign investors in the past, under current PRC laws, regulations, and rules, as of the date of this annual report, we, our PRC subsidiaries, and the VIEs (i) have not been required to obtain permissions from or complete filings with the China Securities Regulatory Commission, or the CSRC, (ii) have not been required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or have not been denied such requisite permissions by the CSRC or the CAC. Our PRC counsel, Fangda Partners, has consulted the relevant government authorities, which acknowledged that, under the currently effective PRC laws and regulations, a company already listed in a foreign stock exchange before promulgation of the latest Cybersecurity Review Measures is not required to go through a cybersecurity review by the CAC to conduct a securities offering or maintain its listing status on the foreign stock exchange on which its securities have been listed. Therefore, we believe that under the currently effective PRC laws and regulations, our holding company, PRC subsidiaries and the VIEs are not required to go through a cybersecurity review by the CAC for conducting a securities offering or maintain our listing status on the NYSE. Since the Cyber Data Security Draft are still a draft for comments, the Cyber Data Security Draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which became effect on March 31, 2023. The Overseas Listing Trial Measures regulates both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, the principle of "substance over form" shall be followed when determining whether an offering and listing shall be deemed as an indirect overseas offering and listing by a PRC domestic company and if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer shall be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in the PRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. On the same day, the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by the Domestic Enterprises, or the Notice on Overseas Listing Measures. According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date on which the Overseas Listing Measures will become effective, such as our company, are not required to make any immediate filing. However, such issuers will be required to comply with the filing requirements under Overseas Listing Measures if and when they pursue any future securities offerings and listings outside of mainland China, including but not limited to follow-on offerings, secondary listings and going private transactions. If we fail to obtain required approval or complete other review or filing procedures, under the Overseas Listing Measures or otherwise, for any future securities offerings and listings outside of mainland China, including but not limited to follow-on offerings, secondary listings and going private transactions, we may face sanctions by the CSRC or other PRC regulatory authorities, including administrative penalties, such as order to rectify, warnings, fines or other actions that may materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. Given the substantial uncertainties surrounding the latest CSRC filing requirements and the CAC cybersecurity review requirements, and such regulations are subject to change, we cannot assure you that our holding company, PRC subsidiaries or the VIEs will be able to complete the filings and fully comply with the relevant new rules on a timely basis, if the CSRC, CAC or other government authorities later promulgate new rules or explanations requiring that we obtain their approvals for our future overseas offerings.

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 regulatory environment with respect to the industry that we have been operating in China is changing rapidly for the past years and therefore is subject to substantial uncertainties, according to the Double Alleviating Opinions, 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, however, as the date of this annual report, there has no research and academic study travel, learning technology and content solutions related implement rules or standards. As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, it is uncertain whether our research and academic study travel, learning technology and content solutions related business fall within the scope of business operations that require additional licenses or other licenses or permits, including without limitation the licenses and permits mentioned above and whether our subsidiaries and VIEs would be able to obtain and renew such approvals on a timely basis or at all. We have been closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with relevant laws and regulation. As of the date of this annual report, we have no outstanding written notice of warning from, or been subject to penalties imposed by, the relevant government authorities for alleged failure by us to obtain relevant licenses or other licenses or permits related to our research and academic study travel, learning technology and content solutions related business. If our holding company, PRC subsidiaries and the VIEs had inadvertently concluded that such approvals were not required, or if applicable laws, regulations or interpretations change in a way that requires us to obtain such approval in the future, our holding company, PRC subsidiaries and the VIEs may be unable to obtain such necessary approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could subject us to penalties, including fines, suspension of business and revocation of required licenses, 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. For more detailed information, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.”

The Holding Foreign Companies Accountable Act

The Holding Foreign Companies Accountable Act, or the HFCA Act, was signed into law on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, or the AHFCA Act, which was signed into law on December 29, 2022, amending the HFCA Act and requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.

On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCA Act, pursuant to which the SEC will identify a "Commission-Identified Issuer" if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction.

On December 16, 2021, the PCAOB issued a report ("PCAOB Determination Report") to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the "Protocol") with the CSRC and the Ministry of Finance ("MOF") of the People's Republic of China, governing inspections and investigations of audit firms based in mainland China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous PCAOB Determination Report to the contrary. However, whether the PCAOB will continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. The PCAOB is expected to continue to demand complete access to inspections and investigations against accounting firms headquartered in mainland China and Hong Kong in the future and states that it has already made plans to resume regular inspections in early 2023 and beyond. The PCAOB is required under the HFCA Act to make its determination on an annual basis with regards to its ability to inspect and investigate completely accounting firms based in the mainland China and Hong Kong. Should the PCAOB again encounter impediments to inspections and investigations in mainland China or Hong Kong as a result of positions taken by any authority in either jurisdiction, the PCAOB will make determinations under the HFCA Act as and when appropriate.

Our former auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte"), is an independent public accounting firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB. Deloitte issued the audit report for the fiscal year ended February 28, 2021, which is included elsewhere in this annual report. Our former auditor 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.

Our current auditor, Marcum Asia CPAs LLP (formerly Marcum Bernstein & Pinchuk LLP), or MarcumAsia, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. MarcumAsia, whose audit report is included in this annual report on Form 20-F, is headquartered in New York, New York, and is subject to inspection by the PCAOB on a regular basis. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCA Act for the fiscal year ended February 28, 2023 after we file our annual report on Form 20-F for such fiscal year.

However, recent developments with respect to audits of China-based companies create uncertainty about the ability of MarcumAsia to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities, as MarcumAsia's audit working papers related to us are located in China. We can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

Furthermore, these recent developments could also add uncertainties and we cannot assure you that the New York Stock Exchange ("NYSE") or regulatory authorities would not apply additional or more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — The PCAOB may be unable to inspect or fully investigate our auditors as required under the Holding Foreign Companies Accountable Act, or the HFCA Act. If the PCAOB is unable to conduct such inspections for two consecutive years beginning in 2021, the SEC will prohibit the trading of our ADSs. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections."

Summary of Risk Factors

Set forth below is only a summary of the principal risks associated with an investment in our shares. See below under this "Item 3. Key Information — D. Risk Factors" for a detailed discussion of the numerous risks and uncertainties to which the Company is subject.

Risks Related to Our Business

- If we are not able to develop new types of learning products, services or activities under the recent regulatory policies in China to successfully attract prospective learners and customers in a timely or cost-effective manner or to continue to attract learners and customers to purchase our existing products or services, our business, results of operations and prospects will continue to be materially and adversely affected.
- Failure to successfully design and execute our growth strategies may materially and adversely affect our business and prospects.
- The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.
- We may not be able to improve our current business to meet the demand of learners, customers and educational institutions on a timely basis and in a cost-effective manner. If the level of satisfaction of our learners, customers and educational institutions with our services declines, they may decide to withdraw from our programs and request refunds and our business, financial condition, results of operations and reputation would be adversely affected.
- Any damage to our brand or the reputation of any of our learning centers or study camps may adversely affect our overall business, prospects, results of operations and financial condition.
- Our business could be disrupted if we lose the services of members of our senior management team.
- We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.

- We may not be able to continue to recruit, train and retain qualified faculty members, who are critical to the success of our business and effective delivery of our services and products.
- Our historical financial and operating results, growth rates and profitability may not be indicative of future performance.
- If we fail to integrate or negotiate successfully any future acquisitions, our business and operating results could be materially and adversely affected.
- If we fail to obtain and maintain the licenses and permits required under uncertain regulatory environment in China, our business operations may be materially and affect.

- Some of our schools are restricted in their ability to distribute profits to their sponsors. The service arrangements between Shanghai Fuxi and our private schools may be regarded as circumventing this restriction.

Risks Related to Our Corporate Structure

- Our business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties.
- Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure and business operations.
- We rely on contractual arrangements with the VIEs and their respective shareholders in the form of private non-enterprise institutions for our operations in the PRC, which may not be as effective in providing control as direct ownership.
- Contractual arrangements between the VIEs and us may be subject to scrutiny by the PRC tax authorities and a finding that we or the VIEs owe additional taxes could materially reduce our net income and the value of your investment.
- If any of the VIEs becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy assets held by such entity, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Doing Business in the PRC

- Changes in PRC economy, or economic and political conditions or government policies in China, could have a material adverse effect on our business, financial conditions and results of operations. Substantially all of our business operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are influenced by economic, political and legal developments in China. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Changes in PRC economy, or economic and political conditions or government policies in China, could have a material adverse effect on our business, financial conditions and results of operations.”
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us. The PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. Changes in the policies, regulations, rules, and the enforcement of laws of the PRC government may be made quickly with little advance notice. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Uncertainties with respect to the PRC legal system could have a material adverse effect on us.”

- The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs. The PRC government has significant oversight and discretion over the operation of our business, and it may intervene or influence our operations, which could result in a material adverse change in our operation and the value of our ADSs. The PRC government has recently indicated an intent to exert more oversight over overseas offerings by and foreign investment in China-based issuers like us. It remains uncertain how PRC government authorities will regulate overseas listing in general and whether we are required to complete filing or obtain any specific regulatory approvals from the CSRC, CAC or any other PRC government authorities for our overseas offerings. If the CSRC, CAC or other government authorities later promulgate new rules or explanations requiring that we obtain their approvals for our future overseas offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.”
- Our business is subject to various evolving PRC laws and regulations regarding data privacy and cybersecurity. Failure of cybersecurity and data privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations. We routinely collect, store and use personal information and other data during the ordinary course of our business. If we are unable to protect the personal information and other data we collect, store and use from unauthorized access, use, disclosure, disruption, modification, or destruction, such problems or security breaches could cause a loss, give rise to our liabilities to the owners or subject of the information, or subject us to fines and other penalties. In addition, complying with various laws and regulations could cause us to incur substantial costs or require us to change our business practices, including our data practices, in a manner adverse to our business. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Our business is subject to various evolving PRC laws and regulations regarding data privacy and cybersecurity. Failure of cybersecurity and data privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.”

- If we fail to obtain and maintain the licenses and permits required under uncertain regulatory environment in China, our business operations may be materially and adversely affected. If the government authorities determine that our quality education and tutoring, non-academic tutoring, research and academic study travel, learning technology and content solutions related business fall within the scope of business operations that require additional licenses or other licenses or permits, including without limitation the licenses and permits mentioned above, we may not be able to obtain such licenses or permits on reasonable terms or in a timely manner or at all. Moreover, we may fail to maintain, renew or update any of our existing licenses, permits, approvals, registrations or filings in a timely manner and on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition. Besides, we may develop new business lines or make changes to the operations of certain of the current business of our PRC subsidiaries or the VIEs, which may require us to obtain additional licenses, approvals, permits, registrations and filings. However, there can be no assurance that we are, or will be, able to successfully obtain such licenses, approvals, permits, registrations and filings in a timely manner, or at all. Government authorities may also from time to time issue new laws, rules and regulations or enhance enforcement of existing laws, rules and regulations, which could also require us to obtain new and additional licenses, permits, approvals, registrations or filings. If we fail to obtain and maintain such required licenses and permit, as well as required registrations and filings, we may be subject to fines, legal sanctions or an order to suspend our online education services and our business, financial condition and operational results may be materially and adversely affected. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — If we fail to obtain and maintain the licenses and permits required under uncertain regulatory environment in China, our business operations may be materially and affect.”
- The PCAOB may be unable to inspect or fully investigate our auditors as required under the Holding Foreign Companies Accountable Act, or the HFCA Act. If the PCAOB is unable to conduct such inspections for two consecutive years beginning in 2021, the SEC will prohibit the trading of our ADSs. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections. For more details, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — The PCAOB may be unable to inspect or fully investigate our auditors as required under the Holding Foreign Companies Accountable Act, or the HFCA Act. If the PCAOB is unable to conduct such inspections for two consecutive years beginning in 2021, the SEC will prohibit the trading of our ADSs. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections.”

- Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us. We are a holding company and rely principally on dividends paid by our subsidiaries in the PRC. Current PRC regulations permit our subsidiaries in the PRC to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our learning centers that are private schools in the PRC is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. Furthermore, if our subsidiaries or the VIEs in the PRC incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, to the extent cash or assets in our business is in the PRC or Hong Kong or a PRC or Hong Kong entity, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our PRC subsidiaries, or the VIEs by the PRC government to transfer cash or assets. Cash may be transferred within our organization in the following manners: Under PRC laws, Four Seasons may, through its intermediary holding companies, 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. Any such restrictions or requirements may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us."
- Restrictions on currency exchange may limit our ability to receive and use our revenues effectively. Substantially all of our revenue is denominated in Renminbi. As a result, restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to fund any business activities we may have outside the PRC in the future or to make dividend payments to our shareholders and ADS holders in U.S. dollars. Under current PRC laws and regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and dividend distributions. However, Renminbi is not freely convertible for direct investment or loans or investments in securities outside the PRC, unless such use is approved by SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures. To the extent we need to convert and use any Renminbi-denominated revenue generated by the VIEs not paid to our PRC subsidiaries and revenue generated by our PRC subsidiaries not declared and paid as dividends, the limitations discussed above will restrict the convertibility of, and our ability to directly receive and use such revenue. As a result, our business and financial condition may be adversely affected. In addition, we cannot assure you that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi in the future, especially with respect to foreign exchange transactions. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Restrictions on currency exchange may limit our ability to receive and use our revenues effectively."

- Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us. We are a holding company and rely principally on dividends paid by our subsidiaries in the PRC. Current PRC regulations permit our subsidiaries in the PRC to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our learning centers that are private schools in the PRC is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. Furthermore, if our subsidiaries or the VIEs in the PRC incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, to the extent cash or assets in our business is in the PRC or Hong Kong or a PRC or Hong Kong entity, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our PRC subsidiaries, or the VIEs by the PRC government to transfer cash or assets. Cash may be transferred within our organization in the following manners: Under PRC laws, Four Seasons may, through its intermediary holding companies, 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. Any such restrictions or requirements may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us."

Risks Related to our Ordinary Shares and ADSs

- The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.
- Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Cash and Asset Flows through Our Organization

Four Seasons Education (Cayman) Inc. is a holding company with no operations of its own. We conduct operations in China primarily through our subsidiaries and the VIEs and their subsidiaries in China. As a result, although other means are available for us to obtain financing at the holding company level, the Parent's ability to pay dividends to the shareholders and to service any debt it may incur depends upon dividends paid by our PRC subsidiaries and license and service fees paid by the VIEs to the WFOE in accordance with the VIE agreement. The Parent, our subsidiaries, WFOE and the VIEs may also transfer cash to each other. 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 the Parent. In addition, to the extent cash or assets in our business is in the PRC or Hong Kong or a PRC or Hong Kong entity, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our PRC subsidiaries, or the VIEs by the PRC government to transfer cash or assets. Cash may be transferred within our organization in the following manners:

Under PRC laws, the Parent may, through its intermediary holding companies, 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. The VIEs may transfer cash to our WFOE and other subsidiaries ("Other Subsidiaries") as working capital support, or through service fees in accordance with the VIE agreement, and to the Parent through repayment of loans. The WFOE and Other Subsidiaries may also transfer cash to VIEs or other entities within our organization as working capital support.

For the details of the financial position, cash flows and results of operation of the VIEs, please refer to the "Item 3. Key information-Condensed Consolidating Schedule."

Our PRC subsidiaries and the 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. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. For more details, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Holding Company Structure”, “Item 3. Key Information — D. Risk Factors — Summary of Risk Factors — Risks Related to Doing Business in the PRC”, “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us, and “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.”

As of the date of this annual report, none of our WFOE, Other Subsidiaries, or the VIEs has made any dividends or other distributions to the Parent. On January 16, 2018, we declared dividends of US\$20 million to holders of our company’s ordinary shares of record as of February 1, 2018. The dividend was paid out of the proceeds from our initial public offering. Except for the foregoing, we have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the foreseeable future on our shares or ADSs.

Subject to the passive foreign investment company rules discussed in detail under “Item 10. Additional Information — E. Taxation — Passive Foreign Investment Company”, the gross amount of any distribution that we make to investors with respect to our ADSs or Class A ordinary shares (including any amounts withheld to reflect PRC or other withholding taxes) will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. The portion of such cash dividend, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. holder’s adjusted tax basis in the ADSs or Class A ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ADSs or Class A ordinary shares. As of the date of this annual report, Four Seasons Education (Cayman) Inc. is not a PRC resident enterprise for PRC tax purposes, and the payments of dividends in respect of our ordinary shares are not paid out of our current or accumulated earnings and profits, therefore the payments of dividend in respect of our ordinary share are not subject to PRC withholding tax. However, if we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Doing Business in China — Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.” For further discussion on PRC and United States federal income tax considerations of an investment in the ADSs, see “Item 10 — Additional Information — E. Taxation.”

For the years ended February 28, 2022, and 2023 the WFOE invested RMB2.0 million and nil to Other Subsidiaries as capital injection, respectively. For the year ended February 28, 2023, Parent invested RMB20.9 million to Other Subsidiaries.

For the year ended February 28, 2023, (i) our WFOE transferred RMB 0.3 million to Other Subsidiaries as working capital support, and RMB6.9 million to VIEs also as working capital support; (ii) the VIEs paid RMB1.3 million to our WFOE as service fee in accordance with VIE agreements, repaid working capital support of RMB10.5 million to WFOE and RMB0.6 million to our other subsidiaries; (iii) our Other Subsidiaries transferred RMB 0.3 million to the VIEs as working capital support, (iv) Parent transferred RMB 13.9 million to Other Subsidiaries as working capital support; (v) Other Subsidiaries transferred RMB 1.1 million to WFOE as working capital support, and repaid working capital support of RMB 48.0 million. For the year ended February 28, 2022, (i) our WFOE transferred RMB 0.2 million to Other Subsidiaries as working capital support, and RMB 16.6 million to VIEs also as working capital support; (ii) the VIEs paid RMB 20.8 million to our WFOE as service fee in accordance with VIE agreements; (iii) our Other Subsidiaries transferred RMB 1.2 million to the VIEs as working capital support. For the year ended February 28, 2021, the VIEs paid RMB 27.3 million to our WFOE as service fee in accordance with VIE agreements. Please see the condensed consolidating schedules set forth above and our consolidated financial statements within this annual report. We do not, at this time, intend to distribute earnings or settle amounts owed under the VIE Agreements. We currently do not have cash management policies in place that dictate how funds are transferred between the Parent, our subsidiaries and the VIEs. Rather, the funds can be transferred in accordance with the applicable PRC laws and regulations.

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:

	Calculation⁽¹⁾
Hypothetical pre-tax earnings ⁽²⁾	100.0 %
Tax on earnings at statutory rate of 25% ⁽³⁾	-25.0 %
Net earnings available for distribution	75.0 %
Withholding tax at standard rate of 10% ⁽⁴⁾	7.5 %
Net distribution to Parent/Shareholders	67.5 %

Note:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of the VIE agreements, our PRC subsidiaries may charge the VIEs for services provided to VIEs. These service fees shall be recognized as cost and expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries 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 PRC subsidiaries and are tax neutral.
- (3) Certain of our subsidiaries and VIEs qualify for a preferential income tax rate which is lower than the statutory rate of 25% in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, 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.

Condensed Consolidating Schedule

The following table presents the condensed consolidating schedule of financial position, results of operations and cash flows for the VIEs and other entities as of the dates presented.

In these tables, “Four Seasons” refers to Four Seasons Education (Cayman) Inc. (“Four Seasons”), the New York Stock Exchange listed company which is a Cayman exempted company. “WFOE” refers to Four Seasons’ wholly-owned Chinese subsidiary, Shanghai Fuxi. “Subsidiaries” refers to subsidiaries of Four Seasons other than the WFOE. “VIEs” refers to Shanghai Luoliang Network Technology Co., Ltd. (“Shanghai Luoliang”) and Shanghai Four Seasons Education Investment Management Co., Ltd. (“Four Seasons Investment”) and their subsidiaries.

	For the Year Ended February 28, 2021					
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Revenue ⁽¹⁾	—	18,353	—	280,282	(18,353)	280,282
Cost of revenue	—	—	—	(168,832)	—	(168,832)
Operating expenses ⁽¹⁾	(5,676)	(14,706)	(2,441)	(143,455)	18,353	(147,925)
Operating (loss) income	(5,676)	3,647	(2,441)	(32,005)	—	(36,475)
Subsidy income	—	78	95	11,725	—	11,898
Interest income, net	109	1,399	456	1,439	—	3,403
Other (expenses) income, net	2,546	(2,237)	3	1,588	—	1,900
(Loss) Income before income taxes and loss from equity method investments	(3,021)	2,887	(1,887)	(17,253)	—	(19,274)
Income tax (expense) benefit	—	873	—	(5,633)	—	(4,760)
Loss from investments in subsidiaries, VIEs and VIEs’ subsidiaries ⁽²⁾	(22,319)	—	—	—	22,319	—
Loss from equity method investment	(2,856)	—	—	(996)	—	(3,852)
Net (loss) income	(28,196)	3,760	(1,887)	(23,882)	22,319	(27,886)
Net income attributable to noncontrolling interest	—	—	—	310	—	310
Net (loss) income attributable to Four Seasons Education (Cayman) Inc.	(28,196)	3,760	(1,887)	(24,192)	22,319	(28,196)

For the Year Ended February 28, 2022

	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Revenue ⁽¹⁾	—	17,171	—	250,223	(17,171)	250,223
Cost of revenue	—	—	—	(149,615)	—	(149,615)
Operating expenses ⁽¹⁾	(4,373)	(13,289)	(2,104)	(164,227)	17,171	(166,822)
Operating (loss) income	(4,373)	3,882	(2,104)	(63,619)	—	(66,214)
Subsidy income	—	63	—	2,235	—	2,298
Interest income, net	—	1,743	191	1,296	—	3,230
Other (expenses) income, net	(730)	(1,138)	4	(1,637)	—	(3,501)
Gain from disposal of liabilities and a subsidiary	—	—	—	4,048	—	4,048
(Loss) Income before income taxes and loss from equity method investments	(5,103)	4,550	(1,909)	(57,677)	—	(60,139)
Income tax (expense) benefit	—	(422)	—	(21,421)	—	(21,843)
Loss from investments in subsidiaries, VIEs and VIEs' subsidiaries ⁽²⁾	(73,487)	—	—	—	73,487	—
Loss from equity method investment	(34,872)	—	—	(1,878)	—	(36,750)
Net (loss) income	(113,462)	4,128	(1,909)	(80,976)	73,487	(118,732)
Net loss attributable to noncontrolling interest	—	—	—	(5,270)	—	(5,270)
Net (loss) income attributable to Four Seasons Education (Cayman) Inc.	(113,462)	4,128	(1,909)	(75,706)	73,487	(113,462)

For the Year Ended February 28, 2023						
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Revenue ⁽¹⁾	—	502	884	33,381	(551)	34,216
Cost of revenue ⁽¹⁾	—	—	(1,309)	(19,164)	551	(19,922)
Operating expenses	(11,768)	(8,154)	(3,132)	(26,905)	—	(49,959)
Operating (loss) income	(11,768)	(7,652)	(3,557)	(12,688)	—	(35,665)
Subsidy income	—	16	7	1,389	—	1,412
Interest income, net	837	575	60	812	—	2,284
Other (expenses) income, net	(2,545)	2,246	19	(246)	—	(526)
Disposal loss	—	—	—	—	—	—
(Loss) Income before income taxes and loss from equity method investments	(13,476)	(4,815)	(3,471)	(10,733)	—	(32,495)
Loss from investments in subsidiaries, VIEs and VIEs' subsidiaries ⁽²⁾	(16,192)	—	—	—	16,192	—
Income tax expense	—	(648)	(1)	(344)	—	(993)
Loss from equity method investment	—	—	—	—	—	—
Net (loss) income	(29,668)	(5,463)	(3,472)	(11,077)	16,192	(33,488)
Net loss attributable to noncontrolling interest	—	—	—	(3,822)	—	(3,822)
Net (loss) income attributable to Four Seasons Education (Cayman) Inc.	(29,668)	(5,463)	(3,472)	(7,255)	16,192	(29,666)

(1) The eliminations are mainly related to the service fees charged by our WFOE to the VIEs.

(2) The eliminations are mainly related to the investment loss picked up from our subsidiaries and the VIEs.

The following tables present the summary balance sheet data for the VIEs and other entities as of the dates presented.

As of February 28, 2022						
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Cash and cash equivalents	179,086	19,466	8,441	55,436	—	262,429
Restricted cash	—	—	—	10,273	—	10,273
Short-term investments	—	45,289	44,255	—	—	89,544
Long-term investments under fair value - current	156,459	—	—	—	—	156,459
Amounts due from Four Seasons group companies ⁽¹⁾	—	41,184	16,381	—	(57,565)	—
Investments in subsidiaries and the VIEs ⁽²⁾	110,569	2,300	39,700	—	(152,569)	—
Long-term investments, net	—	13,500	—	500	—	14,000
Other assets	907	4,521	4,714	59,686	—	69,828
Total assets	447,021	126,260	113,491	125,895	(210,134)	602,533
Accrued expenses and other current liabilities	1,080	2,400	360	64,449	—	68,289
Amounts due to Four Seasons group companies ⁽¹⁾	—	7,925	15,888	33,752	(57,565)	—
Other liabilities	—	2,767	766	28,217	—	31,750
Total liabilities	1,080	13,092	17,014	126,418	(57,565)	100,039
Total equity (deficit)	445,941	113,168	96,477	(523)	(152,569)	502,494

As of February 28, 2023						
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Cash and cash equivalents	65,987	28,138	41,670	39,901	—	175,696
Restricted cash	—	—	—	1,362	—	1,362
Short-term investments	—	24,332	—	—	—	24,332
Short-term investments under fair value	156,639	—	—	—	—	156,639
Long-term investments under fair value - current	135,201	—	—	—	—	135,201
Amounts due from Four Seasons Group Companies ⁽¹⁾	3	39,701	42,700	—	(82,404)	—
Investments in subsidiaries and consolidated VIEs ⁽²⁾	122,352	300	41,700	—	(164,352)	—
Long-term investments, net	—	27,000	—	500	—	27,500
Other assets	14,553	4,229	1,333	60,195	—	80,310
Total assets	494,735	123,700	127,403	101,958	(246,756)	601,040
Accrued expenses and other current liabilities	2,314	377	842	56,009	—	59,542
Amounts due to Four Seasons group companies ⁽¹⁾	34,689	11,985	5,877	29,853	(82,404)	—
Other liabilities	—	3,566	442	25,600	—	29,608
Total liabilities	37,003	15,928	7,161	111,462	(82,404)	89,150
Total equity (deficit)	457,732	107,772	120,242	(9,504)	(164,352)	511,890

- (1) The eliminations are mainly related to the unpaid balance of service fees between our WFOE and the VIEs, as well as other interest-free advances from/to the VIEs.
- (2) The eliminations are mainly related to the investments in subsidiaries and the VIEs.

For the Year Ended February 28, 2021						
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Net cash (used in) provided by operating activities	(6,417)	(6,185)	(27)	43,753	—	31,124
Net cash (used in) provided by investing activities⁽¹⁾	(33,891)	19,645	—	(33,758)	(20,000)	(68,004)
Net cash (used in) provided by financing activities⁽¹⁾	—	—	—	(19,802)	20,000	198
Effect of exchange rate changes	(9,795)	(1,389)	(4,485)	(791)	—	(16,460)
Net (decrease) increase in cash, cash equivalents and restricted cash	(50,103)	12,071	(4,512)	(10,598)	—	(53,142)
Cash, cash equivalents and restricted cash at beginning of the year	166,606	88,015	60,085	127,649	—	442,355
Cash, cash equivalents and restricted cash at end of the year	116,503	100,086	55,573	117,051	—	389,213

	For the Year Ended February 28, 2022					
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Net cash used in by operating activities	(2,826)	(17,884)	(214)	(70,397)	—	(91,321)
Net cash provided by (used in) investing activities ⁽¹⁾	97,136	(62,736)	(46,918)	(2,294)	19,109	4,297
Net cash (used in) provided by financing activities ⁽¹⁾	(27,795)	—	—	21,349	(19,109)	(25,555)
Effect of exchange rate changes	(3,932)	—	—	—	—	(3,932)
Net increase (decrease) in cash, cash equivalents and restricted cash	62,583	(80,620)	(47,132)	(51,342)	—	(116,511)
Cash, cash equivalents and restricted cash at beginning of the year	116,503	100,086	55,573	117,051	—	389,213
Cash, cash equivalents and restricted cash at end of the year	179,086	19,466	8,441	65,709	—	272,702

	For the Year Ended February 28, 2023					
	Four Seasons	WFOE	Other Subsidiaries	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Net cash provided by (used in) operating activities	16,945	12,005	19,484	(73,927)	—	(25,493)
Net cash (used in) provided by investing activities ⁽¹⁾	(157,194)	(3,333)	13,745	4,841	45,239	(96,702)
Net cash (used in) provided by financing activities ⁽¹⁾	(239)	—	—	44,640	(45,239)	(838)
Effect of exchange rate changes	27,389	—	—	—	—	27,389
Net (decrease) increase in cash, cash equivalents and restricted cash	(113,099)	8,672	33,229	(24,446)	—	(95,644)
Cash, cash equivalents and restricted cash at beginning of the year	179,086	19,466	8,441	65,709	—	272,702
Cash, cash equivalents and restricted cash at end of the year	65,987	28,138	41,670	41,263	—	177,058

(1) The eliminations are mainly related to working capital from Four Seasons to its subsidiaries and the VIEs.

Enforceability of Civil Liability

We are an exempted company incorporated in the Cayman Islands and all of our assets are located outside of the United States. All of our current operations are conducted in the PRC. In addition, all of our current directors and officers, namely Peiqing Tian, Yi Zuo, Shaoqing Jiang, Zongwei Li and Bing Yuan, reside within mainland China and Hong Kong and all of their assets are located outside 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 the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), however, the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final and conclusive, (d) is not in respect of taxes, a fine or a penalty, (e) is not inconsistent with a Cayman Islands judgment in respect of the same matter, and (f) is not impeachable on the grounds of fraud and was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

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

There is uncertainty as to whether the courts of Hong Kong would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or (ii) entertain original actions brought in Hong Kong against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

A judgment of a court in the United States predicated upon U.S. federal or state securities laws may be enforced in Hong Kong at common law by bringing an action in a Hong Kong court on that judgment for the amount due thereunder, and then seeking summary judgment on the strength of the foreign judgment, provided that the foreign judgment, among other things, is (i) for a debt or a definite sum of money (not being taxes or similar charges to a foreign government taxing authority or a fine or other penalty) and (ii) final and conclusive on the merits of the claim, but not otherwise. Such a judgment may not, in any event, be so enforced in Hong Kong if (a) it was obtained by fraud; (b) the proceedings in which the judgment was obtained were opposed to natural justice; (c) its enforcement or recognition would be contrary to the public policy of Hong Kong; (d) the court of the United States was not jurisdictionally competent; or (e) the judgment was in conflict with a prior Hong Kong judgment.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, there is uncertainty as to the enforceability in Hong Kong, in original actions or in actions for enforcement, of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

A. **[Reserved]**

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our ADSs involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our ADSs. Below please find the principal risks we face, organized under relevant headings. In the event that PRC regulations become applicable to companies in Hong Kong, the legal and operational risks associated with operating in China, as discussed in “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry,” may also apply to our operations in Hong Kong.

Risks Related to Our Business

If we are not able to develop new types of learning products, services or activities under the recent regulatory policies in China to successfully attract prospective learners and customers in a timely or cost-effective manner or to continue to attract learners and customers to purchase our existing products or services, our business, results of operations and prospects will continue to be materially and adversely affected.

The success of our business in the future depends primarily on our ability to develop new types of learning products, services or activities to meet market needs while in compliance with the then effective regulatory policies in China. This will depend on several factors, including our ability to respond to changes in regulatory policies, market trends and demands, effectively market our services or solutions to a broader base of prospective learners and customers, develop additional high-quality learning content and technology solutions, provide consistent and high customer experience and respond effectively to competitive pressures. If we are unable to successfully attract prospective learners and customers with new types of learning products or services in a timely or cost-effective manner or if we are not able to continue to attract learners and customers to purchase our existing products or services and to increase the spending, there is no guarantee that our revenues may resume or maintain growth in the future, which may have a material adverse effect on our business, financial condition and results of operations.

We also engage in new initiatives from time to time to expand our offerings or market reach. For instance, we strive to establish new study camps across China to offer more enrichment activities to group and individual learners of all age. We may devote significant resources to our new initiatives, but fail to achieve expected results from such new initiatives. However, some of those new initiatives may be easily replicable by our competitors in a short timeframe, which may render our efforts less valuable. In addition, if such new initiatives are not well accepted by market, the reputation of our other offerings and our overall brand and reputation may be harmed. As a result, our overall business and results of operations may be materially and adversely affected. In addition, some of these new initiatives have not generated significant or any profit to date. We have limited experience responding quickly to changes and competing successfully for certain of these new areas. In addition, newer offerings may require more financial and managerial resources than available. Furthermore, there is limited operating history on which you can base your evaluation of the business and prospects of these relatively more recent offerings.

If we fail to obtain and maintain the licenses and permits required under uncertain regulatory environment for private education in China, our business operations may be materially and affect.

Under current PRC laws and regulations, schools are subject to a number of licensing requirements from different governmental authorities, and each learning center shall obtain a fire safety permit before applying for an educational permit.

As part of the efforts to fully comply with the Opinion and applicable rules, regulations and measures, we ceased offering the K9 Academic AST Services in PRC at the end of 2021, spun off some of the subsidiaries engaged in K9 Academic AST Services and stopped to renew our Permits for Operating Private School. According to the General Office of the State Council promulgated the Opinions on Further Promotion of Tourism Investment and Consumption, which became effective on August 4, 2015, research and academic study travel shall be included into the category of comprehensive competence-oriented education of students. In addition, the PRC Tourism Law, the Travel Agency Regulations and the Implementing Rules of Travel Agency Regulations requires that a travel agency must obtain a license from the national tourism administration or the provincial-level tourism administration it authorizes to conduct outbound travel business, and a license from the provincial-level tourism administration or the municipal tourism administration it authorizes to conduct domestic and inbound travel agency business. If we fail to obtain the corresponding travel agency business license and engage in domestic tourism, inbound tourism, or outbound tourism, we might be ordered to make corrections by the tourism administrative department or the industrial and commercial administrative department, confiscation of illegal gains and implosion of fine. Based on the advice of our PRC counsel, Fangda Partners, we believe our PRC subsidiaries and the VIEs have obtained all of the requisite licenses and permits from the PRC government authorities that are necessary for the business operations, and our Cayman holding company does not need to obtain any licenses or permits from the PRC government authorities as it has no business operation in PRC. If the government authorities determine that our quality education and tutoring, research and academic study travel, learning technology and content solutions related business fall within the scope of business operations that require additional licenses or other licenses or permits, including without limitation the licenses and permits mentioned above, we may not be able to obtain such licenses or permits on reasonable terms or in a timely manner or at all. Moreover, we may fail to maintain, renew or update any of our existing licenses, permits, approvals, registrations or filings in a timely manner and on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition. Besides, we may develop new business lines or make changes to the operations of certain of the current business of our PRC subsidiaries or the VIEs, which may require us to obtain additional licenses, approvals, permits, registrations and filings. However, there can be no assurance that we are, or will be, able to successfully obtain such licenses, approvals, permits, registrations and filings in a timely manner, or at all. Government authorities may also from time to time issue new laws, rules and regulations or enhance enforcement of existing laws, rules and regulations, which could also require us to obtain new and additional licenses, permits, approvals, registrations or filings. If we fail to obtain and maintain such required licenses and permit, as well as required registrations and filings, we may be subject to fines, legal sanctions or an order to suspend our online education services and our business, financial condition and operational results may be materially and adversely affected.

The global COVID-19 outbreak has had, and may continue to have a significant impact on our business, which may materially and adversely affect our operating results and financial condition.

The worldwide outbreak of the COVID-19 pandemic has resulted in significant disruptions in the global economy. To contain the spread of COVID-19, the PRC government has taken certain emergency measures, including implementation of travel bans, blockade of transportation and closure of factories, facilities and businesses, and encouragement of remote working arrangements and cancellation of public activities. Since early 2022, there has been a recurrence of COVID-19 outbreaks in certain provinces of China due to the Delta and Omicron variants. As a result, similar emergency measures have been implemented to contain the further spread of COVID-19.

The COVID-19 pandemic has affected many aspects of our business since 2020, our offline business has been significantly affected due to the temporary closure of our schools and learning centers from time to time as mandatorily required by the government. Although we have made great efforts to swiftly switch our offline operating model to online covering courses of all academic subjects during the temporary closure, and are currently using online courses as a supplement to our offline programs, we cannot guarantee that our online courses can satisfy all our learners and customers or attract new learners and customers, nor be as effective as our offline courses.

In addition, we have taken a series of measures in response to the outbreak to protect our employees, learners and customers and teachers in reopened learning centers, including, among others, temporary closure of our offices, remote working arrangements and procurement of masks, hand sanitizers and other protective equipment for our employees, which reduced the capacity and efficiency of our operations and increased our operating expenses. Our business operation could also be disrupted if any of our employees are suspected of having contracted COVID-19, since it could require our employees to be quarantined or our offices to be closed down and disinfected. All of these would have a material adverse effect on our results of operations and financial condition in the near terms. Additionally, if the outbreak persists or escalates, we may be subject to further negative impact on our business operations or financial condition.

Since December 2022, many of the restrictive measures previously adopted by the PRC government at various levels to control the spread of COVID-19 have been lifted or replaced with more flexible measures, and the World Health Organization (WHO) declared that COVID-19 was no longer a public health emergency of international concern on May 4, 2023. We are continually monitoring the status of COVID-19 and its impact on our operations. However, we cannot assure you that the COVID-19 pandemic can be eliminated completely. Moreover, more waves or a similar outbreak may occur, which could materially and adversely affect our business, financial condition, and results of operations.

Some of our schools are restricted in their ability to distribute profits to their sponsors. The service arrangements between Shanghai Fuxi and our private schools may be regarded as circumventing this restriction.

According to the Private Education Law, prior to its amendment on November 7, 2016, the sponsor of a private school may elect to require reasonable returns. A sponsor that requires reasonable returns can receive dividends after deducting relevant payments to statutory reserves, and a sponsor that does not require reasonable returns cannot receive dividends from the private school. The amended law abolished such distinction. According to the amended Private Education Law, private schools can be established as non-profit or for-profit entities. Sponsors of for-profit schools may obtain operating profits, while sponsors of non-profit schools may not. Existing private schools must re-register as either non-profit school or for-profit schools. However, the amended Private Education Law remains silent on the specific measures for the re-registration process, which, according to the amended law, will be regulated by the corresponding laws and regulations promulgated by local authorities. As of the date of this annual report, some local regulations have promulgated regulations requiring non-academic after-school tutoring institutions to complete such registration within a certain period of time, otherwise they will face penalties such as refunding fees and suspending operations.

Currently we have one school that has entered into service agreements with Shanghai Fuxi. The sponsor of this school has not elected to require reasonable returns. According to the relevant service agreements between this schools and Shanghai Fuxi, a significant portion of any profits earned by this school will be paid to Shanghai Fuxi as service fees. As advised by Fangda Partners, our PRC counsel, our right to receive the service fees from our schools under our contractual arrangements should not be regarded as the distribution of returns, dividends or profits to the sponsors of our schools under the PRC laws and regulations, and therefore does not contravene any PRC laws and regulations. However, if the relevant PRC government authorities take a different view, for example, if the local authorities view some of these schools as non-profit schools and such service fees as “operating profits” taken by the sponsors, the authorities may find these private schools and their respective sponsors in violation of PRC laws and regulations. The authorities may seek to confiscate any or all of the service fees that have been paid by these schools to Shanghai Fuxi, or even revoke the educational permits of these schools, which may materially and adversely affect our business and financial results.

Failure to successfully design and execute our growth strategies may materially and adversely affect our business and prospects.

It is paramount that we properly design our growth strategies amidst the current regulatory policies and competitive environment. Our current growth strategies include continuing to enhance services with better experience and wider offerings, enhancing technology and content solution business, and further investment to strengthen our fundamental capabilities. We may not succeed in executing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to promote our current business in existing markets or identify, or market our current business in new markets with sufficient growth potential;

- we may fail to obtain the requisite licenses and permits necessary to operate our business at our desired locations from local authorities or face risks in opening without the requisite licenses and permits;
- we may not be able to further expand our existing content library or learning technology and content solutions;
- we may not be able to retain core talents that are critical to our business;
- we may fail to maintain our competitive advantages in the market;
- we may not be able to expand the scale of our current business in a cost-effective and timely manner;
- we may not be able to replicate our successful growth model in Shanghai in other geographic markets; and
- we may not be able to successfully identify new business opportunities, if any, or successfully cooperate with our local business partners or integrate acquired businesses with our current service offerings and achieve anticipated synergies.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and our business and prospects may be materially and adversely affected as a result.

We may not be able to continue to recruit, train and retain qualified faculty members, who are critical to the success of our business and effective delivery of our services and products.

Our faculty is critical to maintaining the quality of our services and products and our brand and reputation. Our ability to continue to attract teachers with the necessary experience and qualifications is therefore a significant contributing factor to the success of our operations. There are a limited number of teachers with the experience, expertise and qualifications to meet our requirements. Further, the Measures for Punishment for Violation of Professional Ethics of Elementary and Secondary School Teachers, promulgated by the PRC Ministry of Education in 2014 and revised in 2018, prohibits teachers at elementary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. Some provinces and cities have also adopted rules which prohibit public school teachers from teaching on a part-time basis at private schools or learning centers. As a result, we currently employ most of our teachers on a full-time basis. Therefore, to recruit qualified and experienced teachers, including those with public school experience, we must provide candidates with competitive compensation packages and particularly, offer attractive career development opportunities to compete with the perceived security of a public school teaching job. In addition, we must also provide continued training to our teachers to ensure that they stay abreast of changes in learner demands and other key trends necessary to teach effectively. Although we have not experienced major difficulties in recruiting, training or retaining qualified teachers in the past, we may not always be able to recruit, train and retain enough qualified teachers in the future to keep pace with our business development while maintaining consistently high teaching quality in the different markets we serve. In addition, PRC laws and regulations require teachers to have requisite licenses and qualifications if they teach academic or non-academic subjects. However, we cannot assure you that our teachers can all apply for and obtain the teaching licenses and relevant qualifications in a timely manner or at all due to various reasons, such as the time gap between the recruitment and the newly-recruited teachers taking the exam and ultimately obtaining the teacher license or relevant qualifications, and the cancellation and delay of teacher license examinations and other qualifications examinations in recent years due to COVID-19. If some of our teachers, due to various reasons, are unable to apply for and obtain the requisite teaching licenses or relevant qualifications on a timely basis, or at all, we may be required to rectify such non-compliance and may not be able to continue to retain such teachers. A shortage of qualified teachers or a decline in the quality of our teachers' performance, whether actual or perceived, or a significant increase in compensation we must pay to retain qualified teachers, would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to improve our current business to meet the demand of learners, customers and educational institutions on a timely basis and in a cost-effective manner. If the level of satisfaction of our learners, customers and educational institutions with our services declines, they may decide to withdraw from our programs and request refunds and our business, financial condition, results of operations and reputation would be adversely affected.

We constantly update and improve our learning services as well as learning technology and content solutions to meet market demand for learners, customers and educational institutions. Since we launched certain of our current business relatively recently, such as study camp and learning trip, we cannot assure you that such business will turn out to be successful in the long term.

We have been improving and will continue to improve our service quality and content quality of our current business to better serve the interests of our existing learners, customers and educational institutions. However, improvements of service and content quality and upgrades of our services and solutions may involve significant costs and we cannot guarantee that the improved services or solutions will meet the demand of learners, customers and educational institutions more precisely, or at all. Launching new business may also require us to invest in learning content and technology development, train new teachers or re-train existing ones, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the new business we launched, and may need to modify our systems and strategies. If we are not able to continue to improve our current business or not able to do so in a cost-effective manner to meet their demand, our results of operations and financial performance may suffer as a result.

The success of our business largely depends on our ability to deliver a satisfactory learning experience. For instance, our non-academic tutoring programs may fail to arouse or maintain a learner's interests in the subject, fail to improve a learner's capacity and a learner may perform below expectations even after using our services, or fail to continually update and enhance our learning materials and teaching methods to accommodate the ever-changing admission and assessment processes. A learner's learning experience may also suffer if his or her interaction with our teachers does not meet expectations. If a significant number of learners fail to become interested in the subject or fail to improve their capabilities after using our services or if they are not satisfied with our service or their learning experiences, they may decide not to purchase our services or solutions again, and our business, financial condition, results of operations and reputation would be adversely affected.

If we are not able to continue to innovate our technology, our business, financial condition, operating results and prospects could be harmed.

We rely on innovative technology to fuel our growth. For instance, our Intellectual Math Lab is empowered by our self-developed intelligent class content development system as well as AI-driven teaching methodologies such as speech recognition of mathematical formula, complicated integrated math questions and automatic tracking and assessment report. We also provide learning technology and content solutions premised on our core technology capabilities empowering private learning institutions in China. Therefore, if we cannot continue to innovate our technology, we may not be able to continue to develop our business or empower other industry players, which may harm our business, financial condition, operating results and prospects.

Any damage to our brand or the reputation of any of our learning centers or study camps may adversely affect our overall business, prospects, results of operations and financial condition.

We believe that market awareness of our "Four Seasons Education" brand and our solid reputation in the industry have contributed significantly to the success of our business, and that maintaining and enhancing our brand are critical to maintaining our competitive advantage. Our brand and reputation could be adversely affected under many circumstances, including the following:

- our learners and customers are not satisfied with our programs and related services;
- we fail to properly manage accidents or other events that injure our learners and customers;

- our faculty or staff behave or are perceived to behave inappropriately or illegally;
- our faculty or staff fail to appropriately supervise learners and customers under their care;
- we fail to conduct proper background checks on our faculty or staff;
- we lose a license, permit or other authorization to operate a learning center or study camp;
- we do not maintain consistent learning service and product quality;
- our facilities do not meet the standards expected by learners and customers; and
- learning center or study camp operators with lower quality abuse our brand name or those with brand names similar to ours by conducting fraudulent activities and creating confusion among learners and customers.

The likelihood that any of the foregoing may occur increases as we continue our business development. These events could influence the perception of our offerings not only by our learners and customers, but also by other constituencies in the industry and the general public. Moreover, an event that directly damages the reputation of one of our learning centers or study camps could adversely affect the reputation and operations of our other facilities. As we mainly rely on word-of-mouth referrals to attract prospective learners and customers, if our brand name or reputation deteriorates, our overall business, prospects, results of operations and financial condition could be materially and adversely affected.

Our historical financial and operating results, growth rates and profitability may not be indicative of future performance.

Our revenue decreased from RMB280.3 million in the 2021 fiscal year to RMB250.2 million in the 2022 fiscal year, and further decreased to RMB34.2 million (US\$4.9 million) in the 2023 fiscal year. We recorded net loss of RMB27.9 million in the 2021 fiscal year, RMB118.7 million in the 2022 fiscal year, and RMB33.5 million (US\$4.8 million) in fiscal year 2023. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development, especially considering the recent change of regulatory policies on after-school tutoring services market. In addition, our past results may not be indicative of future performance because of the cessation of K9 Academic AST Services in the mainland of China by the end of December 2021 as well as any new businesses developed or acquired by us. Substantial uncertainties exist with respect to the profitability and cash generating capability of such new businesses. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the private education service industry in the PRC, changes in spending on private education, our ability to control cost of revenue and operating expenses, and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance. Furthermore, our net income margins may decline or we may incur additional net losses in the future and may not be able to maintain profitability on a quarterly or annual basis.

We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.

The non-academic tutoring, study camp and learning trip and learning technology and content solutions market in the PRC is rapidly evolving, highly fragmented and competitive, and we expect competition to persist and potentially intensify. We face competition in each type of service or products we offer and in each geographic market in which we operate. Our competitors include providers of learning and travel services, learning technology and content solutions.

Our learner enrollment and sales of products or solutions may decrease due to this competition. 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, promotion and sale of their solutions, programs, services and products and respond more quickly than we can to changes in learner needs, market trends or new technologies. We will also face increased competition as we expand our operations. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, we may lose our market share and our profitability may be adversely affected.

Our business could be disrupted if we lose the services of members of our senior management team.

Our success depends in part on the continued application of skills, efforts and motivation of our officers and senior management team. We may experience changes in our senior management in the future for reasons beyond our control. In addition, key management personnel could leave us to join our competitors. Losing the services of key members of senior management or experienced personnel may be disruptive to and cause uncertainty for our business. We depend upon the services of our senior management team, who collectively have significant experience with our company and within the whole industry. If one or more members of our senior management team are unable or unwilling to continue in their present positions for health, family or other reasons, we may not be able to replace them easily, or at all. Our inability to attract and retain qualified senior management members and teaching staff in a timely manner could materially and adversely affect our business, prospects, results of operations and financial condition.

If we fail to integrate or negotiate successfully any future acquisitions, our business and operating results could be materially and adversely affected.

We have acquired additional other businesses and may continue to do so in the future. If we are unable to successfully integrate the acquired businesses, our business and operating results may be harmed. We may be unable to identify appropriate acquisition targets. If we do identify an appropriate acquisition target, we may not be able to negotiate the terms of the acquisition successfully, finance the acquisition or integrate the acquired businesses into our existing business and operations. Furthermore, completing a potential acquisition and integrating an acquired business may strain our resources and require significant management time. In addition, the businesses we acquire may be loss making or have existing liabilities or other risks that we may not be able to effectively manage or may not be aware of at the time we acquire them, which may impact our ability to realize the expected benefits from the acquisition or our financial performance. If we fail to integrate the acquired businesses in a timely manner or at all, we may not be able to achieve the anticipated benefits or synergy from the acquired businesses, which may adversely affect our business growth.

Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from term to term, and in turn result in volatility in and adversely affect the price of our ADSs.

Our business is subject to seasonal fluctuations as our costs and expenses vary significantly during the fiscal year and do not necessarily correspond with the timing of recognition of our revenue. Our learners and customers typically pay prior to the commencement of a term, and we recognize revenue from the delivery of services on a straight-line basis over the term. Overall, although the historical seasonality of our business has been relatively mild, we expect to continue to experience seasonal fluctuations in our results of operations. These fluctuations may result in volatility in and adversely affect the price of our ADSs.

Accidents, injuries or other harm suffered by our learners and customers or other people on our premises may adversely affect our reputation, subject us to liability and cause us to incur substantial expenses.

In the event of accidents or injuries or other harm to learners and customers or other people on our premises, including those caused by or otherwise arising from the actions or negligence of our employees or contractors on our premises, our facilities may be perceived to be unsafe, which may result in decreased learners enrollment. We could also face claims alleging that we are negligent and provide inadequate supervision to our employees or contractors, and therefore be liable for harm caused by them or are otherwise liable for injuries suffered by our learners and customers or other people on our premises. Our insurance coverage may not be adequate to fully protect us from claims of all kinds and we cannot guarantee that we will be able to obtain sufficient liability insurance in the future on commercially reasonable terms or at all. A liability claim against us or any of our employees or independent contractors could adversely affect our reputation and ability to attract and retain learners and customers. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management.

If we fail to protect our intellectual property rights, our brand and business may suffer.

We consider our copyrights, trademarks, trade names and Internet domain names invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our copyrights, trademarks, trade names and domain names may damage our reputation and brand. We have registered 24 of our brand names and logos as registered trademarks in the PRC. Our proprietary curricula and course materials satisfying requirements specified by PRC copyright law are protected by copyrights. Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. It would not be difficult for third parties to obtain and copy our course materials, since they are physically provided to our learners and customers. The practice of intellectual property rights enforcement by the PRC regulatory authorities is at an early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, we cannot assure you that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our business, financial condition and results of operations.

We may encounter disputes from time to time relating to our use of the intellectual property of third parties or allegations of infringement of the intellectual properties of third parties and we may be unable to be authorized to use third-party copyrighted materials.

We cannot assure you that our learning materials, marketing materials, products, programs or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. In addition, we are unable to register the trademarks of some of our major brand names and logos such as "Four Seasons Education" in Chinese characters. Therefore, there is no assurance that we can continue to use such trademarks in the PRC. We may be required to explore the possibility of acquiring trademarks or entering into an exclusive licensing agreement with the third party, which will cause us to incur additional costs. Third parties may bring claims against us alleging our infringement of their intellectual property rights. Third parties bringing such claims may be able to obtain an injunction to prevent us from delivering our services or using trademarks containing the alleged infringing intellectual property. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources and could damage our reputation. If a PRC court or tribunal holds that we have infringed any trademark belonging to others, we may be forced to change our brand names or logos. Our teachers may, against our policies, use third-party copyrighted materials without proper authorization in our classes. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes.

We have limited insurance coverage with respect to our business and operations.

We are exposed to various risks associated with our business and operations, and we have limited insurance coverage. See “Item 4. Information on the company — B. Business Overview — Insurance” for more information. We are exposed to risks including, among other things, accidents or injuries in our schools, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in the PRC is still at an early stage of development, and as a result insurance companies in the PRC offer limited business related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, legal proceeding or natural disaster or other events beyond our control could result in substantial costs and diversion of our resources, which may materially and adversely affect our business, financial condition and results of operations.

System disruptions to our websites or computer systems could damage our reputation and limit our ability to retain learners and customers and increase learner enrollment.

The performance and reliability of our websites and computer systems are critical to our reputation and ability to retain learners and customers and increase enrollment. Any system error or failure, sudden and significant increases in online traffic or hacking of our systems, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our learners and customers. In addition, our computer systems store and process important information including class schedules, registration information and learner data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. We may suffer disruption to our operations if there is a failure of the database system or the backup system. Any disruption to our computer systems could therefore have a material adverse effect on our operations and ability to retain learners and customers and increase enrollment.

We face risks related to natural disasters, health epidemics or public safety concerns in the PRC.

Our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns such as terrorism, war or social instability affecting the PRC, and particularly Shanghai. If any of these occurs, our learning facilities may be required to temporarily or permanently close and our business operations may be suspended or terminated. Our learners, customers, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the economy and demographics of the affected region, which could cause significant declines in the number of our learners and customers in that region and could have a material adverse effect on our business, financial condition and results of operations. For example, the outbreak and recurrence of COVID-19 has had a significant impact on our business operations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.”

If we grant employees share options or other equity incentives in the future, our net income could be adversely affected.

We granted share options to our independent directors, executive officers and employees in the past under our 2015 Share Incentive Plan and 2017 Share Incentive Plan. We are required to account for share-based compensation in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. As of May 31, 2023, holders of our outstanding options were entitled to purchase a total of 3,204,700 ordinary shares. As a result, we incurred share-based compensation expense of RMB3.2 million (US\$0.5 million) in the 2023 fiscal year. If we grant more options or other equity incentives in the future, we could incur significant compensation charges and our results of operations could be adversely affected.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. During the course of auditing our consolidated financial statements as of February 28, 2022, we identified one material weakness in our internal control over financial reporting. See “Item 15. Controls and Procedures — Management’s Annual Report on Internal Control over Financial Reporting — Internal Control over Financial Reporting.” Following the identification of the material weakness, we have taken measures and plan to continue to take measures to improve our internal control over financial reporting. We cannot assure you, however, that these measures may fully address the material weakness in our internal control over financial reporting or that we may conclude that it has been fully remedied. Our failure to correct this material weakness or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Risks Related to Our Corporate Structure

Our business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties.

Our business is subject to extensive regulations in the PRC. The PRC government regulates various aspects of our business and operations, such as standards of school establishment and operations, student recruitment activities and tuition levels. The laws and regulations applicable to the after-school education sector are subject to frequent change, and new laws and regulations may be adopted, some of which may have a negative effect on our business, either retroactively or prospectively.

Foreign ownership in education services is subject to significant regulations in the PRC. The PRC government regulates the provision of education services through strict licensing requirements. PRC laws and regulations currently require a foreign entity that invests in the education business in China to be an educational institution with certain qualifications and experience in providing high quality education outside China. Our Cayman Islands holding company is not an educational institution and does not provide education services. Due to these restrictions, we conduct operations in the PRC principally through contractual arrangements among (i) our WFOE, namely Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi, (ii) variable interest entities consolidated under U.S. GAAP, or the VIEs, namely Shanghai Luoliang Network Technology Co., Ltd. (formally known as Shanghai Four Seasons Education and Training Co., Ltd.) and Shanghai Four Seasons Education Investment Management Co., Ltd., limited liability companies established under PRC law, and their subsidiaries, and (iii) the shareholders of the VIEs, which provides investors with exposure to foreign investment in the Chinese operating companies. We have been and expect to continue to be dependent on the VIEs to operate our business. See “Item 4. Information on the company — C. Organizational Structure” for more information.

However, as we are a Cayman Islands holding company with no equity ownership in the variable interest entities, investors in our ADSs or the ordinary shares thus are not purchasing equity interest in the variable interest entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. We may not be able to repay the notes and other indebtedness, and our shares may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of the variable interest entities, which contribute to 17.0% of our total assets as of February 28, 2023. Our holding company in the Cayman Islands, the variable interest entities, 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 variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a group.

If our ownership structure and contractual arrangements are found to violate any PRC laws or regulations, or if we are found to be required but failed to obtain any of the permits or approvals for our private education business, the relevant PRC regulatory authorities, including the Ministry of Education, which regulates the education industry in the PRC, the Ministry of Commerce, which regulates foreign investments in the PRC, the Ministry of Civil Affairs, which regulates the registration of schools in the PRC, and the State Administration of Industry and Commerce, which regulates the registration and operation of education training companies in the PRC, would have broad discretion in imposing fines or punishments upon us for such violations, including:

- revoking the business and operating licenses of ours and/or the VIEs’;
- discontinuing or restricting any related-party transactions between us and the VIEs;
- imposing fines and penalties, or additional requirements for our operations which we, or the VIEs may not be able to comply with;
- requiring us to restructure the ownership and control structure of our current schools;
- restricting or prohibiting our use of the proceeds of our initial public offering to finance our business and operations in the PRC, particularly the expansion of our business through strategic acquisitions; or
- restricting the use of financing sources by us or the VIEs or otherwise restricting our or their ability to conduct business.

As of the date of this annual report, similar ownership structure and contractual arrangements have been used by many PRC-based companies listed overseas, including a number of education companies listed in the United States. To our knowledge, none of the fines or punishments listed above has been imposed on any of these public companies, including companies in the education, learning services and research and academic study travel industry, in relation to these types of contractual arrangements. However, we cannot assure you that such fines or punishments will not be imposed on us or any other companies in the future. If any of the above fines or punishments is imposed on us, our business, financial condition and results of operations could be materially and adversely affected. If any of these penalties results in our inability to direct the activities of Shanghai Luoliang Network Technology Co., Ltd. and its after-school training institutions and subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from VIEs and their after-school training institutions and subsidiaries, we may not be able to consolidate VIEs and their learning centers and subsidiaries in our financial statements in accordance with U.S. GAAP. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiaries in the PRC or VIEs and their learning centers or subsidiaries.

Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure and business operations.

The “variable interest entity” structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “Item 3. Key Information — D. Risk Factors —Risks Related to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure.”

On March 15, 2019, the PRC National People’s Congress promulgated the Foreign Investment Law, or the 2019 FIL, which became effective from January 1, 2020 and replaced the trio of existing laws regulating foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations.

Pursuant to the 2019 FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or “indirectly” in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. Although the 2019 FIL does not introduce the concept of “control” in determining whether a company should be considered as a foreign-invested enterprise, nor does it provide the “variable interest entity” structure as a method of foreign investment, as relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the 2019 FIL, the possibility can’t be ruled out that the concept of “control” as stated in the 2015 Draft FIL may be embodied in, or the “variable interest entity” structure adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If our consolidated “variable interest entity” were deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any “negative list” for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business and financial condition.

We rely on contractual arrangements with the VIEs and their respective shareholders in the form of private non-enterprise institutions for our operations in the PRC, which may not be as effective in providing control as direct ownership.

We have relied and expect to continue to rely on the contractual arrangements with the VIEs and their shareholders in the form of private non-enterprise institutions, including Mr. Peiqing Tian, our largest shareholder, to operate our business. For a description of these contractual arrangements, see “Item 4. Information on the company — C. Organizational Structure.”

The revenue contribution of the VIEs entities has historically accounted for 100.0%, 100% and 97.6% of our consolidated revenue for the years ended February 28, 2021, 2022 and 2023, respectively. However, contractual arrangements may not be as effective as direct equity ownership in providing us with control over the VIEs and our learning centers. Any failure by the VIEs and the learning centers controlled and held by the VIEs and their shareholders to perform their obligations under the contractual arrangements would have a material adverse effect on the financial position and performance of our company. For example, the contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with arbitral procedures as contractually stipulated. The commercial arbitration system in the PRC is not as developed as some other jurisdictions, such as the United States.

As a result, uncertainties in the commercial arbitration system or legal system in the PRC could limit our ability to enforce these contractual arrangements. In addition, if the legal structure and the contractual arrangements were found to violate any existing or future PRC laws and regulations, we may be subject to fines or other legal or administrative sanctions.

If the imposition of government actions causes us to lose our right to direct the activities of the VIEs or our right to receive substantially all the economic benefits and residual returns from the VIEs and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of the VIEs.

Our largest shareholder, Mr. Peiqing Tian, may have potential conflicts of interest with us and not act in the best interests of our company.

Mr. Peiqing Tian is the controlling shareholder of Shanghai Luoliang Network Technology Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd. He is also the largest shareholder of our company. We cannot assure you that Mr. Peiqing Tian will act in the best interests of our company. We rely on Mr. Peiqing Tian to comply with the terms and conditions of the contractual arrangements. Although Mr. Peiqing Tian is obligated to honor his contractual obligations with respect to the VIEs, he may nonetheless breach or cause the VIEs to breach or refuse to renew the existing contractual arrangements that allow us to effectively exercise control over the VIEs and to receive economic benefits from them. If Mr. Peiqing Tian does not honor his contractual obligations with respect to the VIEs, we may exercise our exclusive option to purchase, or cause our designee to purchase, all or part of the equity interest in Shanghai Luoliang Network Technology Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd. to the extent permitted by PRC law. If we cannot resolve any disputes between us and the shareholders of Shanghai Luoliang Network Technology Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd., we would have to rely on arbitration or legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements between the VIEs and us may be subject to scrutiny by the PRC tax authorities and a finding that we or the VIEs owe additional taxes could materially reduce our net income and the value of your investment.

Under PRC laws and regulations, transactions between related parties should be conducted on an arm's-length basis and may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our subsidiary in the PRC, the VIEs and their shareholders are not conducted on an arm's-length basis and adjust the income of the VIEs through the transfer pricing adjustment.

A transfer pricing adjustment could, among other things, result in, for PRC tax purposes, increased tax liabilities of the VIEs. In addition, the PRC tax authorities may require us to disgorge our prior tax benefits, and require us to pay additional taxes for prior tax years and impose late payment fees and other penalties on the VIEs for underpayment of prior taxes. To date, similar contractual arrangements have been used by many public companies, including companies listed in the United States, and, to our knowledge, the PRC tax authorities have not imposed any material penalties on those companies. However, we cannot assure you that such penalties will not be imposed on any other companies or us in the future. Our net income may be reduced if the tax liabilities of the VIEs materially increase or if they are found to be subject to additional tax obligations, late payment fees or other penalties.

If any of the VIEs becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy assets held by such entity, which could materially and adversely affect our business, financial condition and results of operations.

We currently conduct our operations in the PRC through contractual arrangements with the VIEs and the shareholders of Shanghai Luoliang Network Technology Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd. As part of these arrangements, substantially all of our education-related assets that are critical to the operation of our business are held by the VIEs. If any of these entities goes 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. If any of the VIEs undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, 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 the relevant PRC industry and commerce authorities.

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. If any employee obtains, misuses or misappropriates our chops and seals or other controlling intangible 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.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our PRC subsidiaries and the VIEs, which could harm our liquidity and our ability to fund and expand our business.

To utilize the proceeds of the initial public offering in the manner described in “Use of Proceeds” in the registration statement, we currently have plans for using 25% of the proceeds in China. As an offshore holding company of our PRC subsidiaries and the VIEs, we are permitted under PRC laws and regulations to provide funding to Shanghai Fuxi, our wholly-owned PRC subsidiary, through loans or capital contributions, and to the VIEs through loans. However, such uses are subject to PRC regulations and approvals. For example:

- loans by us to Shanghai Fuxi, which is a foreign-invested enterprise, cannot exceed statutory limits and must be registered or filed with the State Administration of Foreign Exchange of the PRC, or SAFE, or its local counterparts;
- loans by us to the VIEs, which are domestic PRC entities, must be filed with the relevant government authorities and must also be filed with SAFE or its local counterparts; and
- capital contributions to Shanghai Fuxi must be filed with the Ministry of Commerce or its local counterparts and must also be registered with the local bank authorized by SAFE.

There is currently no statutory limit to the amount of funding that we can provide to Shanghai Fuxi through capital contribution, and we can provide funding to Shanghai Fuxi, the VIEs through loans as long as the loan amount does not exceed twice the amount of their net assets calculated in accordance with PRC GAAP. The maximum aggregate amount that we can loan to Shanghai Fuxi, the VIEs may vary with changes in the relevant entities' net assets at the time of calculation. As of the date of this annual report, subject to completion of statutory procedures with relevant government authorities and banks, we can loan an estimated maximum of approximately RMB250.3 million (US\$36.1 million) to Shanghai Fuxi and an estimated maximum of approximately RMB475.7 million (US\$68.6 million) to the VIEs.

In addition, on March 30, 2015, SAFE promulgated SAFE Circular 19, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. The notice requires that the capital of a foreign-invested company settled in Renminbi converted from foreign currencies shall be used only for purposes within the business scope as approved by the applicable government authorities and may not be used for equity investments in the PRC unless such activity is set forth in the business scope or is otherwise permissible under PRC laws or regulations. SAFE further strengthened its supervision of the flow and use of such capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval. Violations of SAFE Circular 19 will result in severe penalties including hefty fines. As we expect to use the proceeds of our initial public offering in China in the form of RMB, Shanghai Fuxi, the VIEs will need to convert any capital contributions or loans from U.S. dollars to RMB before using such capital contribution or loans. As a result, SAFE Circular 19 may significantly limit our ability to transfer the net proceeds from our initial public offering to our operations in the PRC through our PRC subsidiaries, which may adversely affect our ability to expand our business.

We expect that PRC laws and regulations may continue to limit our use of proceeds from our initial public offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in the PRC. If we fail to receive such registrations or approvals, our ability to use the proceeds of our initial public offering and to capitalize our PRC operations may be hindered, which could adversely affect our liquidity and our ability to fund and expand our business.

Risks Related to Doing Business in the PRC

Changes in PRC economy, or economic and political conditions or government policies in China, could have a material adverse effect on our business, financial conditions and results of operations.

Substantially all of our business operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are influenced by economic, political and legal developments in China. The economy in China differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and currency conversion, access to financing and allocation of resources. The Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment obligations denominated in foreign currencies, setting monetary policy and providing preferential treatment to particular industries or companies. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions or policies in China may have a material adverse effect on the overall economic growth of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also 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, conversion of foreign exchange into Renminbi or changes in tax regulations and practices that are applicable to us. Continued policies regarding strengthening the management and supervision of the control of foreign currency could adversely affect our business development.

The global macroeconomic environment is facing challenges, especially the challenges due to the COVID-19 pandemic. See also “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.” The PRC economy has shown slower growth compared to the previous decade since 2012 and whether this slowdown will continue is still unknown. In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. Unrest, terrorist threats and potential for war in the Middle East and elsewhere may increase market volatility across the globe. Recently, the Russia-Ukraine conflict has caused, and continues to intensify, significant geopolitical tensions in Europe and across the global. The resulting sanctions are expected to have significant impacts on the economic conditions of the targeted countries and markets. There is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. 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 PRC economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited as reference but have limited precedential value. Since 1979, newly introduced PRC laws and regulations have significantly enhanced the protections of interest relating to foreign investments in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of such laws and regulations may not always be consistent, and enforcement of these laws and regulations involves significant uncertainties, any of which could limit the available legal protections.

In addition, the PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

Hong Kong is a Special Administrative Region of the PRC and enjoys its own limited autonomy as defined by the Basic Law of Hong Kong. Hong Kong’s legal system, which is different from that of mainland China, is based on common law and has its own laws and regulations, but some of the national laws of the PRC are made applicable in Hong Kong under the Basic Law. It has been speculated that there may be increased alignment between PRC laws and regulations and the Basic Law or that PRC laws and regulations will be applied directly in Hong Kong. If certain PRC laws and regulations relevant to our business operations were to become applicable in Hong Kong in the future, we may face legal and operational risks and uncertainties relating to our operations in Hong Kong.

Implementation of the Law of the PRC on Safeguarding National Security in Hong Kong involves uncertainty, and the recent policy pronouncements by the PRC government regarding business activities of U.S.-listed PRC businesses may negatively impact our existing and future operations in Hong Kong.

On June 30, 2020, the Standing Committee of the NPC promulgated the Law of the PRC on Safeguarding National Security in Hong Kong. The interpretation of the Law of the PRC on Safeguarding National Security in Hong Kong involves a degree of uncertainty. Recently, the PRC government announced that it would step up supervision of overseas listed PRC businesses. Under the new measures, the PRC government will enhance regulation of cross-border data flows and security, crack down on illegal activity in the securities market and punish fraudulent securities issuance, market manipulation and insider trading. The PRC government will also check sources of funding for securities investment and control leverage ratios. The PRC government has also opened a probe into several U.S.-listed technology companies focusing on anti-monopoly, financial technology regulation and more recently, with the passage of the PRC Data Security Law, how companies collect, store, process and transfer personal data. Currently these laws (other than the Law of the PRC on Safeguarding National Security in Hong Kong) are expected to apply to China domestic businesses, rather than businesses in Hong Kong which operate under a different set of laws from China. However, there can be no assurance that the government of Hong Kong will not enact similar laws and regulations applicable to companies operating in Hong Kong.

We and the VIEs conduct business operations in the PRC although we have established a subsidiary in Hong Kong, Four Seasons Education (Hong Kong) Limited, as a holding company to facilitate overseas securities offering. As of the date of this annual report, Four Seasons Education (Hong Kong) Limited has not received any inquiry or notice or any objection from any PRC authority or Hong Kong authority. Although none of our or the VIEs' business activities appears to be within the current targeted areas of concern mentioned above by the PRC government as our Hong Kong subsidiary is a holding company with no business operations as of the date of the annual report, given the PRC government's significant oversight over the conduct of business operations in China and in Hong Kong, and in light of the PRC government's recent extension of authority not only in China but into Hong Kong, there are risks and uncertainties which we cannot foresee for the time being, and rules and regulations in the PRC can change quickly with little or no advance notice. For example, the PRC government may pressure the government of Hong Kong to enact similar laws and regulations to those in the PRC, which may seek to exert control over offerings conducted overseas by Hong Kong companies. If any or all of the foregoing were to occur, and if our Hong Kong subsidiary elects to carry out substantive business activities in the future, it could lead to a material adverse change in our operations and limit or hinder our ability to offer securities to overseas investors or remain listed in the U.S., which could cause the value of our ADSs to significantly decline or become worthless.

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

We conduct business primarily in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the operation of our business, and it may influence our operations, which could result in a material adverse change in our operation and the value of our ADSs.

The PRC government has recently indicated an intent to exert more oversight over overseas offerings by and foreign investment in China-based issuers like us. For example, on July 6, 2021, relevant PRC government authorities promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, which stated that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of the relevant domestic industry regulatory authorities and other regulatory authorities. On December 24, 2021, the State Council issued a draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments), or the Draft Provisions, and the CSRC issued a draft Measures for the Record-Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), for public comments. 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, which came into effect on March 31, 2023. The Overseas Listing Trial Measures regulates both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, the principle of "substance over form" shall be followed when determining whether an offering and listing shall be deemed as an indirect overseas offering and listing by a PRC domestic company and if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer shall be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in the PRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. On the same day, the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by the Domestic Enterprises, or the Notice on Overseas Listing Measures. According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date on which the Overseas Listing Measures will become effective, such as our company, are not required to make any immediate filing. However, such issuers will be required to comply with the filing requirements under Overseas Listing Measures if and when they pursue any future securities offerings and listings outside of mainland China, including but not limited to follow-on offerings, secondary listings and going private transactions. If we fail to obtain required approval or complete other review or filing procedures, under the Overseas Listing Measures or otherwise, for any future securities offerings and listings outside of mainland China, including but not limited to follow-on offerings, secondary listings and going private transactions, we may face sanctions by the CSRC or other PRC regulatory authorities, including administrative penalties, such as order to rectify, warnings, fines or other actions that may materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs.

In addition, on December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC government authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, in addition to “critical information infrastructure operators,” network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review. The relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. In addition, the Cybersecurity Review Measures provides that network platform operators holding personal information of over one million users must apply with the Cybersecurity Review Office for a cybersecurity review before public offering at a foreign stock exchange. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign government and the network information security risk in connection with the listing. There are substantial uncertainties as to the interpretation, application, and enforcement of the Cybersecurity Review Measures.

Furthermore, in November 2021, the CAC released the Administrative Regulations on Internet Data Security (Draft for Comments), or the Draft Data Security Regulations, which provides 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 Data Security 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 individuals 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 Data Security Regulations requires that data processors that process “important data” or are listed overseas must conduct an annual data security assessment by itself or engage 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 Data Security 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. As advised by our PRC Legal Counsel, Fangda Partners, we do not expect ourselves to be subject to cybersecurity review with the CAC for the following reasons: (i) we do not possess a large amount of personal information and our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities, (ii) we are not required to go through cybersecurity review by the CAC, and (iii) we have not received any notice from any authorities identifying our PRC subsidiaries or VIEs as a CIIOs or online platform operators requiring us to go through cybersecurity review or network data security review by the CAC. However, there remains uncertainty as to how the Draft Measures for Cybersecurity Review will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures.

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

Our business is subject to various evolving PRC laws and regulations regarding data privacy and cybersecurity. Failure of cybersecurity and data privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.

We routinely collect, store and use personal information and other data during the ordinary course of our business. If we are unable to protect the personal information and other data we collect, store and use from unauthorized access, use, disclosure, disruption, modification, or destruction, such problems or security breaches could cause a loss, give rise to our liabilities to the owners or subject of the information, or subject us to fines and other penalties. In addition, complying with various laws and regulations could cause us to incur substantial costs or require us to change our business practices, including our data practices, in a manner adverse to our business.

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. We are subject to PRC laws and regulations governing the collection, storing, sharing, using, processing, disclosure and protection of personal information and other data on the internet and mobile platforms including, without limitation, the PRC Civil Code, the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law. 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 PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law, among other things, provides for security review procedure for data-related activities that may affect national security. In January 2022, 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, critical information infrastructure operators that procure internet products and services and network platform operators engaging in 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 shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. In August 2021, the state council promulgated the Regulations on Critical Information Infrastructure Security Protection, which became effective on September 1, 2021. Pursuant to this regulation, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, the damage, malfunction or data leakage of which may endanger national security, people's livelihoods and the public interest. Relevant governmental authorities of each critical industry and sector shall be responsible for formulating eligibility criteria and determining the scope of critical information infrastructure operator in the respective industry or sector and operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators. 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" 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 under PRC law. If we are deemed to be a critical information infrastructure operator 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 Administrative Regulations on Internet Data Security (Draft for Comments), or the Draft Data Security Regulations, which provides 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 Data Security 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 individuals 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 Data Security 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 Data Security 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.
- On July 7, 2022, the CAC issued the Measures for Security Assessment of Cross-border Data Transfer, or the Security Assessment Measures, which came into effect on September 1, 2022. Pursuant to the Security Assessment Measures, a data processor shall apply to competent authorities for security assessment prior to transferring any data abroad if the transfer involves (i) important data; (ii) personal information transferred overseas by a CIIO and a data processor that has processed personal information of more than one million individuals; (iii) personal information transferred overseas by a data processor who has already provided personal information of 100,000 persons or sensitive personal information of 100,000 persons overseas since January 1 of the previous year; or (iv) other circumstances as requested by the CAC. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for filing the Outbound Data Transfer Security Assessment (Version 1), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during PRC domestic operations; (ii) the access to, use, download or export of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals; and (iii) other acts as specified by the CAC.

The Anti-monopoly Guidelines for the Platform Economy Sector

- The Anti-monopoly Guidelines for the Platform Economy Sector published by the Anti-monopoly Committee of the State Council, effective on February 7, 2021, prohibits collection of user information through coercive means by online platforms operators.
- In August 2021, the Standing Committee of the NPC promulgated the PRC 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 CAC, other 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.

- On August 1, 2022, the Standing Committee further amended the Anti-Monopoly Law, which, among others, (i) emphasized that business operators with a dominant market position shall not engage in any conduct of abusing a dominant market position by utilizing data and algorithm, technology, and platform rules, (ii) increased the fines on business operators for illegal concentration to “no more than ten percent of the preceding year’s sales revenue of the business operators if the concentration of business operators has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operators does not have an effect of excluding or limiting competition,” and (iii) increased the fines on business operators that reaching monopoly agreements to “no less than one percent but no more than ten percent of the preceding year’s sales revenue of the business operators, or a fine of up to RMB5 million if no sales revenue in the preceding year; and if such monopoly agreements have not been implemented, a fine of up to RMB3 million.”

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 Data Security 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 Data Security 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 Data Security 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. As advised by our PRC counsel, there are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice as they are relatively new. We may need to adjust our business to comply with the data security and cybersecurity requirements from time to time and we have taken measures to comply with applicable data-related laws and regulations.

In addition, regulatory authorities around the world have adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring that we change our data practices and policies, which could have an adverse effect on our business and results of operations. The European Union General Data Protection Regulation (“GDPR”), which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for financial or non-financial losses. In the event that residents of the European Economic Area access our website or our mobile apps and input protected information, we may become subject to provisions of the GDPR.

Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The PRC Enterprise Income Tax Law and its implementing rules provide that enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” under PRC tax laws. The implementing rules define the term “de facto management bodies” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. On April 22, 2009, the State Administration of Taxation issued SAT Circular 82, which provides that a foreign enterprise controlled by a PRC company or a group of PRC companies will be classified as a “resident enterprise” with its “de facto management body” located within the PRC if all of the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (4) at least half of the enterprise’s directors with voting right or senior management reside in the PRC. The State Administration of Taxation issued a bulletin SAT Circular 45 on July 27, 2011 to provide more guidance on the implementation of SAT Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the general position of the State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

In addition, the State Administration of Taxation issued a bulletin SAT Circular 9 on January 29, 2014 to provide more guidance on the implementation of SAT Circular 82. This bulletin further provides that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered.

From the year in which the entity is determined as a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the PRC Enterprise Income Tax Law and its implementing rules.

As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, if we are deemed as a PRC “resident enterprise,” we will be subject to PRC Enterprise Income Tax on our worldwide income at a uniform tax rate of 25%, although dividends distributed to us from our existing PRC subsidiaries and any other PRC subsidiaries which we may establish from time to time could be exempt from the PRC dividend withholding tax due to our PRC “resident recipient” status. This could have a material adverse effect on our overall effective tax rate, our income tax expenses and our net income. Furthermore, dividends, if any, paid to our shareholders and ADS holders may be decreased as a result of the decrease in distributable profits. In addition, if we were to be considered a PRC “resident enterprise,” dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares may be considered income derived from sources within the PRC and be subject to PRC withholding tax, which could have a material adverse effect on the value of your investment in us and the price of our ADSs.

There are significant uncertainties under the PRC Enterprise Income Tax Law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the PRC Enterprise Income Tax Law and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside the PRC, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Our WFOE is wholly owned by our Hong Kong subsidiary.

Moreover, under the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties promulgated on February 20, 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include: (1) the taxpayer must be the beneficial owner of the relevant dividends, and (2) the corporate shareholder to receive dividends from the PRC subsidiaries must have continuously met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the State Administration of Taxation promulgated the Notice on How to Understand and Recognize the “Beneficial Owner” in Tax Treaties on October 27, 2009, which limits the “beneficial owner” to individuals, enterprises or other organizations normally engaged in substantive operations, and sets forth certain detailed factors in determining the “beneficial owner” status. Further, the SAT promulgated the Notice on Issues Related to the “Beneficial Owner” in Tax Treaties on February 3, 2018, which sets forth certain detailed factors in determining the “beneficial owner” status.

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to inspection or approval of the relevant tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity interests in a PRC resident enterprise indirectly via disposition of the equity interests of an overseas holding company, and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the foreign investor shall report the indirect transfer to the competent PRC tax authority. The PRC tax authority will examine the nature of such indirect transfer, and if the tax authority considers that the foreign investor has adopted an “abusive arrangement” in order to reduce, avoid or defer PRC taxes, it may disregard the existence of the overseas holding company and re-characterize the indirect transfer such that gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. SAT Circular 698 is retroactively effective from January 1, 2008.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “indirect transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

The State Administration of Taxation issued Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises, or SAT Bulletin 7, on February 3, 2015, which replaced or supplemented certain rules under SAT Circular 698. Under SAT Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable 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.

According to SAT Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in the PRC, immoveable properties in the PRC, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immoveable properties in the PRC or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of SAT Bulletin 7. If SAT Bulletin 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with SAT Bulletin 7 or to establish that the relevant transactions should not be taxed under SAT Bulletin 7.

As a result, we and our non-PRC shareholders may have the risk of being taxed for the disposition of our ordinary shares or ADS and may be required to spend valuable resources to comply with SAT Circular 698 and SAT Bulletin 7 or to establish that we or our non-PRC shareholders should not be taxed as an indirect transfer, which may have a material adverse effect on our financial condition and results of operations or the investment by non-PRC investors in us.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Substantially all of our revenue is denominated in Renminbi. As a result, restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to fund any business activities we may have outside the PRC in the future or to make dividend payments to our shareholders and ADS holders in U.S. dollars. Under current PRC laws and regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and dividend distributions. However, Renminbi is not freely convertible for direct investment or loans or investments in securities outside the PRC, unless such use is approved by SAFE. For example, foreign exchange transactions under our subsidiary’s capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval requirement of SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures.

Our PRC subsidiaries are permitted to declare dividends to our offshore subsidiary holding their equity interest, convert the dividends into a foreign currency and remit to its shareholder outside the PRC. In addition, in the event that our PRC subsidiaries liquidate, proceeds from the liquidation may be converted into foreign currency and distributed outside the PRC to our overseas subsidiary holding its equity interest. Furthermore, in the event that Shanghai Luoliang Network Technology Co., Ltd. or Shanghai Four Seasons Education Investment Management Co., Ltd. liquidates, our PRC subsidiaries may, pursuant to a power of attorney it has entered into with Mr. Peiqing Tian or Ms. Suhua Zhu, require Mr. Peiqing Tian or Ms. Suhua Zhu to transfer all assets they might receive in connection with the liquidation of Shanghai Luoliang Network Technology Co., Ltd. or Shanghai Four Seasons Education Investment Management Co., Ltd., Ltd. to our PRC subsidiaries at no consideration or the minimum consideration as permitted under PRC laws. Our PRC subsidiaries then may distribute such proceeds to us after converting them into foreign currency and remit them outside the PRC in the form of dividends or other distributions. Once remitted outside the PRC, dividends, distributions or other proceeds from liquidation paid to us will not be subject to restrictions under PRC regulations on its further transfer or use.

Other than the above distributions by and through our PRC subsidiaries which are permitted to be made without the necessity to obtain further approvals, any conversion of the Renminbi-denominated revenue generated by the VIEs for direct investment, loan or investment in securities outside the PRC will be subject to the limitations discussed above. To the extent we need to convert and use any Renminbi-denominated revenue generated by the VIEs not paid to our PRC subsidiaries and revenue generated by our PRC subsidiaries not declared and paid as dividends, the limitations discussed above will restrict the convertibility of, and our ability to directly receive and use such revenue. As a result, our business and financial condition may be adversely affected. In addition, we cannot assure you that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi in the future, especially with respect to foreign exchange transactions.

Our subsidiaries and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us.

We are a holding company and rely principally on dividends paid by our subsidiaries in the PRC. Current PRC regulations permit our subsidiaries in the PRC to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our learning centers that are private schools in the PRC is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. Furthermore, if our subsidiaries or the VIEs in the PRC incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, to the extent cash or assets in our business is in the PRC or Hong Kong or a PRC or Hong Kong entity, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our PRC subsidiaries, or the VIEs by the PRC government to transfer cash or assets. Cash may be transferred within our organization in the following manners: Under PRC laws, Four Seasons may, through its intermediary holding companies, 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. Any such restrictions or requirements may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the value of the Renminbi may have a material adverse effect on your investment.

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by various factors such as changes in political and economic conditions in the PRC. On July 21, 2005, the PRC government changed its decade-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 halted 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.

Any significant appreciation or revaluation of the Renminbi may have a material adverse effect on the value of, and any dividends payable on, our ADSs in foreign currency terms. More specifically, if we decide to convert our Renminbi into U.S. dollars, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. 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. In addition, appreciation or depreciation in the exchange rate of the Renminbi to the U.S. dollar could materially and adversely affect the price of our ADSs in U.S. dollars without giving effect to any underlying change in our business or results of operations.

The approval of or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

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

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, or the Opinions on Security Activities. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the State Council issued a draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments), or the Draft Provisions, and the CSRC issued a draft Measures for the Record-Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Administration Measures, for public comments.

The Draft Provisions and the Draft Administration Measures propose to establish a new filing-based regime to regulate overseas offerings of stocks, depository receipts, convertible corporate bond, or other equity securities, and overseas listing of these securities for trading, by domestic companies. According to the Draft Provisions and the Draft Administration Measures, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. The Draft Administration Measures also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises.

As a follow-up, on December 24, 2021, the State Council issued a draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments), or the Draft Provisions, and the CSRC issued a draft Measures for the Record-Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Administration Measures, for public comments. 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, which came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

According to the Overseas Listing Trial Measures, an overseas listed company shall file with the CSRC within three business days after the completion of its subsequent securities offering on the same market, and an overseas listed company shall file with the CSRC within three business days after its application of its offering and listing on a different market. If an overseas listed company purchase PRC domestic assets through a single or multiple acquisitions, share swaps, shares transfers or other means, and such purchase constitutes direct or indirect listing of PRC domestic assets, a filing with the CSRC is also required. In addition, an overseas listed company is required to report to the CSRC the occurrence of any of the following material events within three business days after the occurrence and announcement thereof: (i) a change of control of the listed company; (ii) the investigation, sanction or other measures undertaken by any foreign securities regulatory agencies or relevant competent authorities in respect of the listed company; (iii) a change of listing status or transfer of listing segment; and (iv) the voluntary or mandatory delisting of the listed company. If there is any material change of the principal business of the listed company after the overseas offering and listing so that the listed company is no longer required to file with the CSRC, it shall file a specific report and a legal opinion issued by a domestic law firm to the CSRC within three business days after the occurrence hereof.

Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all. If we fail to obtain required approval or complete other review or filing procedures, under the Overseas Listing Measures or otherwise, for any future securities offerings and listings outside of mainland China, including but not limited to follow-on offerings, secondary listings and going private transactions, we may face sanctions by the CSRC or other PRC regulatory authorities, including administrative penalties, such as order to rectify, warnings, fines or other actions that may materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Cybersecurity Review Measures and the Draft Data Security Regulations, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our ADSs.

Certain PRC regulations, including the M&A Rules and national security regulations, may require a complicated review and approval process which could make it more difficult for us to pursue growth through acquisitions in the PRC.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in the PRC by foreign investors more time-consuming and complex. For example, the Ministry of Commerce must be notified in the event a foreign investor takes control of a PRC domestic enterprise. In addition, certain acquisitions of domestic companies by offshore companies that are related to or affiliated with the same entities or individuals of the domestic companies, are subject to approval by the Ministry of Commerce. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the Ministry of Commerce in August 2011, require that mergers and acquisitions by foreign investors in “any industry with national security concerns” be subject to national security review by the Ministry of Commerce. In addition, any activities attempting to circumvent such review process, including structuring the transaction through a proxy or contractual control arrangement, are strictly prohibited.

There is significant uncertainty regarding the interpretation and implementation of these regulations relating to merger and acquisition activities in the PRC. In addition, complying with these requirements could be time-consuming, and the required notification, review or approval process may materially delay or affect our ability to complete merger and acquisition transactions in the PRC. As a result, our ability to seek growth through acquisitions may be materially and adversely affected.

In addition, if the Ministry of Commerce determines that we should have obtained its approval for our entry into contractual arrangements with the VIEs and their shareholders, we may be required to file for remedial approvals. We cannot assure you that we would be able to obtain such approval from the Ministry of Commerce. We may also be subject to administrative fines or penalties by the Ministry of Commerce that may require us to limit our business operations in the PRC, delay or restrict the conversion and remittance of our funds in foreign currencies into the PRC or take other actions that could have material and adverse effect on our business, financial condition and results of operations.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC law.

SAFE has promulgated regulations, including the Notice on Relevant Issues Relating to Foreign Exchange Control on Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014, and its appendices, that require PRC residents, including PRC institutions and individuals, to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

These regulations apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions or share transfers that we make in the future if our shares are issued to PRC residents.

However, in practice, different local SAFE branches may have different views and procedures on the application and implementation of SAFE regulations, and since SAFE Circular 37 was recently issued, there remains uncertainty with respect to its implementation.

As of the date of this annual report, all PRC residents known to us that currently hold direct or indirect interests in our company have completed the necessary registrations with SAFE as required by SAFE Circular 37. However, we cannot assure you that these individuals or any other direct or indirect shareholders or beneficial owners of our company who are PRC residents will be able to successfully complete the registration or update the registration of their direct and indirect equity interest as required in the future. If they fail to make or update the registration, our PRC subsidiaries could be subject to fines and legal penalties, and SAFE could restrict our cross-border investment activities and our foreign exchange activities, including restricting our PRC subsidiaries' ability to distribute dividends to, or obtain loans denominated in foreign currencies from, our company, or prevent us from contributing additional capital into our PRC subsidiaries. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Employee participants in our share incentive plan who are PRC citizens may be required to register with SAFE. We also face regulatory uncertainties in the PRC that could restrict our ability to grant share incentive awards to our employees who are PRC citizens.

Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE on February 15, 2012, or SAFE Circular 7, a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of “domestic individuals” (both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who are granted shares or share options by the overseas-listed company according to its share incentive plan, an application with SAFE to conduct SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals’ foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in the PRC opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options and their purchase and sale of shares. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its share incentive plan or make any new share incentive plans.

From time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees who receive options or other equity-based incentive grants under our share incentive plan or material changes in our share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees who hold any type of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plan who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plan may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their share options or remit proceeds gained from sale of their shares into the PRC, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees who are PRC citizens.

Our leased property interests may be defective and our right to lease the properties may be challenged.

According to the PRC Land Administration Law, land in urban districts is owned by the state. The owner of a property built on state-owned land must possess the proper land and property title certificate to demonstrate that it is the owner of the premises and that it has the right to enter into lease contracts with the tenants or to authorize a third party to sublease the premises. Certain landlords of our learning center locations have failed to provide the title certificates to us. Our right to lease the premises may be interrupted or adversely affected if our landlords are not the property owners and the actual property owners should appear.

In addition, the title certificate usually records the approved use of the state-owned land by the government and the property owner is obligated to follow the approved use requirement when making use of the property. In the case of failure to utilize the property in accordance with the approved use, the land administration authorities may order the tenant to cease utilizing the premises or even invalidate the contract between the landlord and the tenant. If our use of the leased premises is not in full compliance with the approved use of the land, we may be unable to continue to use the property, which may cause disruption to our business.

Our failure to comply with certain requirements under labor contract laws in the PRC may adversely affect our results of operations.

The current PRC labor contract law imposes greater liabilities on employers and significantly affects the cost of an employer’s decision to reduce its workforce. Furthermore, the PRC government has promulgated new laws and regulations to enhance labor protections in recent years, such as the Labor Contract Law and the Social Insurance Law. If we are subject to penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

The PCAOB may be unable to inspect or fully investigate our auditors as required under the Holding Foreign Companies Accountable Act, or the HFCA Act. If the PCAOB is unable to conduct such inspections for two consecutive years beginning in 2021, the SEC will prohibit the trading of our ADSs. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was signed into law on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, or the AHFCA Act, which was signed into law on December 29, 2022, amending the HFCA Act and requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.

On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCA Act, pursuant to which the SEC will identify a "Commission-Identified Issuer" if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction.

On December 16, 2021, the PCAOB issued PCAOB Determination Report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the "Protocol") with the CSRC and the Ministry of Finance ("MOF") of the People's Republic of China, governing inspections and investigations of audit firms based in mainland China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous PCAOB Determination Report to the contrary. However, whether the PCAOB will continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. The PCAOB is expected to continue to demand complete access to inspections and investigations against accounting firms headquartered in mainland China and Hong Kong in the future and states that it has already made plans to resume regular inspections in early 2023 and beyond. The PCAOB is required under the HFCA Act to make its determination on an annual basis with regards to its ability to inspect and investigate completely accounting firms based in the mainland China and Hong Kong. Should the PCAOB again encounter impediments to inspections and investigations in mainland China or Hong Kong as a result of positions taken by any authority in either jurisdiction, the PCAOB will make determinations under the HFCA Act as and when appropriate.

Our former auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte"), is an independent public accounting firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB. Deloitte issued the audit report for the fiscal year ended February 28, 2021, which is included elsewhere in this annual report. Our former auditor 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.

Our current auditor, Marcum Asia CPAs LLP (formerly Marcum Bernstein & Pinchuk LLP), or MarcumAsia, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. MarcumAsia, whose audit report is included in this annual report on Form 20-F, is headquartered in New York, New York, and is subject to inspection by the PCAOB on a regular basis. As a result, we do not expect to be identified as a “Commission-Identified Issuer” under the HFCA Act for the fiscal year ended February 28, 2023 after we file our annual report on Form 20-F for such fiscal year.

However, recent developments with respect to audits of China-based companies create uncertainty about the ability of MarcumAsia to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities, as MarcumAsia’s audit working papers related to us are located in China. We can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

Furthermore, these recent developments could also add uncertainties and we cannot assure you that the New York Stock Exchange (“NYSE”) or regulatory authorities would not apply additional or more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Risks Related to our Ordinary Shares and ADSs

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

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, akin to the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies’ securities after their offerings may affect the perception and attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile due to a number of factors, including the following:

- regulatory developments affecting us or our industry;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in the market condition, market potential and competition in our industry;
- announcements by us or our competitors of new education services, expansions, investments, acquisitions, strategic partnerships or joint ventures;
- fluctuations in global and Chinese economies;
- changes in financial estimates by securities analysts;

- adverse publicity about us;
- additions or departures of our key personnel and senior management;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- potential litigation or regulatory investigations; and
- proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

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

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

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. The total number of ordinary shares outstanding as of February 28, 2023 was 21,189,215. The ADSs sold in our initial public offering will be freely tradable by persons other than our "affiliates" without restriction or further registration under the Securities Act. All of the other ordinary shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain major holders of our ordinary shares have the right to request us to register under the Securities Act the sale of their shares, subject to the applicable lock-up periods in connection with our initial public offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, 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. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely our company may pay a dividend out of either profit or share premium account, and provided always 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, among other things, 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. On January 16, 2018, we declared dividends of US\$20 million to holders of our company's ordinary shares of record as of February 1, 2018. Except for the foregoing, we have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the foreseeable future on our shares or ADSs. We cannot 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.

We believe that we were a passive foreign investment company for United States federal income tax purposes for our taxable year ended February 28, 2023, which could result in adverse United States federal income tax consequences to United States holders of our ADSs or ordinary shares.

Based on the market price of our ADSs, the value of our assets and the composition of our income and assets, we believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for our taxable year ended February 28, 2023. We will be a PFIC for United States federal income tax purposes for any taxable year if either (1) at least 75% of our gross income for such year is passive income or (2) at least 50% of the value of our assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. Because a separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year, we cannot assure you that we will not be a PFIC for the current or any future taxable year. Such determination may depend in part upon the value of our goodwill and other unbooked intangibles not reflected on our balance sheet (which may depend upon the market price of the ADSs or ordinary shares from time to time, which may fluctuate significantly) and also may be affected by how, and how quickly, we spend our liquid assets and the cash we generate from our operations and raise in any offering.

Because we believe that we were a PFIC for our taxable year ended February 28, 2023, certain adverse United States federal income tax consequences could apply to United States Holders (as defined in "Item 10. Additional Information — E. Taxation — Certain United States Federal Income Tax Considerations") with respect to any "excess distribution" received from us and any gain from a sale or other disposition of the ADSs or ordinary shares. See "Item 10. Additional Information — E. Taxation — Certain United States Federal Income Tax Considerations — Passive Foreign Investment Company."

Our 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 ADSs.

We have adopted a second amended and restated memorandum and articles of association. Our 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. For example, our board of directors has the authority subject to any resolution of the shareholders to the contrary, 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, in the form of ADS or otherwise. 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 our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

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 and we conduct the majority of our operations in China.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our 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 our 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 and Wales, 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 precedent 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 standing to initiate a shareholder derivative action in a federal court of the United States.

The Cayman Islands courts are also unlikely (i) to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws, or (ii) to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without reexamination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. In addition, as a company primarily operating in China, there are significant legal and other obstacles for U.S. authorities to obtaining information needed for investigations or litigations. Moreover, local authorities often are constrained in their ability to assist U.S. authorities and overseas investors. For example, according to Article 177 of the PRC Securities Law 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. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and material relating to securities business activities to overseas parties.

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 our management, members of our board of directors or our large shareholders and limited remedies than they would as public shareholders of a company incorporated in the United States.

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

We are an exempted company incorporated in the Cayman Islands and all of our assets are located outside of the United States.

All of our current operations are conducted in the PRC. In addition, all of our current directors and officers, namely Peiqing Tian, Yi Zuo, Shaoqing Jiang, Zongwei Li and Bing Yuan, reside within mainland China and Hong Kong and all of their assets are located outside 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 the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

In addition, judgment of United States courts will not be directly enforced in Hong Kong. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the United States. There is uncertainty as to whether the courts of Hong Kong would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or (ii) entertain original actions brought in Hong Kong against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. A judgment of a court in the United States predicated upon U.S. federal or state securities laws may be enforced in Hong Kong at common law by bringing an action in a Hong Kong court on that judgment for the amount due thereunder, and then seeking summary judgment on the strength of the foreign judgment, provided that the foreign judgment, among other things, is (i) for a debt or a definite sum of money (not being taxes or similar charges to a foreign government taxing authority or a fine or other penalty) and (ii) final and conclusive on the merits of the claim, but not otherwise. Such a judgment may not, in any event, be so enforced in Hong Kong if (a) it was obtained by fraud; (b) the proceedings in which the judgment was obtained were opposed to natural justice; (c) its enforcement or recognition would be contrary to the public policy of Hong Kong; (d) the court of the United States was not jurisdictionally competent; or (e) the judgment was in conflict with a prior Hong Kong judgment. Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, there is uncertainty as to the enforceability in Hong Kong, in original actions or in actions for enforcement, of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.”

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 United States domestic public companies.

Because we are 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 of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- 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; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be 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, which would be made available to you, were you investing in a U.S. domestic issuer.

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 corporate governance listing standards under the New York Stock Exchange; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards under the New York Stock Exchange.

As a Cayman Islands company listed on New York Stock Exchange, we are subject to the corporate governance listing standards under the New York Stock Exchange. However, New York Stock Exchange Listed Company Manual permits 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 corporate governance listing standards under the New York Stock Exchange. Shareholders of exempted companies in the Cayman Islands like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our 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. We currently follow and intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of New York Stock Exchange that a listed company must have (i) a majority of the board be independent; (ii) an audit committee of at least three independent directors; and (iii) hold an annual meeting of shareholders no later than one year after the end of our fiscal year. Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States.

To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

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 vote your ordinary shares.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our 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 which are carried by the underlying ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the ordinary shares underlying your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our second amended and restated memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is seven days.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the underlying ordinary shares represented by your ADSs and become the registered holder of such 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 second amended and restated 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 ordinary shares underlying your ADSs and 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. If we ask for your instructions, 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 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 ordinary shares underlying your ADSs are voted and you may have no legal remedy if the ordinary shares underlying your ADSs are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote the ordinary shares underlying your ADSs if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, the depositary will give us a discretionary proxy to vote the ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, you cannot prevent the ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

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 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 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 our 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.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We began our operations in March 2007, when our Chairman, Mr. Peiqing Tian, founded Shanghai Four Seasons Education Investment Management Co., Ltd. in Shanghai. In 2010, we established our first learning center providing after-school math education services to elementary school students. With the growth of our business and in order to facilitate international capital investment in our company, we incorporated Four Seasons Education (Cayman) Inc., or Four Seasons Education Cayman, to become our offshore holding company under the laws of the Cayman Islands in June 2014. Further, in June 2014, Four Seasons Education Cayman established a wholly-owned subsidiary in Hong Kong, namely Four Seasons Education (Hong Kong) Limited, or Four Seasons Education HK. Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi, was then incorporated in December 2014 as a wholly-owned subsidiary of Four Seasons Education HK.

B. Business Overview

We are dedicated to providing diversified smart learning solutions in China. Since our inception in 2007, we have witnessed tremendous developments in China's learning industry and continued to upgrade our business strategies to capture the new opportunities brought by technology advance and evolving learning needs.

We started our business initially focusing on math education for elementary school students in Shanghai, from where we actively seeking to expand during the past years. As of February 28, 2023 we had two learning centers in two cities in China.

We always keep a keen prospective for the evolving and developing industry. In addition to the course offerings that target improving learners and customers' academic performance, we also began to expand our offerings by introducing study camp and learning trip in the recent years. In compliance with regulatory policies promulgated in 2021, we ceased offering the K9 Academic AST Services in mainland China at the end of 2021. We have since realigned our business focus towards study camp and learning trip, learning services as well as learning technology and content solutions to capture evolving customer needs. We are hosting a series of study camps, learning trips and interest-oriented classes, and have continued to integrate technology with learning, promote industry innovation, and lead industry development form our inception.

Our revenue was RMB34.2 million (US\$4.9 million) in the 2023 fiscal year, compared with RMB250.2 million in the 2022 fiscal year. In the 2023 fiscal year, we recorded a net loss of RMB33.5 million (US\$4.8 million), compared with the net loss of RMB118.7 million in the 2022 fiscal year. Our adjusted net loss, which excludes share-based compensation expenses, fair value change of investments, impairment loss on intangible assets and goodwill (net of tax effect) and impairment loss on long-lived assets (net of tax effect), was RMB32.2 million (US\$4.7 million) in the 2023 fiscal year, compared with adjusted net loss of RMB58.4 million in the 2022 fiscal year. For a detailed description of adjusted net income (loss), please see "Item 5. Operating and Financial Review and Prospects — Non-GAAP Measures."

Our Offerings

We are committed to maximizing a learner's potential by providing access to an engaging learning experience empowered by our technology and content capabilities. We have crafted a wide variety of learning products and services to address learners and customers' evolving needs in well-rounded development. We also offer learning technology and content solutions to educational institutions.

We are currently offering, and evaluating, a broad range of learning programs that are aligned with our mission, core competencies, and learner demand. Our offerings are divided into non-academic tutoring programs, study camp and learning trip and learning technology and content solutions. Historically, we offered K9 Academic AST Services in mainland China, which was ceased at the end of 2021 in compliance with regulatory policies promulgated in 2021. The revenues from offering K9 Academic AST Services accounted for a substantial majority of our total revenues in the fiscal year 2021 and 2022.

Non-Academic Tutoring Programs

Spurred by the strong market demand, we built on our experience on non-academic programs. We offer a broad range of expertly designed learning programs on various fronts to enhance the aesthetic, scientific, and physical literacy of our learners. The programs we offer include, among others, calligraphy, art, recitation, bridge, go, sudoku, and physical training.

Study Camp and Learning Trip

The National Science Quality Action Outline of the Plan (2021-2035) issued by the State Counsel in June 2021 promotes the in-depth integration of information technology and science education, and implementation of scenario-based, experiential and immersive learning. We collaborate with major cultural venues, historical scenic spots and universities that are prudently selected to coincide with our contents to closely complement a learner's comprehensive capabilities. As such, our study camp and learning trip are widely trusted through word-of-mouth referrals.

We also plan to develop more study camps across China with our proprietary learning content, which will be available for sign up by both group and individual learners of all age. As of February 28, 2023, we operate two study camps one each in Hubei and Anhui Province.

Learning Technology and Content Solutions

We have continued to invest in learning technology and content solutions empowering other industry players including educational institutions, in particular primary and middle schools. Driven by real-world needs and pain points faced by these schools, we have created, developed and launched a broad array of learning technology and content solutions customized for various close-loop learning scenarios encompassing teaching, learning and content development.

113 well-known K-12 schools and institutions have invited us to deliver our proprietary courses to their students since our inception. Typically, our courses are delivered by our own teachers at these schools through after-school math clubs or interest groups. We charge each school a lump sum cooperation fee and service fees calculated based on fixed hourly rates. We have found our courses incorporating hands-on learning to be the most popular, including our Wisdom in Mathematics module, which introduces math concepts through games and toys such as Sudoku and Rubik's Cube, our Mathematics Magic House module, which consists of math stories and games, and our logic thinking module.

In 2019, we have successfully commercialized our award-winning proprietary Intellectual Math Lab, developed in collaboration with East China Normal University. Our Intellectual Math Lab covers a series of math courses, which integrates AI-driven speech recognition of mathematical formula, complicated integrated math questions and automatic tracking and assessment report designed to enhance learners' understanding of core math concepts and enrich their study plans.

Our Learning Content

We have established a systematic content development and update process that forms a virtuous cycle in producing quality content offerings.

Our content design is a dynamic process, building on our teachers' own experiences and our learners' evolving learning demands. We utilize our extensive experience to build leaning contents which can best illustrate specific concepts or address areas of learners' interest.

We have also developed content that focuses on cultivating our learners' interest. For example, our Wisdom in Mathematics course incorporates a large number of math games, has been well-received by our customers.

We also dynamically refine and update our learning content based on learners' receptiveness to the materials and our analysis of learner answers.

We design most of our learning contents through our in-house efforts. Our content development team consists of 66 members experienced in course design as of February 28, 2023, all of whom are also our teachers.

Our Learning Centers and Study Camps

As of February 28, 2023, we operate two learning centers, one each in Shanghai and Chongqing. We, with us being the controlling shareholder, cooperate with local business partners in the operation of the one learning centers outside Shanghai, under which we are responsible for the program and content design and faculty training, while our business partners are responsible for marketing, learner recruitment and compliance with local regulations.

We operate two study camps as of February 28, 2023, one each in Hubei Province and Anhui Province. Going forward, we strive to establish new study camps across China to offer more enrichment activities to group and individual learners of all age. We have strengthened and made more stringent our requirements and standards for the selection of new study camps, and strive to achieve compliance with applicable PRC laws and regulations for all of our existing learning centers.

Our Faculty

We believe that our faculty is critical to maintaining the quality of our services and promoting our brand and reputation. Our total number of teachers is 76 as of February 28, 2023. As of February 28, 2023, approximately 97% of our teachers had bachelor's degrees and above.

We strive to give our faculty a supportive working environment, providing our faculty members with abundant opportunities for career development and advancement. We offer competitive salary and benefit packages, and make great efforts to build a congenial academic and workplace culture among our faculty. We do not encourage or require our teachers to recruit learners or promote our learning contents on their own, which allows them to focus on teaching and knowing the demand of our learners. We encourage our faculty to learn at the same time that they are teaching, try out innovative teaching methods and hone their own skills. We believe that our culture promotes self-improvement and a sense of satisfaction from teaching.

Our faculty recruitment process is highly selective. We require our candidates to pass a series of exams, interviews and mock lectures and three months of training programs before they can become our trainee teachers and start their probation period. During the recruitment process, we mainly focus on candidates' academic background, communication skills and classroom demeanor. We generally recruit our teachers through on-campus recruitment of university graduates and from time to time through referrals or online channels. We encourage teachers to put their own spin on their classes to keep learners engaged. Therefore, we also target our faculty recruiting toward candidates with energetic and positive personalities who can connect with and motivate our learners.

All of our teachers are required to attend our on-the-job training programs to ensure their familiarity with our latest learning content and our software and facilities. We design and implement in-house training programs for our teachers, which consist of courses on specific subjects and teaching techniques. Each teacher participates in a two-month orientation training session when first joining us, as well as a 48-hour on-the-job training program in each subsequent year. In addition, we continuously monitor our teachers' mastery of their subject matter, teaching skills, and communication abilities. We have implemented nine tiers of pay grades for our faculty members, and through a stringent internal review process, our faculty members can be promoted to higher tiers based on a comprehensive evaluation of their teaching effectiveness and their delivery of teaching services, including their patience in answering learner questions and proactiveness in following up on learners' needs.

Competition

The learning solution and enrichment activity market in China is rapidly evolving, highly fragmented and competitive. We face competition in each type of products and services we offer and each geographic market in which we operate. We mainly face competition from other existing major players in the learning solution and enrichment activity market who also provide non-academic tutoring, study camp and learning trip experience, as well as learning technology solutions and learning content products. There may be new entrants emerging, in each of our business lines, and these market players compete to attract, engage and retain learners and customers. We believe the principal competitive factors in our business include the following:

- reputation and brand;
- learning- centric technology and content capabilities;

- overall learner and customer experience;
- type and quality of products and services offered;
- ability to effectively tailor service and product offerings to specific needs of learners; and
- ability to attract, train and retain high quality faculty members.

We believe that we compete favorably with our competitors on the basis of the above factors. However, some of our competitors may have greater access to financing and other resources, and a longer operating history than us. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.”

Data Privacy and Security

We are committed to protecting data privacy and security. We have internal rules and policies on data collection, processing and usage, as well as protocols, systems and technologies in place to ensure the confidentiality and integrity of our data. We are subject to PRC laws and regulations governing the collection, storing, sharing, using, processing, disclosure and protection of personal information and other data and the relevant risks and uncertainties. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Our business is subject to various evolving PRC laws and regulations regarding data privacy and cybersecurity. Failure of cybersecurity and data privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.”

Intellectual Property

Our business relies substantially on the creation, use and protection of our proprietary learning content materials. We have copyrights for our original content materials, including practice books, course videos and study software programs. Other forms of intellectual property include our trademarks, domain names and patents. As of February 28, 2023, we had 24 registered trademarks, 1 trademark in application, 20 copyrights (including 8 works copyrights and 12 software copyrights), 5 registered patents and 3 patents in application. In addition, as of February 28, 2023, we have registered 30 domain names, including sijiedu.com.

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets and other proprietary rights is critical to our business, and we protect our intellectual property rights by relying on local laws and contractual restrictions. More specifically, we rely on a combination of trademark, fair trade practice, copyright and trade secret protection laws in the PRC as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. We enter into confidentiality agreements with our employees, and have confidentiality arrangements with our business partners. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

While we actively take steps to protect our proprietary rights, these steps may not be adequate to prevent the infringement or misappropriation of the intellectual property created by or licensed to us. Also, we cannot be certain that the course materials that we license, and our redesign of these materials, do not or will not infringe on the valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, as discussed in “Risk Factors—Risks Related to Our Business—We may encounter disputes from time to time relating to our use of intellectual property of third parties.”

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We maintain insurance to cover our liability should any injuries occur at our schools. We maintain medical insurance for our employees and management. We also maintain public liability insurance which covers property damage and casualty damage in accidents. We do not have property, business interruption, general third-party liability, product liability or key-man insurance. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We have limited insurance coverage with respect to our business and operations.” We consider our insurance coverage to be in line with that of other learning service providers of similar size in the PRC.

Regulation

This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in China and our shareholders’ rights to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment in Education

Foreign Investment Law

On March 15, 2019, the National People’s Congress reviewed the submitted draft and approved the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaces the three laws on foreign investment (the Wholly Foreign-owned Enterprise Law, the Cooperative Joint Venture Law of the PRC and the Equity Joint Venture Law of the PRC) and the Foreign Investment Law provides a five-year transition period for the existing foreign invested enterprises, or the FIEs, to adjust their business structures.

On December 26, 2019, the State Council issued the Implementation Rules of the Foreign Investment Law, which came into effect on January 1, 2020, to clarify and elaborate relevant provisions of the Foreign Investment Law. The Foreign Investment Law and its implementation regulations emphasize the principle of applying “national treatment” to foreign investors. Industries that are not listed in the negative list issued by, amended or released upon approval by the State Council from time to time are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations.

Special Administrative Measures (Negative List) for Foreign Investment Access

Pursuant to the Foreign Investment Industries Guidance Catalog (2015 Revision), which was promulgated by the National Development and Reform Commission, and the Ministry of Commerce, and became effective on April 10, 2015, industries are classified into three categories: encouraged, restricted and prohibited. An industry not expressly listed on this catalog, such as operation of a training institution, is generally open to foreign investment unless specifically restricted or prohibited by other PRC regulations.

The Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Revision), which was promulgated on June 28, 2018 and took effect on July 28, 2018 replacing the abovementioned Foreign Investment Industries Guidance Catalog (2015 Revision), contains the same types of industry categories, with operation of training institution also open to foreign investment unless specifically restricted or prohibited by other PRC regulations.

The current effective negative list is the Special Administrative Measures (Negative List) for Foreign Investment Access, or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the 2021 Negative List, operation of training institution is outside the scope of the 2021 Negative List, which indicates that this is open to foreign investment, while a preschool, a regular senior secondary school, or a higher education institution shall only be operated by Chinese-foreign contractual joint ventures, under the control of the Chinese party (the principal or the chief executive shall be a Chinese citizen, and the council, board of directors, or joint management committee shall consist of members from the Chinese party accounting for no less than one half of the total number of members).

Regulation on Sino-foreign Cooperation in Operating Schools and its Implementing Rules

Sino-foreign cooperation in operating schools in China is governed by the Regulation on Sino-foreign Cooperative Education (2019 Revision) promulgated by the State Council and the Implementing Rules for Sino-foreign Cooperative Education (2004) issued by the Ministry of Education. These rules encourage substantive cooperation between PRC educational organizations and foreign educational organizations with the relevant qualifications and experience in providing high quality education to jointly operate various types of schools in China. Any Sino-foreign cooperative school and cooperation education program shall be approved by the relevant PRC authorities and obtain a permit for Sino-foreign cooperation in operating schools.

Additionally, the Implementation Opinions of the Ministry of Education on Encouraging and Guiding the Entry of Private Capital in the Education Sector and Promoting the Healthy Development of Private Education (2012) encourage private investment and foreign investment in the education sector. According to these opinions, the proportion of foreign investment in a Sino-foreign cooperative education institution shall be less than 50%.

Regulations Relating to Private Education

PRC Education Law

The PRC Education Law (1995) promulgated by the PRC National People's Congress stipulates that it is the government that formulates plans for the development of education, establishes and operates schools and other types of educational institutions, and in principle, enterprises, institution, social organizations and individuals are encouraged to operate schools and other types of educational organizations. Under the PRC Education Law, no organization or individual may establish or operate a school or any other educational institution for profit-making purposes. On December 27, 2015, the Standing Committee of the PRC National People's Congress, published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The PRC Education Law (2015 Revision) limits the prohibition of establishment or operation of schools or other educational institutions for profit-making purposes to only schools or other educational institutions established with full or partial governmental funding or government donated assets, which implies that schools or other educational institutions may operate for profit-making purposes if such schools or institutions operate without governmental funds or donated assets. Thereafter, the PRC Education Law was newly amended by Standing Committee of the National People's Congress on 29 April 2021, and came into effect on April 30, 2021.

The PRC Education Law also stipulates the basic conditions to be fulfilled for the establishment of a school or any other educational institution, and the establishment, modification or termination of a school or any other educational institutions shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, approval, registration or filing.

Private Education Law and Its Implementation Rules

The Law for Promoting Private Education (2018 Revision), or the PRC Private Education Law, promulgated by the Standing Committee of the PRC National People's Congress on December 28, 2002 and last amended on December 29, 2018 and the Implementation Rules for the Private Education Law (2021) which was newly revised on April 7, 2021 and became effective on September 1, 2021, provide rules for social organizations or individuals to establish schools or other educational organizations using non-government funds in China. Such schools or educational organizations so established using non-government funds are referred to as "private schools."

According to the Private Education Law, establishment of private schools for academic education, pre-school education, self-taught examination support and other cultural education are subject to approval by the authorities in charge of education at or above the county level, while establishment of private schools for vocational qualification training and vocational skill training are subject to approval by the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a private school operating permit and shall be registered with the Ministry of Civil Affairs or its local counterparts as a private non-enterprise institution.

The Decision of the Standing Committee of the National People's Congress on Amending the Private Education Law was promulgated on November 7, 2016 and became effective on September 1, 2017. Under the amendment, the term "reasonable return" is no longer used and a new classification system for private schools is established based on whether they are established and operated for profit-making purposes. Sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion. Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the schools engaged in compulsory education should be non-profit schools after this amendment comes into force. We currently intend to register all of our schools as for-profit schools when allowed. However, most local authorities may delay accepting or approving applications of for-profit schools before the local implementing regulations being promulgated.

Implementing Measures for the Supervision and Administration of For-profit Private Schools

According to the Implementing Measures for the Supervision and Administration of For-profit Private Schools jointly promulgated by the Ministry of Education, the Ministry of Human Resources and Social Security, and the State Administration for Industry and Commerce on December 30, 2016, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education. No definite effective date has been set for these measures.

According to these implementing measures, a social organization or individual running a for-profit private school shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be sufficient for the costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who is in good credit standing, and shall not be in the list of enterprises operating abnormally or the list of enterprises with serious breaches of law and discredited enterprises. Individuals running for-profit private schools shall be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

New Opinions and Notices for After-school Tutoring

In August 2018, the State Council issued its New Opinion on the Regulation of the Development of After-school Training Institutions, or the New Opinion, which primarily regulates extracurricular training institutions targeting K-12 students. The New Opinion provides certain detailed requirements for extracurricular training institution, including, among others, requirements for licenses and permits, training premises, safety conditions, fee collection, teaching staff and curriculum content.

In October 2018, the Ministry of Education launched a special supervision campaign on extracurricular training institutions and required the local competent authorities to investigate the training institutions within their jurisdictions and requested such institutions to rectify any non-compliant activities. In December 2018, nine PRC governmental authorities, including the Ministry of Education, jointly promulgated the Notice on Measures for Alleviating the Burdens on K-12 Students, which reiterates the above requirements.

In addition, in November 2018, the Ministry of Education, the SAIC and the Ministry of Emergency Management of China jointly promulgated the Notice of Several Work Mechanisms for Strengthening Special Administration and Rectification of Extracurricular Training Institutions, or the New Notice. According to the New Notice, training institutions without certificates and institutions violating other requirements of laws and regulations shall be banned, the business licenses shall be revoked, and legal representatives of these institutions shall be restricted from providing training for elementary and secondary school students. Besides, if the existing fire safety conditions of training institutions do not meet requirements, training qualifications of these institutions shall be revoked.

In May 2020, the General Office of Ministry of Education issued the Notice on Negative List of Excessive and Advanced Training in Six Subjects of Compulsory Education (Trial). According to the Notice, extracurricular training institutions are prohibited from providing excessive and advanced training relating to six subjects, including Chinese, Math, English, Physics, Chemistry and Biology, for students in primary school and middle school. For example, the difficulties of education contents provided by extracurricular training institutions shall not exceed the difficulties of contents in textbooks used in corresponding compulsory education classes, the extracurricular education targeting students in primary schools shall not include contents to be taught in middle schools, and the extracurricular education targeting students in middle schools shall not include contents to be taught in high schools.

On July 24, 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Double Alleviating Opinions, which provides high-level policies related to requirements and restrictions on After-School Institutions, or the AST Institutions, especially that: (i) no new approvals shall be granted to AST Institutions providing tutoring service related to academic subjects in compulsory education stage, or Academic AST Institutions; (ii) existing Academic AST Institutions are required to convert themselves into non-profit institutions; (iii) an approval mechanism will be adopted with regard to the existing online Academic AST Institutions which previously filed with competent authorities; (iv) Academic AST Institutions are prohibited from raising funds through publicly listing or other capitalization operations; (v) listed companies are prohibited from investing in Academic AST institution or purchase Academic AST Institutions' assets by means of issuance of shares or by cash; (vi) foreign investors are prohibited from investing in Academic AST Institutions through mergers and acquisitions, entrustment, franchise and variable interest entities; (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. Furthermore, any existing behaviors in violation of the above restrictions are required to be rectified. In addition, The Double Alleviating Opinions further provides that no approvals will be granted to AST Institutions providing academic subjects tutoring service to pre-school children (i.e. children from three to six years old) and ordinary senior high school students, that any online and offline tutoring service provided to pre-school children is strictly prohibited and that the administration in connection with Academic AST Institution targeting ordinary senior high school students shall be carried out by reference to the requirements and restrictions under the Double Alleviating Opinions.

In addition, the Double Alleviating Opinions also provide a series of restrictions in connection with the operation of Academic AST Institutions, especially that: (i) a filing and inspection system and administration rules shall be adopted in connection with the training content provided and tutoring materials used by Academic AST Institutions and providing foreign training courses is prohibited; (ii) Academic AST Institutions shall not provide tutoring service during public holidays, weekends and school breaks; (iii) Academic AST Institutions shall not solicit teachers who works in the schools by making high salary commitment and staffs engaging in academic AST service must obtain teacher qualification certificates, and copies of such qualifications must be prominently displayed on Academic AST Institutions' premises and website; (iv) Academic AST Institutions shall not disclose the parents' and students' personal information; (v) Academic AST Institutions shall adopt tuition standard based on market demands, costs and other factors and disclose such tuition standards for the public's supervision; (vi) Academic AST Institutions shall adopt the form of service contract for after-school tutoring services provided to primary and secondary school students as formulated by governmental authorities; (vii) online after-school tutoring service shall not be provided after 21:00 each day with each lesson's length of no more than thirty minutes and each lesson break's length of no less than ten minutes; and (viii) the employment of foreign teachers shall be in compliance with relevant rules and regulations and employment of foreign teachers outside the PRC is prohibited. On August 24, 2021, Shanghai Municipal Education Commission promulgated the Implementation Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education Stage, which reiterates the requirements and restrictions under the Double Alleviating Opinions and provides several implementation rules applicable to AST Institutions in Shanghai.

On February 8, 2022, the MOE issued the Key Points of Workstreams of the Year 2022 on its public website, indicating that the requirements for academic subjects tutoring for students on grade ten to twelve shall strictly refer to the requirements implemented to academic subjects tutoring for students in compulsory education.

Following the promulgation of the Double Alleviating Opinions, government authorities including the MOE and their corresponding local counterparts issued a series rules and regulations to implement the Double Alleviating Opinions:

- ***Regulations related to classification of academic subjects and non-academic subjects in compulsory education stage***

On July 28, 2021, the General Office of the MOE promulgated the Notice on Further Clarifying the Scope of Academic Subjects and Non-academic Subjects with respect to After-School Tutoring Services in Compulsory Education Stage, which categorizes English tutoring services involving contents of courses contained in national curriculum standards as tutoring services on academic subjects.

On September 3, 2021, the General office of MOE promulgated the Notice on Investigating and Handling of Disguised Academic After-School Tutoring Service which reiterates the requirements and restrictions under the Double Alleviating Opinions and further provides that the local government authorities shall identify disguised academic after-school tutoring services and impose penalties on illegal academic after-school tutoring services under the guise of summer camp, crowd funded private teacher and etc.

On November 8, 2021, the General Office of MOE promulgated the Guide for Classification of After-School Tutoring Programs in Compulsory Education Stage or the AST Classification Guide. The AST Classification Guide requires provincial counterparts of the MOE to establish classification guidance system and expert identification system with regard to the scope of academic subject and non-academic subjects and proposes to adopt tutoring objectives, tutoring content, tutoring methods and tutoring evaluation methods as the factors in identification.

- ***Regulations related to the registration and conversion of existing Academic AST Institutions***

On August 24, 2021, the General Office of the MCA issued the Notice on Further Strengthening the Registration Administration of After-School Tutoring Institutions, which requires local counterparts of the MCA to promote the registration and administration of Academic AST Institutions in accordance with the Double Alleviating Opinions and the local counterparts of the MCA shall no longer grant approvals to any new AST Institutions providing service to pre-school children, and primary school and secondary school students.

On August 30, 2021, the General Office of MOE, together with the General Office of MCA and the General Office of SAMR issued the Notice on the Unified Registration of Academic After-School Tutoring Institutions in Compulsory Education Stage as Non-profit Institutions, which requires that: (i) existing for-profit Academic AST Institutions shall conduct de-registration procedure as for-profit entities and either stop providing academic AST service or covert themselves into a non-profit institutions through registration process with local counterparts of the MCA; and (ii) the ICP license held by existing online for-profit Academic AST Institutions who fail to rectify or to obtain approval as a non-profit institution shall be cancelled and such institutions shall be prohibited from online tutoring activities.

On September 10, 2021, the General office of MOE, together with five other governmental authorities promulgated the Notice on the Conversion of Filing Mechanism to Approval Mechanism regarding Existing Online Academic AST Institutions, which reiterates that an approval mechanism will be adopted with regard to the existing online Academic AST Institutions which previously filed with competent authorities and requires all existing online Academic AST Institutions shall convert themselves into non-profit institutions by registration with local counterparts of the MCA by the end of 2021.

- ***Regulations related to non-academic after-school tutoring institutions***

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

In addition, the Alleviating Burden Opinion Regarding Compulsory Education also requires that local governments shall clarify the competent authorities of non-academic after school tutoring institutions, by classifying sports, culture and art, science and technology and other non-academic subjects, formulate standards among different classification of non-academic tutoring and conduct strict examination before permitting.

On November 30, 2022, the MOE and relevant authorities published Opinions on Regulation of Non-Academic After-School Tutoring for Primary and Secondary School Students, which provide that, among others, (1) local governments shall identify corresponding competent authorities for different tutoring categories and set forth basic standards; (2) non-academic tutoring institutions shall comply with requirements relating to premise, facilities, fire safety, environment protection and food safety; (3) practitioners shall have corresponding capability or certificates for different tutoring categories, and tutoring institutions shall not solicit or recruit primary and secondary school teachers; (4) non-academic online tutoring institutions shall obtain certificates issued by provincial government authorities; (5) class times shall not conflict with the teaching time of the local primary and secondary schools, and offline after-school trainings shall end no later than 8:30 p.m. and online live trainings shall end no later than 9:00 p.m.; (6) tuition fees collected by a tutoring institution shall not be collected in a lump sum for more than 60 course sessions, or for a course length of more than three months, or for more than 5,000 RMB, and tutoring institutions shall open a special bank account for the tuition fees and file the account information and other required information with government authorities. In addition, any violation under such opinions of a non-academic after-school tutoring institution shall be rectified accordingly by the end of June 2023.

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. As part of its efforts to fully comply with the Opinion and applicable rules, regulations and measures, we ceased offering the K9 Academic AST Services in mainland China at the end of 2021. We will continue to seek guidance from and work constructively with the government authorities in connection with other compliance efforts.

Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education

On June 23, 2019, the Central Committee of the Communist Party of China and the State Council issued Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education. According to the Opinions, the enrollment of private schools providing compulsory education shall be processed with that of public schools at the same time, and students shall be educated and trained comprehensively, including moral development, academic development, physical and mental health, interests and talents, and labor practices, etc.

Regulations on Filing of After-school Online Training

On July 12, 2019, the Ministry of Education, together with other five PRC authorities, jointly promulgated the Implementation Opinions on the Regulation of Extracurricular Online Training, which reinstates the filing requirement of extracurricular online training institutions and provides that the education authorities at provincial level should review the application documents submitted by extracurricular online training institutions, approve the filing applications submitted by qualified training institutions, and disclose qualified training institutions to the public. The filing information include ICP filings, approvals and licenses, personal information protection system, network security protection measures, introduction of courses, education plans, basic information of teachers, teacher qualification certificates, etc. In case of any change of the filing information, the extracurricular online training institution shall make filing for such updated information.

On February 24, 2020, Shanghai Municipal Education Commission, together with six other Shanghai authorities, jointly promulgated the Rules for Filings of Extracurricular Online Training in Shanghai, which came into effect on April 1, 2020. According to the Rules, extracurricular online training institutions shall submit filing documents through Shanghai Training Institutions Online Management Platform, and institutions shall be added into “Whitelist”, “Greylist” or “Blacklist” depends on the accuracy and completeness of filing materials and whether institutions comply with relevant laws and regulations according to filing materials.

On July 24, 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Double Alleviating Opinions, which among other things requires that: (i) no new approvals shall be granted to Academic AST Institutions, including online Academic AST Institutions ; (ii) all existing Academic AST Institutions, including online Academic AST Institutions are required to convert themselves into non-profit institutions; (iii) an approval mechanism will be adopted to replace the filing mechanism applicable to online Academic AST Institutions, and all existing online Academic AST Institutions are subject to examination before being granted with private school operating permits. On August 24, 2021, the General Office of the MCA issued the Notice on Further Strengthening the Registration Management of After-School Tutoring Institutions, which reiterates that existing online Academic AST Institutions are required to convert themselves into non-profit institutions under the Double Alleviating Opinions. On September 10, 2021, the General Office of MOE, together with other five governmental authorities promulgated the Notice on the Conversion of Filing Mechanism to Approval Mechanism regarding Existing Online Academic AST Institutions, which reiterates the requirements to adopt approval mechanism with regard to the existing online Academic AST Institutions previously filed with competent authorities under the Double Alleviating Opinions and further requires that the online AST Institution shall:(i) establish physical offices and tutoring premise within the location where it is registered; (ii) own or lease performance-reliable server within mainland China; (iii) be in compliance with Cyber Security Law and Data Security Law and adopt grade three or higher cyber security protection standard. Moreover, the service provider of education app shall establish data protection mechanism with regard to collection, storage, transmission, and use of personal information and education apps operated by online Academic AST Institutions which store personal information of more than one million people shall pass the impact assessment, certification, or compliance audit on personal information protection.

Local Regulations Relating to Commercial Private School

In late December, 2017, the People’s Government of Shanghai published the Implementation Opinions of Shanghai Municipal People’s Government on Promoting the Healthy Development of Private Education and the Administrative Measures of Shanghai Municipality on Classification License and Registration of Private Schools, pursuant to which the existing private schools should choose to be registered as either for-profit or non-profit before December 31, 2018. Those who choose to be registered as non-profit private schools shall amend their article of association before December 31, 2019, and those who choose to be registered as for-profit private schools shall make finance clearance, clarify the title of their properties, pay the tax related and re-make registration before (i) December 31, 2020 for private colleges or universities; or (ii) December 31, 2020 for other private schools.

On April 2, 2022, the Shanghai Municipal Education Commission, together with five other government authorities promulgated the Implementation Measures for the Establishment and Management of After-school Training Institutions in Shanghai, or the Shanghai Implementation Measures, effective from April 15, 2022, which raise certain requirements on establishment and management of after-school tutoring institutions in Shanghai, including, among other things, (i) after-school tutoring institutions providing online or offline academic subject tutoring for students in compulsory education and high schools, and the tutoring in culture and art, sports, technology, and non-academic cultural knowledge for students in compulsory education and preschool-age children are required to obtain the relevant private school operating permit; (ii) academic and non-academic cultural knowledge after-school tutoring institutions shall be approved by the education administration authorities at the district level; after-school tutoring institutions that provide tutoring services in culture and art, sports, science and technology and other tutoring activities shall be approved by the education administration authorities together with the tourism, sports, science and technology and other administrative authorities at the district level; (iii) after school tutoring institutions shall use the form of service contract for after-school training activities provided to primary and secondary school students, implement the training fee management policy formulated by the government, and cooperate with professional institutions such as commercial banks to open a special account for pre-collection of fees; and (iv) after-school training institutions established before the Shanghai Implementation Measures, intending to continue to provide tutoring in culture and art, sports, science and technology, and non-academic cultural knowledge for compulsory education and preschool-age children, shall, before December 31, 2023 or before changing the relevant registration items, follow the relevant laws, regulations, policies and the procedures to obtain the private school operating permit. On the same day, the Shanghai Municipal Education Commission, together with three other government authorities promulgated the Guidelines for Basic Service Requirements of After-school Training Institutions in Shanghai, effective from April 15, 2022, which details the basic service requirements for after-school tutoring institutions in Shanghai, including, among other things, the requirements on the sponsors, premises, facilities, internal management, practitioners, training content and plans, fee management etc. and provides that institutions providing online tutoring should follow the PRC Cybersecurity Law and the Data Security Law, obtain the ICP License or complete the ICP filing and complete the grade-based cybersecurity protection system filing at or above Grade III.

In Jiangsu province, the education authority issued the Implementing Rules for the Supervision and Administration of For-profit Private Schools in Jiangsu Province on May 8, 2018, provides that, the establishment of for-profit private educational training institutions facing primary and secondary school students, including institutions that carry out supplementary tutoring, cultural and educational activities related to the school's cultural and educational curriculum or to further studies and examinations, shall be examined and approved by the administrative department of education of government at or above the county level.

On March 3, 2019, the General Office of Anhui Provincial People's Government issued the implementation opinion of the development of standardized after-school training institutions, provides that, for after-school training institutions there are irregularities, around the establishment of a ledger and rectification program, a clear time frame for rectification, strengthen the rectification measures, accelerate the progress of rectification, one by one to account for the number. The deadline for the failure to complete the rectification of after-school training institutions, led by the education department in conjunction with the relevant departments in accordance with the law to deal with. For those after-school training institutions that have not obtained a license to operate and a business license, all of them will be closed down and rectified by the education department in conjunction with the relevant units and issued with a notice of rectification. For those who have the conditions for a license, the education department will guide them to do so; for those who do not meet the conditions for a license, the education department, in conjunction with market supervision, civil affairs, human resources and social security departments, will order them to stop operating schools and dispose of them properly. For those who meet the setting standards and have obtained a school license and business license, but there are safety hazards of after-school training institutions, all implement rectification; there are major safety hazards, must be closed for rectification, by the education department in conjunction with the public security, emergency management, health, civil affairs, market supervision departments to put forward rectification views, issued a notice of rectification, rectification is not in place shall not resume business.

Regulations Relating to Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (currently known as the State Administration of Radio and Television), on July 6, 2004 and came into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by the SAPPRFT is required, and “audio-visual programs (including audio-visual products of films and televisions)” is defined under the Audio-Visual Measures as the audio-visual programs consisting of movable pictures or sounds that can be listened to continuously, which are shot and recorded using video cameras, vidicons, recorders and other audiovisual equipment for producing programs. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the SAPPRFT, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks. However, the Audio-Visual Measures was repealed according to the Administrative Provisions on Audio-Visual Program Service through Special Network and Directed Transmission that was promulgated by the SAPPRFT on April 25, 2016, effective on June 1, 2016, which was further amended on March 23, 2021.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of China, the SAPPRFT 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 came into effect on January 31, 2008 and 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 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 April 8, 2008, SAPPRFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, as amended on August 28, 2015, which sets out detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-Visual Programs. According to the above regulations, providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as those providers did not violate the relevant laws and regulations in the past or their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SAPPRFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On March 17, 2010, the SAPPRFT promulgated Tentative Categories of Internet Audio-Visual Program Services, or the Categories, which clarified the scope of internet audio-visual programs services, which was amended on March 10, 2017. According to the Categories, there are four categories of internet audio-visual program 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. However, there are still significant uncertainties relating to the interpretation and implementation of the Audio-Visual Program Provisions, in particular, the scope of “internet audio-visual programs.”

On March 16, 2018, the SAPPRFT promulgated the Notice on Further Regulating the Transmission Order of Internet Audio-Visual Program Services, providing that the classic literary works, radio, film and television programs, internet original audio-visual programs shall not be re-edited, re-dubbed, re-subtitled or partly captured and consolidated as a new program without authorizations and providers of internet audio-visual program services shall strictly manage and supervise such re-edited programs uploaded by the internet users and shall not provide any transmission channel for those internet audio-visual programs which have political orientation issues, copyright issues or content issues.

Regulations Relating to Internet Culture Activities

On February 17, 2011, the Ministry of Culture, or MOC (currently known as the Ministry of Culture and Tourism), promulgated the Interim Administrative Provisions on Internet Culture, or the Internet Culture Provisions, which became effective on April 1, 2011 and was amended on December 15, 2017. The Internet Culture Provisions require ICP services providers engaging in commercial “internet culture activities” to obtain an Internet Culture Business Operating License from the MOC. “Internet cultural activity” is defined in the Internet Culture Provisions as an act of provision of internet cultural products and related services, which includes (i) the production, duplication, importation, and broadcasting of the internet cultural products; (ii) the online dissemination whereby cultural products are posted on the internet or transmitted via the internet to end-users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users’ browsing, use or downloading; and (iii) the exhibition and comparison of the internet cultural products. In addition, “internet cultural products” is defined in the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the internet, which mainly include internet cultural products specially produced for the internet, such as online music entertainment, online games, online shows and plays (programs), online performances, online works of art and online cartoons, and internet cultural products produced from cultural products such as music entertainment, games, shows and plays (programs), performances, works of art, and cartoons through certain techniques and duplicating those to internet for dissemination.

The Internet Culture Provisions further classifies internet cultural activities into commercial internet cultural activities and non-commercial internet cultural activities. Entities engaging in commercial internet cultural activities must apply to the relevant authorities for a Network Cultural Business Permit, while non-commercial cultural entities are only required to report to related culture administration authorities within 60 days of the establishment of such entity. If any entity engages in commercial internet culture activities without approval, the cultural administration authorities or other relevant government may order such entity to cease to operate internet culture activities as well as levying penalties including administrative warning, fines up to RMB30,000 and listing such entity on the cultural market blacklist to impose credit penalty in case of continued non-compliance. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services except online music.

In accordance with the Administrative Measures for Content Self-Review by Network Culture Business Entities, issued by MOC on August 12, 2013 and became effective on December 1, 2013, the entities that engage in the internet cultural business shall review the content of products and services to be provided before providing such content and services to the public. These entities shall establish content management system, set up departments for content management and employ proper personnel to ensure the legality of content. The content management system of an internet cultural business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required to be filed with the provincial level counterpart of the MCT.

Regulations on Research and Academic Study Travel

On August 4, 2015, the General Office of the State Council promulgated the Opinions on Further Promotion of Tourism Investment and Consumption, which became effective on the same date. According to the Opinions, research and academic study travel shall be included into the category of comprehensive competence-oriented education of students. Construction of a number of bases for research and academic study travel shall be supported, and all regions shall be supported in launching activities of research and academic study travel on the basis of natural and cultural heritage resources, tourist scenic spots and scenic regions associated with the Chinese Communist revolution, large-sized public utilities, famous universities and schools, scientific and technological research institutions, industrial or mining enterprises and large-sized farms. Research and academic study travel safety protection mechanisms shall be established and perfected. Travel agencies and places for research and

academic study travel shall, in accordance with the characteristics of young students, combine education with tourism in terms of content designing, furnishing of tourist guides, safety facilities and protection. On December 19, 2016, the National Tourism Administration issued the Standards of Research and Academic Study Travel, according to the standard, the undertaker of the research and academic study travel should be a qualified travel agency. The organizers, undertakers and suppliers of the research and academic study travel shall follow the principle of safety first and carry out safety prevention and control work throughout to ensure activities are carried out safely, focusing on the development of students' comprehensive quality capabilities.

On April 25, 2013, the Standing Committee of the National People's Congress issued the PRC Tourism Law, which took effect on October 1, 2013 and was amended in 2016 and 2018. The PRC Tourism Law aims to protect tourists and tour operators' legal rights, regulate travel market and promote the development of travel industry, and sets forth specific requirements for the operation of travel agencies. Travel agencies are prohibited from (i) leasing, lending or illegally transferring travel agency operation licenses or otherwise disseminating untrue or inaccurate information when soliciting customers and organizing tours, (ii) conducting any false publicity to mislead customers, (iii) arranging visits to or participation in any project or activity in violation of PRC laws and regulations or social morality, (iv) organizing tours at unreasonably low price to induce or cheat tourists, or obtaining unlawful profits such as kickbacks, and (v) changing or ceasing scheduled itineraries without reasons and forcing the tourists to participate in other activities against the will of tourists. In addition, travel agencies must enter into contracts with customers for travel services; and before a tour starts, a customer may assign his personal rights and obligations in a packaged-tour contract to any third person, whom the travel agency cannot refuse without cause, as long as any fee increase will be borne by the customer and the relevant third person. Accordingly, travel agencies may be subject to civil liabilities for failing to fulfill the obligations discussed above, which include rectification, confiscation of any illegal income, imposition of a fine, an order to cease business operation, or revocation of its travel agency permit. The travel industry is subject to the supervision of the PRC Ministry of Culture and Tourism and local tourism administrations. The principal regulations governing travel agencies in China include the Travel Agency Regulations, issued by the State Council in February 2009, which became effective on May 1, 2009 and most recently amended on November 29, 2020, and the Implementing Rules of Travel Agency Regulations promulgated by the PRC National Tourism Administration in April 2009, which became effective as of May 3, 2009 and most recently amended on December 12, 2016. Under these regulations, a travel agency must obtain a license from the national tourism administration or the provincial-level tourism administration it authorizes to conduct outbound travel business, and a license from the provincial-level tourism administration or the municipal tourism administration it authorizes to conduct domestic and inbound travel agency business.

Regulations on Hotel Operation

The Ministry of Public Security issued the Measures for the Control of Security in the Hospitality Industry in November 1987, which were amended in January 2011, November 2020 and March 2022, and the State Council promulgated the Decision of the State Council on Establishing Administrative License for Necessarily Retained Items Requiring Administrative Examination and Approval in June 2004 and amended it in January 2009 and August 2016, respectively. Under these two regulations, anyone who applies to operate a hotel is subject to examination and approval by the local public security authority and must obtain a special industry license. The Measures for the Control of Security in the Hospitality Industry impose certain security control obligations on the operators. For example, the hotel must examine the identification card of any guest to whom accommodation is provided and make an accurate registration. The hotel must also report to the local public security authority if it discovers anyone violating the law or behaving suspiciously or an offender wanted by the public security authority. Pursuant to the Measures for the Control of Security in the Hospitality Industry, hotels failing to obtain the special industry license may be subject to warnings or fines of up to RMB200. In addition, pursuant to the Law of the PRC on Penalties for the Violation of Public Security Administration promulgated in August, 2005 and amended in October 2012, and various local regulations, hotels failing to obtain the special industry license may be subject to warnings, orders to suspend or cease continuing business operations, confiscations of illegal gains or fines. Operators of hotel businesses who have obtained the special industry license but violate applicable administrative regulations may also be subject to revocation of such licenses in serious circumstances.

The State Council promulgated the Administrative Regulations on Sanitation of Public Places in April 1987 and amended it in February 2016 and in April 2019, according to which, a hotel must obtain a public area hygiene license before opening for business. Pursuant to this regulation, hotels failing to obtain a public area hygiene license may be subject to the following administrative penalties depending on the seriousness of their respective activities: (i) warnings; (ii) fines; or (iii) orders to suspend or cease continuing business operations. In March 1991, the Ministry of Health promulgated the Implementation Rules of the Administrative Regulations on Sanitation of Public Places, which was most recently amended in December 2017, according to which, hotel operators shall establish sanitation management system and keep records of sanitation management. The Standing Committee of the National People's Congress, or the SCNPC, enacted the Food Safety Law of the PRC in February 2009, which was most recently amended in April 2021, according to which any hotel that provides food must obtain a license. China Food and Drug Administration, or the CFDA, enacted the Administrative Measures on Administration of Food Business Licensing in August 2015 and amended it in November 2017, according to which any entity involving sales of food or food services must obtain a food business license. Pursuant to the Food Safety Law of the PRC, hotels failing to obtain the food business license (or formerly the food service license) may be subject to: (i) confiscation of illegal gains, food illegally produced for sale, and tools, facilities and raw materials used for illegal production; or (ii) fines between RMB50,000 and RMB100,000 if the value of food illegally produced is less than RMB10,000, or fines equal to 10 to 20 times of the value of food if such value is equal to or more than RMB10,000.

The Fire Prevention Law of the PRC, promulgated in April 1998 and amended in October 2008, April 2019 and April 2021, respectively, by the SCNPC, and the Provisions on Supervision and Inspection on Fire Prevention and Control, promulgated on April 30, 2009 and effective as of May 1, 2009 and amended on November 1, 2012 by the Ministry of Public Security, and the Interim Provisions on Administration of Review and Examination of Fire Prevention Design of Construction Projects promulgated in April 1, 2020 and effective as of June 1, 2020 by the Ministry of Housing and Urban-rural Construction require that (i) the fire prevention design documents of special construction projects, such as hotels with overall floor area of more than 10,000 square meters, shall be reviewed and inspected by local housing and urban-rural development authorities before construction; (ii) the construction of specific construction projects, such as hotels with overall floor area of more than 10,000 square meters be inspected and accepted by local housing and urban-rural development authorities from a fire prevention perspective before completion; and (iii) the public gathering places, such as hotels, shall complete fire prevention safety inspection with the local fire and rescue department, which is a prerequisite for business opening. Pursuant to these regulations, related hotels failing to obtain approval of fire prevention inspection and acceptance or failing fire prevention safety inspections (including acceptance check and safety check on fire prevention) may be subject to: (i) orders to suspend the construction of projects, use or operation of business; and (ii) fines between RMB30,000 and RMB300,000.

On October 18, 2010, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration approved and issued Classification and Accreditation for Star-rated Tourist Hotels (GB/T14308-2010), which became effective on January 1, 2011. On November 19, 2010, the Ministry of Culture and Tourism of the PRC, formerly the National Tourist Administration, or the MOCT, promulgated the Implementation Measures of Classification and Accreditation for Star-rated Tourist Hotels, which became effective on January 1, 2011. Under these regulations, all hotels with operations of over one year are eligible to apply for a star rating assessment. There are five ratings from one star to five stars for tourist hotels, assessed based on the level of facilities, management standards and quality of service. A star rating, once granted, is valid for three years.

Regulations on Land or Property Use

In June 1986, the SCNPC promulgated the Land Administration Law of the PRC, which was last amended on August 26, 2019 and became effective on January 1, 2020. In January 1991, the State Council published Rules for Implementation of the Land Administration Law of the PRC which was last amended on July 2, 2021 and came into effect on September 1, 2021. According to the regulations, enterprises and individuals shall use land strictly in accordance with the purpose stipulated in the land use master plan. Changes to the purpose of the use of land in accordance with laws must be supported by approval documents, and an application for the change of registration must be submitted to the land administration department of the people's government above county level in which the land is situated. The change registration shall be carried out by the original land registration administrative authority in accordance with law. If the enterprises or individuals do not use state-owned land in accordance with the approved land use purpose, the natural resources administrative department of the people's government at county level and above shall order the party concerned to hand over the land.

Regulations on Environmental Protection

In February 2012, the SCNPC issued the newly amended Law of the PRC on Promoting Clean Production, which regulates service enterprises such as restaurants, entertainment establishments and hotels and requires them to use technologies and equipment that conserve energy and water, serve other environmental protection purposes, and reduce or stop the use of consumer goods that waste resources or pollute the environment.

According to the Environmental Protection Law of the PRC promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC promulgated by the SCNPC on October 28, 2002 and last amended on December 29, 2018, and the Administrative Regulations on Environmental Protection for Construction Projects promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and came into effect on October 1, 2017, hotels located in environmental sensitive areas shall submit a Report Form on Environmental Impact Assessment to competent environmental protection authorities for approvals before commencing the construction. Pursuant to the Environmental Impact Assessment Law of the PRC, any hotel failing to obtain the approval of the Report/Form of Environmental Impact Assessment may be ordered to cease construction and restore the property to its original state, and according to the violation activities committed and the harmful consequences thereof, be subject to fines of no less than 1% but no more than 5% of the total investment amount for the construction project of such hotel. The person directly responsible for the project may be subject to certain administrative penalties.

Regulations on Publishing and Distribution of Publications

The Administrative Regulations on Publication, promulgated by the State Council and most recently amended on November 29, 2020, apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities. According to the Administrative Regulations on Publication, any entity engaging in the activities of publishing, printing, copying, importation or distribution of publications, shall obtain relevant permits of publishing, printing, copying, importation or distribution of publications. In addition, according to the effective Negative List, foreign investors are prohibited from engaging in the publishing business.

Regulations on Anti-Monopoly and Unfair Competition

The Anti-Monopoly Law of PRC promulgated by the SCNPC on August 30, 2007, which became effective on August 1, 2008, and the Interim Provisions on the Review of Concentrations of Undertakings promulgated by the SAMR on October 23, 2020, 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. On October 23, 2021, the SCNPC published the draft amended Anti-Monopoly Law of PRC for public comment, or the Amended Anti-Monopoly Law, which became effective on August 1, 2022. The Amended Anti-Monopoly Law requires that, among others, business operators should not exclude or limit competition by abusing data, algorithms, technology, capital advantages and platform rules, and that relevant government authorities shall strengthen the examination of concentration of undertakings in areas such as national economy and people's livelihood. On February 7, 2021, the Anti-Monopoly Guidelines for Platform Economy was promulgated by the Antimonopoly Commission of the PRC State Council which specifies certain activities of internet platforms should be identified as monopolistic and concentrations of undertakings involving contractual control structure are subject to anti-monopoly scrutiny as well.

Regulations on Fire Safety

The Fire Safety Law, promulgated by the Standing Committee of the National People's Congress on April 29, 1998, which was latest amended by the Standing Committee of the National People's Congress on April 29, 2021, and became effective on the same date, which stipulate that with respect to the fire safety inspection before a public gathering place is put into use or opens for business, the notification and undertaking administration shall apply. Before a public gathering place is put into use or opens for business, the owner or using entity shall apply for fire safety inspection, give an undertaking that the said place complies with fire protection technical standards and management provisions, submit the required materials, and be responsible for its undertaking and the veracity of materials. The fire and rescue department shall examine the materials submitted by the applicant, and if the application materials are complete and of the statutory form, it shall grant a permit. On June 4, 2021, Shanghai Fire and Rescue Headquarters issued a notice which stipulate that, public gathering places in Shanghai put into use before business adopt the notification and undertaking method since July 1 except (1) Dance and entertainment

screening amusement venues, (2) hotels, restaurants, shopping malls, marketplaces, theaters, auditoriums, halls, playgrounds, business fitness, leisure venues, passenger station waiting rooms, passenger terminal waiting rooms, civilian airport terminals, stadiums, which floor area is over 300 meters. As well as other relevant detailed fire prevention regulations, require that schools must pass a fire safety control assessment or complete a fire safety filing. Pursuant to these regulations, failure to pass the required fire control assessment shall be subject to: (i) orders to suspend the construction of projects, use of such projects or operation of relevant business; and (ii) a fine between RMB30,000 and RMB300,000. Failure to complete a fire safety filing shall be subject to: (i) orders to make rectifications within a specified time limit; and (ii) a fine of not more than RMB5,000. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We cannot assure all of our learning centers are in compliance with fire safety regulations.” for further details on the compliance of Regulations on Fire Safety.

In addition, fire departments conduct spot inspections irregularly. Learning centers that fail to pass such inspections are also subject to monetary penalties and suspension of business operations.

On May 17, 2022, MOE and the General Office of the Ministry of Emergency Management promulgated the Notice of the Nine Provisions on Fire Safety Management of After-School Training Institutions which became effective on the same date. According to the Notice, (i) after school training institutions should be registered in accordance with the law and set up in a fixed place that meets the safety conditions, and after-school training institutions for children should be set up in places that meet current national standards, (ii) training places within the same training period per student training room floor space of not less than 3 square meters to ensure that not crowded, easy to evacuate.

Regulations Relating to Internet Information Security and Privacy Protection

PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The Decisions on Maintaining Internet Security which was enacted by the Standing Committee of the PRC National People’s Congress, or the SCNPC in December 2000 and amended in August 2009, may subject violators to criminal punishment in China 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 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 Ministry of Public Security 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 in December 2012, 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 in accordance with the specified purposes, methods and scopes. Any entity collecting personal information must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties, and is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the entity collecting personal information to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation 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 Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens, issued in 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 Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT on July 16, 2013, which became effective from September 1, 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, cancellation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Ninth Amendment to the Criminal Law issued by the SCNPC in August 2015, which became effective in November 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 (i) sells or provides personal information to others in a way violating the applicable law, or (ii) 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 in November 2016, effective June 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 natural persons’ personal information including but not limited to: natural persons’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The 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 their 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; (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. On September 12, 2022, the CAC network office issued a draft Regulations of the PRC Cyber Security Law (Draft for Comments) to modify the legal liability of the parties.

Pursuant to the Provisions on Online Protection of Children’s Personal Information issued by the CAC on August 22, 2019, effective from October 1, 2019, network operators, who collect, store, use, transfer and disclose personal information of children under the age of 14, or the Children, via the internet shall establish special rules and user agreements, designate specific personnel to take charge of the protection of Children’s personal information, inform the Children’s guardians in a noticeable and clear manner, and obtain the consent of the Children’s guardians. When obtaining the consent of the Children’s guardians, network operators shall explicitly inform several matters, including but not limited to the purposes, methods and scope of collection, storage, use, transfer and disclosure of the personal information of Children, and methods for correcting and deleting Children’s personal information. The Provisions on Online Protection of Children’s Personal Information also requires that the network operators shall comply with certain regulatory requirements, including without limitation, that network operators shall collect Children’s personal information that is only related to the services they provide, and shall adopt and strictly implement minimal authorization principal with respect to their staff’s access authority to the Children’s personal information.

In addition, the Identification Method of Illegal Collection and Use of Personal Information Through Apps jointly promulgated by the Secretary Bureau of the CAC, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the SAMR in November 2019 provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

On May 28, 2020, the National People’s Congress promulgated the PRC Civil Code, which regulates the legal relationships between private parties. The Civil Code took effect on January 1, 2021. Among other provisions, the Civil Code provides that personal information of individuals is protected under the laws, and the collection, storage, use, processing, transmission, provision and disclosure of personal information shall observe the principles of legitimacy, rightfulness and necessity.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, or the Data Security Law, which took effect in September 2021. The Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, including but not limited to the collection, storage, use, processing, transmission, provision, and public disclosure of data. The Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security and imposes export restrictions on certain data and information. Furthermore, the Data Security Law provides that 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 July 30, 2021, the State Council of the PRC promulgated the Provisions on Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. Pursuant to the Provisions on Protection of the Security of Critical Information Infrastructure, critical information infrastructure or the CII shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, which are referred to as the “Protection Departments,” shall be responsible for formulating eligibility criteria and identifying the critical information infrastructure operator, or the CIIO, in the respective industry or sector. The CIIOs shall take the responsibility to protect the CII’s security by performing certain prescribed obligations, including conducting network security test and risk assessment, reporting the assessment results to relevant regulatory authorities.

On August 20, 2021, the SCPNC adopted the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. The Personal Information Protection Law clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. According to the Personal Information Protection Law, where personal information is processed based on an individual's consent, such consent shall be voluntarily and explicitly given by the individual on a fully informed basis, and the individual shall have the right to withdraw his or her consent without affecting the effectiveness of personal information processing activities that have been conducted based on his or her consent before. Furthermore, the Personal Information Protection Law clarifies that personal information of minors under the age of fourteen is sensitive information, and such sensitive information may not be processed unless there are specific purposes and sufficient necessity and strict protection measures are taken.

Regulations Relating to Intellectual Property Rights

Copyrights

The Standing Committee of the National People's Congress adopted the Copyright Law in 1990 and last amended it on November 11, 2020 and became effective on June 1, 2021. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Domain Names

Management of domain names was prescribed by Measures for the Administration of Internet Domain Names of China which was promulgated by the PRC Ministry of Industry and Information Technology in 2002 and amended in 2004. It was superseded by Measures for the Administration of Internet Domain Names of China published in 2017. Pursuant to the 2017 Measures, "domain names" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the registrant becomes the holder of the domain name registered by him/it. See "Item 4. Information on the Company — B. Business Overview — Intellectual Property" for more details on the current situation of our domain names.

Trademark

Trademarks are protected by the PRC Trademark Law which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019 as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council in 2002 and amended in 2014. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements shall be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific sector of the relevant products or services. See "Item 4. Information on the company — B. Business Overview — Intellectual Property" and "Item 3. Key Information — D. Risk Factors — We may encounter disputes from time to time relating to our use of the intellectual property of third parties." for further details on our trademarks.

Regulations on Foreign Exchange

Regulations on Loans to and Direct Investment in the PRC Entities by Offshore Holding Companies

According to the Interim Provisions on the Management of Foreign Debts, promulgated by SAFE, the National Development and Reform Commission and the Ministry of Finance in 2003 and amended in 2022, and Measures for the Administration of the Registration of Foreign Debts, effective on May 13, 2013, loans by foreign

companies to their subsidiaries in China, which are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of SAFE. Under the provisions, these foreign-invested enterprises must submit registration applications to the local branches of SAFE within 15 days following execution of foreign loan agreements, and the registration should be completed within 20 business days from the date of receipt of the application. In addition, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise. Total investment of a foreign-invested enterprise is the total amount of capital that can be used for the operation of the foreign-invested enterprise, as approved by the Ministry of Commerce or its local branch, and may be increased or decreased upon approval by the Ministry of Commerce or its local branch. Registered capital of a foreign-invested enterprise is the total amount of capital contributions to the foreign-invested enterprise by its foreign holding company or owners, as approved by the Ministry of Commerce or its local branch and registered at the SAIC or its local branch.

According to applicable PRC regulations on foreign-invested enterprises, including but not limited to the Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Funded Enterprises, effective on October 8, 2016 and revised on July 30, 2017 and June 29, 2018, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, may only be made when approval or filing by the Ministry of Commerce or its local branch has been obtained. In such approval and filing process of capital contributions, the Ministry of Commerce or its local branch examines the business scope of each foreign invested enterprise under review to ensure it complies with the Foreign Investment Industries Guidance Catalog. See “Item 4. Information on the company — B. Business Overview— Regulations Relating to Foreign Investment in Education—Foreign Investment industries Guidance Catalog (2018 Revision)”. The capital contribution of the foreign-invested enterprises falling in the scope of “restricted foreign investment industries” and “prohibited foreign investment industries” shall obtain approval from the Ministry of Commerce or its local branch, while the capital contribution of the foreign-invested enterprises falling outside such scopes may file with the Ministry of Commerce or its local branch. On December 30, 2019, Measures for the Reporting of Foreign Investment Information was promulgated by the Ministry of Commerce and SAIC and replaced the Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Funded Enterprises. According to the Measures, foreign investors or foreign-funded enterprises shall report investment information to commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System, and SAIC and its local branches shall forward the aforesaid investment information reported by foreign investors or foreign-funded enterprises to commerce departments in a timely manner.

On January 11, 2017, People’s Bank of China promulgated Notice of the People’s Bank of China on Issues Concerning Macro Prudential Management of Full Scale Cross-border Financing, or PBOC Circular 9. According to PBOC Circular 9, People’s Bank of China establishes a cross-border financing regulation system and the legal entities and financial institutions established in PRC excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations. 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.

The enterprise shall, after signing the cross-border financing contract, but not later than three business days before the withdrawal of the borrowing funds, file with the local branches of SAFE for the cross-border financing through SAFE’s capital project information system. PBOC Circular 9 also provides that during the one-year period starting from January 11, 2017, or the Transitional Period, foreign-invested enterprises may choose one method to carry out cross-border 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-border financing in foreign currency will be determined by People’s Bank of China and SAFE.

However, although the Transitional Period ended on January 10, 2018, as of the date of this annual report, neither PBOC nor SAFE has issued any new regulations regarding the appropriate means of calculating the maximum amount of foreign debt for foreign-invested enterprises. Foreign invested enterprises have only been subject to the net assets limit in calculating the maximum amount of foreign debt they may hold from the date of promulgation of PBOC Circular 9. Further, the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, promulgated by SAFE on October 23, 2019, or Circular 28, effective from January 2020, establishes a pilot program that a non-financial enterprise in pilot regions may register foreign debts up to two times of its net assets with local branch of SAFE, and it then may borrow several tranches of

foreign debts within the registered amount, without registration of each foreign debt. Besides, according to the Notice on Adjustment of Macro-prudent Regulation Parameter of Full-coverage Cross-border Financing promulgated by PBOC and SAFE on March 11, 2020, the macro-prudent regulation parameter is increased from one (1) to one and one-fourth (1.25). On April 10, 2020 the SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business, or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of capital relating to capital account, enterprises are allowed to use capital under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

See “Item 3. Key Information — D. Risk Factors — PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our PRC subsidiaries and the VIEs, which could harm our liquidity and our ability to fund and expand our business” for further details.

Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Rules, as amended, and various regulations issued by SAFE, and other relevant PRC government authorities, Renminbi is freely convertible to the extent of current account items, such as trade and service-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, still require prior approval from SAFE or its provincial branch for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside of China. Payments for transactions that take place within China shall be made in Renminbi. Foreign currency revenue received by PRC companies may be repatriated into China or retained outside of China in accordance with requirements and terms specified by SAFE.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in China may, without the approval of SAFE, make a payment from their foreign exchange accounts at designated foreign exchange banks for paying dividends with certain evidencing documents (such as board resolutions, tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with SAFE or its local counterparts and approval form or filling with the relevant PRC government authorities (if necessary).

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, as amended on May 4, 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds derived by foreign investors in China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in China must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches. On February 28, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

On March 30, 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 came into force and replaced both the Circular of the State Administration of Foreign

Exchange on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises, or Circular 142 and the Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas, or Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises established in China whose main business is investment to use their foreign exchange capitals to make equity investment and removes certain other restrictions under Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope and providing entrusted loans or repaying loans between non-financial enterprises.

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 Circular 16, effective in June 2016, which reiterates some of the rules set forth in Circular 19, but compared to Circular 19, Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi capital converted from foreign exchange are not restricted from extending loans to related parties or repaying the intercompany loans (including advances by third parties).

SAFE further promulgated Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, or Circular 28, effective from January 2020, which allows all foreign-invested enterprises to make domestic equity investments using their foreign exchange capitals or Renminbi fund converted from its foreign exchange capitals with limited preconditions. However, there exist substantial uncertainties with respect to the interpretation and implementation in practice with respect to the Circular 28, Circular 16 and other laws and regulations related to foreign currency exchange. Circular 19, Circular 16, Circular 28 and other related regulations may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions or loans to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

Regulations Relating to Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, issued by SAFE and effective on July 4, 2014, regulates 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 and conduct round trip investment in China. Under SAFE Circular 37, an SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate domestic or offshore assets or interests, while "round trip investment" refers to the direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. In the event of change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC residents or entities shall complete foreign exchange alteration registration formality for offshore investment. The SAFE Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch. In addition, according to the procedural guidelines as attached to SAFE Circular 37, PRC residents or entities are only required to register the SPV directly established or controlled (first level).

On February 13, 2015, SAFE further promulgated the Circular on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

As of the date of this annual report, all PRC residents known to us that currently hold direct or indirect interests in our company have completed the necessary registrations with SAFE as required by SAFE Circular 37.

Regulations on Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of an Overseas Publicly Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company or another qualified institution selected by the PRC subsidiary, and complete certain other procedures. In addition, the domestic qualified agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or other material changes. The domestic qualified agent must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the domestic qualified agents before distribution to such PRC residents. Failure to complete the SAFE registrations may subject to fines and legal sanctions and may also limit the ability to contribute additional capital into wholly foreign-owned subsidiary in China and limit such subsidiary's ability to distribute dividends.

In addition, the State Administration of Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC 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.

Regulations on Tax

PRC Enterprise Income Tax Law

The PRC Enterprise Income Tax Law (2008), as amended in 2018, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law and its implementation regulations, dividends generated from the business of a PRC subsidiary and payable to its foreign investor may be subject to a withholding tax rate of 10% if the PRC tax authorities determine that the foreign investor is a non-resident enterprise, unless there is a tax treaty with China that provides for a preferential withholding tax rate.

Under the PRC Enterprise Income Tax Law, an enterprise established outside China with "de facto management bodies" within China is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. A circular issued by the State Administration of Taxation in April 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese enterprise groups and established outside of China as "resident enterprises" clarified that dividends and other income paid by such PRC "resident enterprises" will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10%, when paid to non-PRC enterprise shareholders. This circular also subjects such PRC "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the PRC Enterprise Income Tax Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the tax circular mentioned above specifies that certain PRC-invested overseas enterprises controlled by a Chinese enterprise or a Chinese enterprise group in the PRC will be classified as PRC resident enterprises if the following are located or resided in the PRC: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision making bodies; (iii) key properties, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of the senior management or directors who have the voting rights.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, which became effective on December 8, 2006 and applies to income derived in any year of assessment commencing on or after April 1, 2007 in Hong Kong and in any year commencing on or after January 1, 2007 in China, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise is deemed the beneficial owner of any dividend paid by a PRC subsidiary by PRC tax

authorities and holds at least 25% of the equity interests in that particular PRC enterprise at all times within the 12-month period immediately before distribution of the dividends. The SAT issued the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties, or SAT Announcement 9, which became effective from April 1 2018, replacing Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties, or SAT Notice 601. SAT Announcement 9 stipulates that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a “beneficial owner.”

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise shall meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it shall be a company; (ii) it shall directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it shall have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. The State Administration of Taxation promulgated the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on January 1, 2020 and replaced the Circular 60. SAT Circular 35 reiterates that that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax and may apply the reduced withholding tax rate upon self-assessment. Comparing to the SAT Circular 60, the SAT Circular 35 does not require the non-resident enterprises to file the supporting documents when performing tax filing. Instead, the non-resident enterprises are required to retain the supporting documents for the post-tax filing examinations by the relevant tax authorities.

In January 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Non-resident Enterprises Measures, pursuant to which entities that have direct obligation to make certain payments to a non-resident enterprise shall be the relevant tax withholders for such non-resident enterprise. Further, the Non-resident Enterprises Measures provides that, in case of an equity transfer between two non-resident enterprises which occurs outside the PRC, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. On April 30, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or SAT Circular 59. On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Administration of the Enterprise Income Tax concerning Proceeds from Equity Transfers by Non-resident Enterprises, or SAT Circular 698. Both SAT Circular 59 and SAT Circular 698 became effective retroactively as of January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

On February 3, 2015, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or SAT Bulletin 7, to supersede existing provisions in relation to the Indirect Transfer as set forth in SAT Circular 698. SAT Bulletin 7 introduces a new tax regime that is significantly different from that under SAT Circular 698. Public Notice extends its tax jurisdiction to capture not only Indirect Transfer as set forth under SAT Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in the PRC of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Bulletin 7 also addresses transfer of the equity interest in a foreign intermediate holding company widely. In addition, SAT Bulletin 7 provides clearer criteria than SAT Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the Indirect Transfer as they have to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly.

PRC Value-added Tax

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. On January 1, 2012, the State Council officially launched a pilot VAT, reform program, applicable to businesses in selected industries. Businesses in the VAT reform program would pay VAT instead of business tax. The pilot industries in Shanghai included industries involving the leasing of tangible movable property, transportation services, product development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services. According to official announcements made by competent authorities in Beijing and Guangdong province, Beijing launched the same Pilot Program on September 1, 2012, and Guangdong province launched it on November 1, 2012. On May 24, 2013, the Ministry of Finance and the State Administration of Taxation issued the Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax In lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular extends to the inclusion of radio and television services. On August 1, 2013, the VAT reform program was implemented throughout the PRC. On December 12, 2013, the Ministry of Finance and the State Administration of Taxation issued the Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax, or the 2013 VAT Circular. Among the other things, the 2013 VAT Circular abolished the Pilot Collection Circular, and refined the policies for the VAT reform program. On April 29, 2014, the Ministry of Finance and the State Administration of Taxation issued the Circular on the Inclusion of Telecommunications Industry in the Pilot Collection of Value-added Tax in Lieu of business tax. On March 23, 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax. Effective from May 1, 2016, the PRC tax authorities collect VAT in lieu of business tax on a trial basis within the territory of the PRC, and in industries such as construction industries, real estate industries, financial industries, and living service industries. Pursuant to Circular on Further Clarifying Policies on Reinsurance, Real Estate Leasing and Non-diploma Education in Comprehensively Promoting the Pilot Collection of Value-added Tax in Lieu of Business Tax which came into effect on May 1, 2016, general taxpayers providing non-diploma education services may opt to adopt the simplified method for calculation of tax payable at a rate of 3%. In addition, pursuant to the Announcement on Policies for Deepening the VAT Reform that was issued on March 20, 2019 and came into effect on April 1, 2019, the deduction rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Regulations Relating to Employment, Social Insurance and Housing Fund

Pursuant to the PRC Labor Law (2018 Revision) and the PRC Labor Contract Law (2012 Revision), a written labor contract shall be executed by employer and an employee when the employment relationship is established. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. The employer shall also pay severance to an employee where a labor contract, including a contract with an un-fixed term, is terminated or expires except that the termination is required by the employee or the statutory conditions are fulfilled. All employers shall 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 government has continued to introduce various new labor-related regulations. Among 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. In addition, employers in China are obliged to pay contributions to the social insurance plan and the housing fund plan for their employees, and such contribution amount payable shall be calculated based on the employee actual salary in accordance with the relevant regulations.

M&A Rules and Overseas Listing

The M&A Rules, were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006 and became effective as of September 8, 2006, and were later amended on June 22, 2009. The M&A Rules require, among other things, offshore SPVs, formed for listing purposes through acquisition of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, or the Opinions on Security Activities, which calls for 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, jointly issued 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.

On December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments. According to the Draft Provisions and the Draft Administration Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a "substance over form" basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if there are material ownership disputes over the equity, major assets, and core technology, etc. of the issuer; (iv) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (v) if, in past three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (vi) other circumstances as prescribed by the State Council.

According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to its follow-on offering within three business days after completion of the follow-on offering, (iii) with respect to its follow-on offering for purpose of acquiring specific assets, within three business days after the first public announcement of the transaction, and (iv) with respect to listing by means of reverse takeover, share swap, acquisition and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as the case may be. Non-compliance with the Draft Administration Measures or an overseas listing completed in breach of Draft Administration Measures may result in a warning on the relevant domestic companies or a fine of 1-10 million RMB on them. If the circumstances are serious, they may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors, and other legally appointed persons of the domestic enterprises may be warned, or fined between 500,000 - 5 million RMB either individually or collectively.

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, which came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

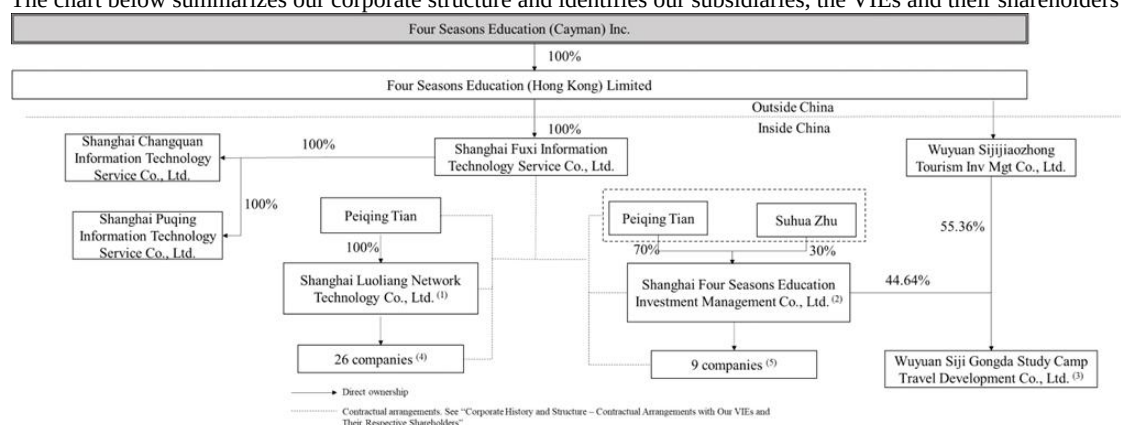
According to the Overseas Listing Trial Measures, an overseas listed company shall file with the CSRC within three business days after the completion of its subsequent securities offering on the same market, and an overseas listed company shall file with the CSRC within three business days after its application of its offering and listing on a different market. If an overseas listed company purchase PRC domestic assets through a single or multiple acquisitions, share swaps, shares transfers or other means, and such purchase constitutes direct or indirect listing of PRC domestic assets, a filing with the CSRC is also required. In addition, an overseas listed company is required to report to the CSRC the occurrence of any of the following material events within three business days after the occurrence and announcement thereof: (i) a change of control of the listed company; (ii) the investigation, sanction or other measures undertaken by any foreign securities regulatory agencies or relevant competent authorities in respect of the listed company; (iii) a change of listing status or transfer of listing segment; and (iv) the voluntary or mandatory delisting of the listed company. If there is any material change of the principal business of the listed company after the overseas offering and listing so that the listed company is no longer required to file with the CSRC, it shall file a specific report and a legal opinion issued by a domestic law firm to the CSRC within three business days after the occurrence hereof.

On February 24, 2023, the CSRC and certain other PRC regulatory authorities promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Confidentiality and Archives Administrative Provisions, which came into effect on March 31, 2023. Pursuant to the Confidentiality and Archives Administrative Provisions, a PRC domestic enterprise that seeks overseas offering and listing, whether directly or indirectly through an overseas listed entity, must strictly abide by applicable PRC laws and regulations, including by enhancing legal awareness in relation to keeping state secrets and strengthening its archives administration, instituting a sound confidentiality and archives administration system, and taking necessary measures to fulfill confidentiality and archives administration obligations. Where a PRC domestic company, either directly or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, it must first obtain approval from competent authorities according to law, and make certain filings with the secrecy administrative department at the same level. In the event that such documents and materials, if leaked, would be detrimental to national security or public interest, the PRC domestic company must strictly complete the relevant procedures as stipulated by applicable national regulations. Where a PRC domestic company, after completing the relevant procedures, provides to securities companies, securities service providers or other entities with any documents and materials that contain state secrets or working secrets of government agencies, or any other documents and materials that would be detrimental to national security or public interest if leaked, a non-disclosure agreement must be signed between the provider and receiver of such information according to the relevant PRC laws and regulations, which must specify, among others, the obligations and liabilities on confidentiality held by such securities companies and securities

service providers. Specifically, when a PRC domestic company provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers or overseas regulators and individuals, it must complete the due procedures in compliance with applicable national regulations.

C. Organizational Structure

The chart below summarizes our corporate structure and identifies our subsidiaries, the VIEs and their shareholders as of February 28, 2023:



- (1) Mr. Peiqing Tian holds 100% equity interest in Shanghai Luoliang Network Technology Co., Ltd.
- (2) Mr. Peiqing Tian and Ms. Suhua Zhu, hold 70% and 30% equity interests in Shanghai Four Seasons Education Investment Management Co., Ltd., respectively.
- (3) Wuyuan Sijijiaozhong Tourism Inv Mgt Co., Ltd. and Shanghai Four Seasons Education Investment Management Co., Ltd., hold 55.36% and 44.64% equity interests in Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd., respectively.
- (4) 26 companies that operate in the fields including educational tourism and planning, non-academic tutoring, faculty training, investment management, and management consulting.
- (5) Nine companies that operate in the fields including educational technology, tourism, educational management, study trip development, culture development, corporate management, and publications.

Contractual Arrangements with the VIEs, Their Shareholder and Us

PRC laws and regulations place certain restrictions on direct foreign investment ownership of China-based companies, and also places separate restrictions on foreign investment in the private education businesses. Accordingly, we conduct operations in the PRC principally through contractual arrangements among (i) our WFOE, namely Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi, (ii) the consolidated variable interest entities, or the VIEs, namely Shanghai Luoliang Network Technology Co., Ltd.

and Shanghai Four Seasons Education Investment Management Co., Ltd., limited liability companies established under PRC law, and their subsidiaries, and (iii) the shareholders of the VIEs, which provides investors with exposure to foreign investment in the Chinese operating companies.

Our reference to control over the VIEs and our position of being the primary beneficiary of the VIEs for the accounting purposes are strictly in the context of the conditions that we met for consolidation of the VIEs under U.S. GAAP. Such conditions include that (i) we have the power to govern the activities which most significantly impact the VIEs' economic performance, (ii) we are contractually obligated to absorb losses of the VIEs that could potentially be significant to the VIEs, and (iii) we are entitled to receive benefits from the VIEs that could potentially be significant to the VIEs. Only if we meet the aforementioned conditions for consolidation of the VIEs under U.S. GAAP, we will be deemed as the primary beneficiary of the VIEs, and the VIEs will be consolidated in our consolidated financial statements for accounting purposes.

WFOE has entered into the following contractual arrangements with the VIEs and their shareholders, that enable the Company to (i) have power to direct the activities that most significantly affect the performance of the VIEs, and (ii) receive the benefits of the VIEs that could be significant to the VIEs. The Company is fully and exclusively responsible for the management of the VIEs, absorbs all risk of losses of the VIEs, and has the exclusive right to exercise all voting rights of the VIE shareholders. Therefore, the Company, through its WFOE, Shanghai Fuxi, has been determined to be the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities and cash flows in the Company's consolidated financial statements.

In the opinion of Fangda Partners, our PRC counsel:

- the ownership structure of Shanghai Fuxi and the VIEs does not violate applicable PRC laws and regulations currently in effect; and
- the contractual arrangements between Shanghai Fuxi, the VIEs and their respective shareholders governed by PRC law currently are valid and binding. However, we have been advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC legal counsel. Especially, on July 24, 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Double Alleviating Opinions, which prohibits foreign investors from investing into after-school tutoring institutions providing tutoring service related to academic subjects in compulsory education stage, including through variable interest entity structure. Despite that rules and regulations have been promulgated in connection with the scope of academic subjects in compulsory education stage, it remains unclear, and subject to relevant governmental authorities' discretion, as to whether the products and services we offer fall into the scope of academic subjects of compulsory education stage. Based on our consultation with relevant governmental authorities, we ceased offering the K9 Academic AST Services in mainland China at the end of 2021, and believe that the remaining products and services we currently offer do not constitute "tutoring service related to academic subjects of compulsory education stage" and thus not subject to the above restrictions. However, there can be no assurance that we will not be subject to penalties for historical violation, or the interpretation and implementation of relevant governmental authorities will not change in the future. Additionally, on April 7, 2021, the State Council promulgated the Amended Implementation Rules for Private Education Law, which took effective on September 1, 2021. The Amended Implementation Rules for Private Education Law stipulates that related party transactions to which a private school is a party would be required to be concluded on a fair and just basis without impediment to the interests of the state, the school, the teachers and the students, which could potentially impact our contractual arrangements with the VIEs. Please see "—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and there can be no assurance that the PRC government will take a view that is not contrary to or otherwise different from the opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the business we engage in, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Our business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties." and "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

Furthermore, if the VIEs and their shareholders fail to perform their obligations under the contractual arrangements, we may be limited in our ability to enforce such contractual arrangements that give us effective control. If we are unable to maintain effective control over the VIEs, we would not be able to continue to consolidate their financial results in our consolidated financial statements. In the 2021, 2022 and 2023 fiscal years, substantially all of our revenue was derived from the operations of the VIEs. We rely on dividends and other distributions paid to us by our WFOE, Shanghai Fuxi, which in turn depends on the service fees paid to Shanghai

Fuxi by the VIEs. There are significant PRC legal restrictions on the payment of dividends by PRC companies and restrictions on foreign exchange control and foreign investments, all of which may adversely affect our ability to access the revenue of Shanghai Fuxi and the VIEs. In the 2023 fiscal year, Shanghai Fuxi received service fees of RMB1.3 million (US\$0.2 million) from the VIEs and did not distribute any dividends. Notwithstanding our business decisions to continue to invest and expand our PRC operations and launching new programs, our WFOE may receive service fees from the VIEs or make distributions to us in the future.

Below is a summary of the contractual arrangements by and among our WFOE, Shanghai Fuxi, each of the VIEs, and their shareholders.

Exclusive Service Agreement

Pursuant to the exclusive service agreement, Shanghai Fuxi has the exclusive right to provide or designate any third party to provide technical services and management and consulting services to the VIEs. In exchange, the VIEs pay annual service fees to Shanghai Fuxi in an amount at Shanghai Fuxi's discretion. Without the prior written consent of Shanghai Fuxi, the VIEs cannot accept services provided by or establishing similar corporation relationship with any third party. Shanghai Fuxi owns the exclusive intellectual property rights created as a result of the performance of this agreement unless otherwise provided by PRC laws or regulations. The agreement will remain effective unless terminated upon the full exercise of call option in accordance with the exclusive call option agreement or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance. Unless otherwise required by applicable PRC laws, the VIEs do not have any right to terminate the exclusive service agreement.

Exclusive Call Option Agreement

Pursuant to the call option agreement, the shareholders of the VIEs unconditionally and irrevocably granted Shanghai Fuxi or its designated third party exclusive call options to purchase from the shareholder part or all of its equity interests in the VIEs, as the case may be, at the nominal price or for the minimum amount of consideration permitted by the applicable PRC laws and regulations. Such shareholder will not grant a similar right or transfer any of the equity interests in the VIEs to any party other than Shanghai Fuxi or its designee, nor will it pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. Shanghai Fuxi has sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The agreement will remain effective unless terminated upon the full exercise of call option or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance.

Equity Pledge Agreement

Pursuant to the equity pledge agreement, the shareholders of the VIEs unconditionally and irrevocably pledged all of its equity interests in the VIEs to Shanghai Fuxi, to respectively guarantee the performance of the VIEs of their obligations under the relevant contractual agreements. Should the VIEs or their shareholder breach or default under any of the contractual arrangements, Shanghai Fuxi has the right to require the transfer of the pledged equity interests to itself or its designee, to the extent permitted by PRC law, or require an auction or sale of the pledged equity interests and has priority in any proceeds from the auction or sale of such pledged interests. Moreover, Shanghai Fuxi has the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge. Without the prior written consent of Shanghai Fuxi, the shareholders of the VIEs shall not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Shanghai Fuxi's interest. Unless the VIEs have fully performed all of their obligations in accordance with the contractual agreements, or the pledged equity interests have been fully transferred to Shanghai Fuxi or its respective designee in accordance with the exclusive call option agreement, or unilaterally terminated by Shanghai Fuxi with a 30-day prior notice, the equity interest pledge agreement will continue to remain in effect.

The shareholders of the VIEs have registered the equity pledge in favor of Shanghai Fuxi with the local counterpart of the State Administration for Industry and Commerce in accordance with PRC laws and regulations.

Shareholder Voting Rights Proxy Agreement and Irrevocable Power of Attorney

The shareholders of the VIEs have each executed a shareholder voting rights proxy agreement appointing Shanghai Fuxi, or any person designated by Shanghai Fuxi, as their proxy to act for all matters pertaining to such

shareholding and to exercise all of their rights as shareholders, including but not limited to attending shareholders' meetings and designating and appointing directors, supervisors, the chief executive officer and other senior management members, and selling, transferring, pledging or disposing the equity interests of the VIEs. Shanghai Fuxi may authorize or assign its rights to any other person or entity at its sole discretion without prior notice to or prior consent from the shareholders of the VIEs. The agreement will remain effective unless Shanghai Fuxi terminates the agreement by written notice or terminated upon the full exercise of call option in accordance with the exclusive call option agreement.

Spousal Consent Letter

Pursuant to the spousal consent letter executed by the spouse of the shareholders of our VIEs, each of such spouse unconditionally and irrevocably agreed to the execution of exclusive service agreement, exclusive call option agreement, shareholder voting rights proxy agreement and irrevocable power of attorney and equity pledge agreement described above by the applicable shareholder. They further undertakes not to make any assertions in connection with the equity interests of the VIEs held by the applicable shareholder, and confirm that the shareholder can perform the relevant transaction documents described above and further amend or terminate such transaction documents without the authorization or consent from such spouse. The spouse of each applicable shareholder agrees and undertakes that if he/she obtains any equity interests of the VIE held by the applicable shareholder for any reasons, he/she would be bound by the transaction documents described above and the amended and restated exclusive service agreement between Shanghai Fuxi and the VIE. The valid term of spousal consent letter is same as the term of the exclusive call option agreement.

D. Property, Plants and Equipment

Our headquarters are located in Shanghai, China. We have one learning center in Shanghai and another in Chongqing. We lease our headquarters, which occupies approximately 167 square meters. We also lease all of our learning centers, which occupy an aggregate of approximately 1,485 square meters as of the date of this annual report. The majority of lease agreements for our learning centers have durations of one to two years. For most of our learning centers, we pay annual rental charges. The rental payments for our learning centers are either set at a fixed rate during the entire rental period or increased every other year based on a preset rate. For more details, see “Item 4. Information on the Company — B. Business Overview — Our Learning Centers.”

On August 1, 2020, we acquired land use right of a parcel for approximately 9,499 square meters, and leasehold right of a property for approximately 5,655.6 square meters, in Tongling, Anhui, as capital contribution of certain shareholders with a consideration of RMB3.2 million and RMB8.5 million, respectively.

On January 21, 2022 and January 24, 2022, we acquired land use rights of two parcels in Wuyuan, Jiangxi for the construction of study camps, at total cost of approximately RMB15.5 million for approximately 45,535.3 square meters. As of February 28, 2023, we entered into a number of agreements, at total cost of approximately RMB8.2 million for the development of state-owned construction land in Wuyuan, covering approximately 45,535.3 square meters of construction area. As of February 28, 2023, RMB2.4 million had been paid for the construction. We expect to complete the construction in June 2024. We intend to fund the construction through cash on hand and project finance loans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations 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. 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.

A. Operating Results

Overview

We are dedicated to providing diversified smart learning solutions in China. Since our inception in 2007, we have witnessed tremendous developments in China’s learning industry and continued to upgrade our business strategies to capture the new opportunities brought by technology advance and evolving learning needs.

We started our business initially focusing on math education for elementary school students in Shanghai, from where we actively seeking to expand during the past years. As of February 28, 2023 we had two learning centers in two cities in China.

We always keep a keen prospective for the evolving and developing industry. In addition to the course offerings that target improving learners and customers’ academic performance, we also began to expand our offerings by introducing study camp and learning trip in the recent years. In compliance with regulatory policies promulgated in 2021, we ceased offering the K9 Academic AST Services in mainland China at the end of 2021. We have since realigned our business focus towards study camp and learning trip, learning services as well as learning technology and content solutions to capture evolving customer needs. We are hosting a series of study camps, learning trips and interest-oriented classes, and have continued to integrate technology with learning, promote industry innovation, and lead industry development form our inception.

We have shifted, and will continue to, shift our focus towards non-academic educational products and services, and explore other business opportunities by leveraging our educational resources accumulated over our operating history. Our revenue was RMB280.3 million in the 2021 fiscal year, RMB250.2 million in the 2022 fiscal year and RMB34.2 million (US\$4.9 million) in the 2023 fiscal year, respectively. We recorded net loss of RMB27.9 million in the 2021 fiscal year, RMB118.7 million in the 2022 fiscal year and RMB33.5 million (US\$4.8 million) in the 2023 fiscal year. Our adjusted net loss, which exclude share-based compensation expenses, fair value change of investments, impairment loss on intangible assets and goodwill (net of tax effect) and impairment loss on long-lived assets (net of tax effect), was RMB2.5 million in the 2021 fiscal year, adjusted net loss of RMB58.4 million in the 2022 fiscal year, adjusted net loss of RMB32.2 million (US\$4.7 million) in the 2023 fiscal year.

Major Factors Affecting Our Results of Operations

Our results of operations are affected by various general factors affecting the learning solution and enrichment activity market in China, which include changes in population growth, disposable income per capita and level of urbanization, changes in demand from individual learners or educational institutions for learning solutions, changes in regulatory, legal and public policy landscape, changes in technology development, and general economic and business conditions in China and globally. Adverse changes in any of these factors could materially and negatively affect demand for our products and services and our results of operations.

We believe that our results of operations are more directly affected by specific factors relating to our business, which are primarily as follows:

Our ability to deliver high-quality products and services in our existing businesses

Historically, our success largely depends on our deep understanding of, and close relationship with, our learners and customers. We seek to continue to maintain our competitive advantages in our existing businesses.

Learning services and study camp and learning trip. The results of operations of our learning services and study camp and learning trip business depend on our abilities to retain existing participants and attract new ones by maintaining the consistency and quality of our services, successfully executing our pricing strategies, enhancing our

operational efficiency, and to meet the evolving needs of our 1 customers through introduction of new offerings and excellent experience.

Learning technology and content solutions. The success of our learning technology and content solutions primarily depends on our abilities to continue to provide quality services to our existing customers leveraging our technology and content developing capabilities, in particular, to tailor our learning technology products and services to the needs of customers and to further develop our accumulated immense content library.

We believe our ability to deliver high-quality products and services well positions us to keep competitive in our existing businesses. However, any compromise in such ability may materially and adversely affect the success and growth of our existing businesses, thus negatively impacting our results of operations.

Our ability to broaden offerings of our learning solutions and enrichment activities

Our results of operations are also affected by our ability to invest in and develop new service offerings and further penetrate our potential customer base.

We have accumulated deep understanding of China's learning industry through years of operation and are well-positioned in delivering comprehensive learning services beyond traditional courses and textbooks. Going forward, we intend to further broaden our footprint and launch new products and services accommodating broader audience.

Our ability to attract, train and retain talents

To manage and support our growth, it is critical for us to recruit, train and retain qualified talents, including teachers, research and development talents and management personnel, as well as other personnel in administrative and selling and marketing functions, in particular during the time as we are going through the transition of our business model.

Our ability to attract, train and retain these qualified talents primarily depends on our ability to offer competitive compensation, effective and continued training opportunities and rotation opportunities within our organization as well as the development path to management opportunities.

Our ability to manage costs and expenses

Our ability to maintain and increase our operational efficiency also depends on our ability to effectively control our costs and expenses. We offer competitive compensation to our faculty in order to attract and retain the best talent. The number of our full-time teachers was 359, 150, and 76 as of February 28, 2021, February 28, 2022 and February 28, 2023, respectively, mainly due to our cessation of K9 Academic AST Services offering in mainland China by the end of 2021. Nevertheless, we expect that our total costs and expenses will increase in line with the development and growth of our new business lines, which is likely to be partially offset by our increasing economies of scale and improved operating efficiency.

Impact of COVID-19

Our results of operations were impacted by the outbreak of COVID-19 and the resulting precautionary measures with respect to our business. After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022, and varying levels of temporary restrictions and other measures are reinstated to contain the infections, such as those in Shanghai from March 2022. As such, we had to switch our learning programs and after-school proprietary courses from offline to online, and cease the operation of certain workshops, study camp and learning trip in the affected areas. Despite that the situation in China has significantly improved since December 2022, and the World Health Organization (WHO) declared that COVID-19 was no longer a public health emergency of international concern on May 4, 2023, the COVID-19 outbreak may continue affect our business operations and its financial condition and operating results in the future, including but not limited to negative impact to our total revenues, fair value adjustments or impairment to our long-term investments and other long-lived assets. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition."

Key Components of Results of Operations

Revenue

In the fiscal years ended February 28, 2021, 2022 and 2023, we generated total net revenues of RMB280.3 million, RMB250.2 million and RMB34.2 million (US\$4.9 million), respectively.

In compliance with the Alleviating Burden Opinion Regarding Compulsory Education and applicable rules, regulations and measures, we ceased offering K9 Academic AST Services in mainland China by the end of December 2021. Our revenues generated from K9 Academic AST Services was RMB251.4 million, RMB208.3 million and nil for the years ended February 28, 2021, 2022 and 2023, respectively. Such cessation has had a significantly negative impact on our financial performance for the fiscal year ended February 28, 2022 and 2023 since revenues from offering K9 Academic AST Services accounted for a substantial majority of our total revenues prior to our cessation of such business. To this end, we have shifted, and will continue to, shift our focus towards non-academic educational products and services, and explore other business opportunities, such as study camp and learning trip, by leveraging our educational resources accumulated over our operating history.

We have realigned our business focus toward (i) learning services, mainly non-academic tutoring, (ii) learning technology and content solutions, mainly include course design and development services, digital learning system, student management platform and promotional assistance for educational institutions and K-12 schools, staff outsourcing services, etc., and (iii) study camp and learning trip, creating an immersive learning experience to meet emerging scenario-based, experiential and interactive learning and training needs from group and individual learners. The table below sets forth a breakdown of our revenue for the periods indicated (net of VAT and related surcharges).

	For the Years Ended February 28						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentage)						
Learning services	268,334	95.7	235,627	94.2	18,516	2,672	54.1
Learning technology and content solutions	11,734	4.2	13,537	5.4	12,328	1,778	36.0
Study camp and learning trip	268	0.1	1,843	0.7	3,502	505	10.2
Less: sales tax	54	0.0	784	0.3	130	19	0.3
Total	280,282	100.0	250,223	100.0	34,216	4,936	100.0

Cost of Revenue

Our cost of revenue primarily consists of (i) Staff costs, which primarily consist of teaching salaries and other benefits for the teachers and related service providing staff, (ii) study camp and learning trip related expense, which primarily consist of study tour travel expense, accommodation expense and transportation expenditures, (iii) rental, utilities and maintenance costs for the learning centers, (iv) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, student activity expenses and platform and service charges for online course, and (v) amortization of leasehold improvement of learning centers. We expect our total cost of revenue to decrease as a result of the cessation of our K9 Academic AST Services offering, partially offset by the increase in line with the development of our new business lines as we open more study camps and

organize more learning trips and expand the size of our existing faculty. The table below sets forth a breakdown of our cost of revenue for the periods indicated:

	For the Years Ended February 28						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentage)						
Staff costs	92,712	54.9	85,134	56.9	14,089	2,032	70.7
Study camp and learning trip related expense	93	0.1	1,335	0.9	2,250	325	11.3
Rental, utilities and maintenance costs	49,920	29.6	38,473	25.7	481	69	2.4
Depreciation of leasehold improvement of learning centers	11,244	6.7	6,706	4.5	1,409	203	7.1
Other expenses	14,863	8.7	17,967	12.0	1,693	245	8.5
Total	168,832	100.0	149,615	100.0	19,922	2,874	100.0

Operating Expenses

Our operating expenses primarily consist of general and administrative expenses and sales and marketing expenses. The table below sets forth a breakdown of our operating expenses for the periods indicated:

	For the Years Ended February 28						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentage)						
General and administrative expenses	116,972	79.1	85,298	51.1	45,291	6,533	90.7
Sales and marketing expenses	30,953	20.9	22,045	13.2	4,668	673	9.3
Lease termination loss	—	—	7,046	4.2	—	—	—
Impairment loss on intangible assets and goodwill	—	—	44,562	26.8	—	—	—
Impairment loss on other long-lived assets	—	—	7,871	4.7	—	—	—
Total	147,925	100.0	166,822	100.0	49,959	7,206	100.0

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) staff costs and employee benefits for our executive, finance, legal, information technology, human resources and other administrative personnel, (ii) office rent, utility and other expenses, (iii) cost of third-party professional services, and (iv) share-based compensation expenses for our administrative personnel. Our general and administrative decreased as we ceased offering K9 Academic AST Services, which was partially offset by the development of our new business lines going forward.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of promotional and advertising expenses and salaries and benefits for our sales and marketing personnel. Historically, we have relied on word-of-mouth referrals for our student recruitment. As such, we have incurred relatively low sales and marketing expenses. In the 2017 fiscal year, we entered into a funding commitment agreement with ECNU, pursuant to which we would provide funding of a total amount of RMB100 million to ECNU, payable over a five-year period starting from 2017. We expect this funding commitment and our collaboration with ECNU to positively impact our branding efforts and aid in our expansion to cities outside of Shanghai. Consequently, our sales and marketing expenses primarily consisted of a RMB20 million, RMB10 million and nil funding commitment accrual to ECNU in the years ended February 28, 2021, 2022 and 2023, respectively. Our sales and marketing decreased as we ceased offering K9 Academic AST Services, which was partially offset by our effort to ramp up the promotional efforts in line with the development of our new business lines going forward.

Taxation

Cayman Islands

We are an exempted company incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong

Our wholly-owned subsidiary in Hong Kong, Four Seasons Education HK, is subject a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK dollar 2,000,000 of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%. No provision for Hong Kong profits tax has been made in our consolidated financial statements as Four Seasons Education HK has no assessable income for the 2021, 2022 and 2023 fiscal years.

PRC

Our subsidiaries and VIEs in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 6%, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. In addition, most of the VIEs involved in the non-diploma education service industry choose the simplified method of taxation where the VAT collection rate is 3%.

As a Cayman Islands holding company, we may receive dividends from our WFOE through Four Seasons Education HK. The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC 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 PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, 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 PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not

required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file the necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. The State Administration of Taxation promulgated the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on January 1, 2020 and replaced the Circular 60. SAT Circular 35 reiterates that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax and may apply the reduced withholding tax rate upon self-assessment. Comparing to the SAT Circular 60, the SAT Circular 35 does not require the non-resident enterprises to file the supporting documents when performing tax filing. Instead, the non-resident enterprises are required to retain the supporting documents for the post-tax filing examinations by the relevant tax authorities. Accordingly, Four Seasons Education HK may be able to benefit from the 5% withholding tax rate for the dividends it receives from Shanghai Fuxi, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

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 the PRC — Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.”

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. We continually evaluate these judgments and estimates based on our own experience, knowledge and assessment of current business and other conditions, and our expectations regarding the future based on available information and assumptions that we believe to be reasonable. 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.

When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions. Our critical accounting policies and practices include the following: (i) revenue recognition; (ii) fair value of investments; (iii) income taxes; and (iv) leases. See Note 2 — Summary of Significant Accounting Policies to our consolidated financial statements for the disclosure of these accounting policies. We believe the following accounting estimates involve the most significant judgments used in the preparation of our financial statements.

Income Taxes

We are required to make estimates and apply our judgements in determining the provision for income tax expenses for financial reporting purpose based on tax laws. In calculating the effective income tax rate, we make estimates and judgements, including the calculation of tax credits and the timing differences of recognition of revenues and expenses between financial reporting and tax reporting. These estimates and judgements may result in adjustments of pre-tax income amount filed with local tax authorities in accordance with relevant local tax rules and regulations in various tax jurisdictions. Although we believe that our estimates and judgments are reasonable, actual results may be materially different from the estimated amounts. Changes in these estimates and judgements may result in material increase or decrease in our provision for income tax expenses.

Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of

available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When we determine and quantify the valuation allowances, we consider such factors as projected future taxable income, the availability of tax planning strategies, the historical taxable income and losses in prior years, and future reversals of existing taxable temporary differences. The assumptions used in determining projected future taxable income require significant judgment. Actual operating results in future years could differ from our current assumptions, judgments and estimates. Changes in these estimates and assumptions may materially affect the tax position measurement and financial statement recognition. If, in the future, we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would decrease our earnings in the period in which such determination is made. We recorded deferred tax assets of RMB0.9 million and RMB0.6 million (US\$ 0.1 million), net of valuation allowance of RMB27.4 million and RMB30.8 million (US\$4.4 million), as of February 28, 2022 and 2023, respectively.

Impairment of long-lived assets

We evaluate the recoverability of long-lived assets with determinable useful lives, including property and equipment and intangible assets, whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. We measure the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. An impairment charge is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset net of other liabilities. The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require judgment and actual results may differ from assumed and estimated amounts. We recognized nil, RMB7.9 million and nil impairment loss of property and equipment during the years ended February 28, 2021, 2022, and 2023, respectively. We recognized nil, RMB2.3 million and nil impairment loss on intangible assets during the years ended February 28, 2021, 2022, and 2023, respectively.

Recent Accounting Pronouncements

Recently issued ASUs by the FASB have no material impact on the Group's consolidated statements of operations and cash flows or financial position.

Results of Operations

The table below sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Years Ended February 28						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Summary Consolidated Statements of Operations:							
Revenue							
--Revenue from third parties	277,806	99.1	249,274	99.6	26,556	3,831	77.6
--Revenue from related parties	2,476	0.9	949	0.4	7,660	1,105	22.4
Total Revenue	280,282	100.0	250,223	100.0	34,216	4,936	100.0
Cost of revenue	(168,832)	(60.2)	(149,615)	(59.8)	(19,922)	(2,874)	(58.2)
Gross profit	111,450	39.8	100,608	40.2	14,294	2,062	41.8
Operating expenses							
General and administrative expenses	(116,972)	(41.7)	(85,298)	(34.1)	(45,291)	(6,533)	(132.4)
Sales and marketing expenses	(30,953)	(11.0)	(22,045)	(8.8)	(4,668)	(673)	(13.6)
Lease termination loss	—	—	(7,046)	(2.9)	—	—	—
Impairment loss on intangible assets and goodwill	—	—	(44,562)	(17.8)	—	—	—
Impairment loss on other long-lived assets	—	—	(7,871)	(3.1)	—	—	—
Operating income (loss)	(36,475)	(12.9)	(66,214)	(26.5)	(35,665)	(5,144)	(104.2)
Subsidy income	11,898	4.2	2,298	0.9	1,412	204	4.1
Gain from disposal of liabilities and a subsidiary	—	—	4,048	1.7	—	—	—
Interest income, net	3,403	1.2	3,230	1.3	2,284	329	6.7
Other income (expenses), net	1,900	0.7	(3,501)	(1.4)	(526)	(76)	(1.6)
Loss before income taxes and loss from equity method investments	(19,274)	(6.8)	(60,139)	(24.0)	(32,495)	(4,687)	(95.0)
Income tax expense	(4,760)	(1.7)	(21,843)	(8.7)	(993)	(143)	(2.9)
Loss from equity method investments	(3,852)	(1.4)	(36,750)	(14.7)	—	—	—
Net loss	(27,886)	(9.9)	(118,732)	(47.4)	(33,488)	(4,830)	(97.9)

Year Ended February 28, 2023 Compared to Year Ended February 28, 2022

Revenue

Our total revenue was RMB34.2 million (US\$4.9 million) for the 2023 fiscal year and RMB250.2 million in the 2022 fiscal year, primarily due to the decrease of RMB217.1 million in revenue generated from learning services, resulting from the cessation of our K9 Academic AST Services in mainland China by the end of 2021,

partially offset by the increase of RMB1.7 million in revenue generated from study camp as we rollout our study camp in Hubei province.

Cost of Revenue

Our total cost of revenue decreased by 86.7% from RMB149.6 million in the 2022 fiscal year to RMB19.9 million (US\$2.9 million) for the fiscal year 2023, primarily attributable to the decrease of RMB71.0 million in staff costs, and RMB38.0 million in rental, utilities and maintenance costs for the learning centers, resulting from the closure of our learning centers and the decrease of number of teachers due to ceased K9 Academic AST by the end of 2021.

Gross Profit

As a result of the foregoing, our gross profit was RMB100.6 million and RMB14.3 million (US\$2.1 million) for the 2022 and 2023 fiscal year, respectively. Our gross margin was 40.2% and 41.8% for the 2022 and 2023 fiscal year, respectively.

General and Administrative Expenses

Our general and administrative expenses decreased by 46.9% from RMB85.3 million in the 2022 fiscal year to RMB45.3 million (US\$6.5 million) for the 2023 fiscal year, primarily due to the decrease in staff costs of our administrative personnel, resulting from the closure of our learning centers due to ceased K9 Academic AST by the end of 2021.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 78.8% from RMB22.0 million in the 2022 fiscal year to RMB4.7 million (US\$0.7 million) in the 2023 fiscal year, primarily because we made our last funding commitments accrual to ECNU in the 2022 fiscal year.

Loss Before Income Taxes and Loss from Equity Method Investments

As a result of the foregoing, our loss before income taxes and loss from equity method investments was RMB32.5 million (US\$4.7 million) in the 2023 fiscal year, compared to the RMB60.1 million in the 2022 fiscal year.

Net Loss

As a result of the foregoing, we recorded net loss of RMB118.7 million and RMB33.5 million (US\$4.8 million) in the 2022 and 2023 fiscal year, respectively.

Year Ended February 28, 2022 Compared to Year Ended February 28, 2021

Revenue

Our total revenue decreased from RMB280.3 million in the 2021 fiscal year to RMB250.2 million for the 2022 fiscal year, primarily due to the decrease of RMB32.7 million in revenue generated from learning services, resulting from ceased K9 Academic AST by the end of 2021, partially offset by the increase of RMB1.6 million in revenue generated from study camp and learning trip as we rollout study camp programs in addition to learning trips, and also the increase of RMB 1.8 million in learning technology and content solutions.

Cost of Revenue

Our total cost of revenue decreased by 11.4% from RMB168.8 million in the 2021 fiscal year to RMB149.6 million for the 2022 fiscal year , primarily attributable to the decrease of RMB11.4 million in rental, utilities and maintenance costs for the learning centers, and RMB7.6 million in staff costs, resulting from the closure of learning centers and the decrease of number of teachers due to ceased K9 Academic AST by the end of 2021.

Gross Profit

As a result of the foregoing, our gross profit was RMB100.6 million for the fiscal year 2022, compared with RMB111.5 million in the same period of last year. Gross margin was 40.2% for the 2022 fiscal year, compared with 39.8% in the 2021 fiscal year.

General and Administrative Expenses

Our general and administrative expenses decreased by 27.1% from RMB117.0 million for the fiscal year of 2021 to RMB85.3 million for the fiscal year of 2022, primarily because a significant part of the share-based compensation for our administrative personnel was fully vested in the fiscal year 2021.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 28.8% from RMB31.0 million for the 2021 fiscal year to RMB22.0 million for the 2022 fiscal year, primarily due to a decrease of RMB10 million in our funding commitment accrual to ECNU.

Impairment loss on intangible assets and goodwill

We had impairment loss on intangible assets and goodwill of RMB44.6 million in the 2022 fiscal year, as we ceased to offer K9 Academic AST by the end of 2021.

Impairment loss on other long-lived assets

We had impairment loss on other long-lived assets was RMB7.9 million in the 2022 fiscal year, as we ceased to offer K9 Academic AST by the end of 2021.

Loss Before Income Taxes and Loss from Equity Method Investments

As a result of the foregoing, our loss before income taxes and loss from equity method investments was RMB60.1 million in the 2022 fiscal year, compared to the RMB19.3 million in the 2021 fiscal year.

Income Tax Expense

Our income tax expense increased from RMB4.8 million in the 2021 fiscal year to RMB21.8 million in the 2022 fiscal year, mainly due to the recognition of valuation allowance in deferred tax expenses as we ceased to offer K9 Academic AST services by the end of 2021.

Net Loss

As a result of the foregoing, we recorded net loss of RMB27.9 million and RMB118.7 million in the 2021 and 2022 fiscal year, respectively.

Non-GAAP Measures

We use adjusted net income (loss), a non-GAAP financial measure, in the evaluation of our operating results and in our financial and operational decision-making.

Adjusted net income (loss) represents net income (loss) before the impact of (i) share-based compensation expenses; (ii) fair value change of investments, excluding foreign currency translation adjustment and (iii) impairment loss on intangible assets and goodwill (net of tax effect) and (vi) impairment loss on long-lived assets. We believe that adjusted net income (loss) helps us identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in net income (loss).

Adjusted net income (loss) should not be considered in isolation or construed as an alternative to net income (loss) or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. Adjusted net income (loss) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table below sets forth a reconciliation of our net loss to adjusted net income (loss) for the periods indicated:

	For the Years Ended February 28			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss	(27,886)	(118,732)	(33,488)	(4,830)
Add: share-based compensation expenses (net of tax effect of nil)	27,513	9,002	3,168	457
Add: fair value change of investments, excluding foreign currency translation adjustment (net of tax effect of nil)	(2,148)	(1,106)	(1,927)	(278)
Add: impairment loss on intangible assets and goodwill (net of tax effect of nil)	—	44,562	—	—
Add: impairment loss on long-lived assets (net of tax effect of nil)	—	7,871	—	—
Adjusted net loss (non-GAAP)	(2,521)	(58,403)	(32,247)	(4,651)

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have been cash generated from operating activities, net proceeds we received from our initial public offering, and to a lesser extent, proceeds from the issuance of our convertible redeemable preferred shares.

As of February 28, 2021, 2022 and 2023, we had RMB378.4 million, RMB262.4 million and RMB175.7 million (US\$25.3 million), respectively, in cash and cash equivalents. Cash and cash equivalents consist of cash on hand, cash in bank, time deposits with original maturities of three months or less when purchased and floating rate financial instruments which are unrestricted as to withdrawal or use. Our cash and cash equivalents are primarily denominated in Renminbi. Historically, we have financed our operations through cash generated from operating activities and net proceeds we received from our initial public offering. We intend to finance our future working capital requirements and capital expenditures from cash generated from operating activities and from the funds raised from financing activities, including the net proceeds we received from our initial public offering. We believe that our available cash and cash equivalents will be sufficient to meet our working capital requirements and capital expenditures in the ordinary course of business for the next twelve months.

However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, sell debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and the VIEs and, therefore, must provide for our own liquidity. We conduct our operations in China primarily through our PRC subsidiaries and the VIEs. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our PRC subsidiaries 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 PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations.

Under applicable PRC laws and regulations, our PRC subsidiaries are each required to set aside a portion of its after tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries. These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiaries' ability to pay dividends to us. As a result of the foregoing PRC laws and regulations, our PRC subsidiaries and the VIEs are restricted from transferring a portion of their net assets to us. The amounts restricted include paid-in capital and the statutory reserves of the VIEs without considering the effect of elimination upon consolidation during the relevant period. As of February 28, 2023, total restricted net assets were RMB111.5 million (US\$16.1 million). We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although we cannot assure you that such limitations will not affect our ability to meet our short-term cash obligations and to distribute dividends to our shareholders in the future.

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

	For the Years Ended February 28			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by (used in) operating activities	31,124	(91,321)	(25,493)	(3,678)
Net cash (used in) provided by investing activities	(68,004)	4,297	(96,702)	(13,948)
Net cash provided by (used in) financing activities	198	(25,555)	(838)	(121)
Effect of foreign exchange rate changes	(16,460)	(3,932)	27,389	3,950
Net decrease in cash, cash equivalents and restricted cash	(53,142)	(116,511)	(95,644)	(13,797)
Cash, cash equivalents and restricted cash at beginning of the year	442,355	389,213	272,702	39,337
Cash, cash equivalents and restricted cash at end of the year	389,213	272,702	177,058	25,540

Operating Activities

Net cash used in operating activities amounted to RMB25.5 million (US\$3.7 million) in the 2023 fiscal year. It reflected the net loss of RMB33.5 million (US\$4.8 million), primarily adjusted by: (i) increase in amounts due from related parties of RMB8.2 million (US\$1.2 million), (ii) decrease in accrued expenses and other current liabilities of RMB7.6 million (US\$1.1 million), and (iii) decrease in operating lease liabilities of RMB2.1 million (US\$0.3 million); partially offset by (i) decrease in other receivables, deposits and other assets of RMB3.9 million (US\$0.6 million), (ii) share-based compensation of RMB3.2 million (US\$0.5 million), (iii) decrease in other non-current assets of RMB3.0 million (US\$0.4 million), (iv) depreciation of property and equipment of RMB2.8 million (US\$0.4 million), (v) noncash lease expenses of RMB3.0 million (US\$0.4 million) and (vi) increase in income tax payable of RMB2.4 million (US\$0.4 million).

Net cash used in operating activities amounted to RMB91.3 million in the 2022 fiscal year. It reflected the net loss of RMB118.7 million, primarily adjusted by: (i) deferred revenue of RMB66.1 million, (ii) changes in operating lease liabilities of RMB59.8 million, (iii) other receivables, deposits and other assets of RMB11.9 million, (iv) gain from disposal of liabilities and a subsidiary of RMB4.0 million, and (v) accrued expenses and other current liabilities of RMB3.1 million; partially offset by: (i) loss from goodwill impairment of RMB42.3 million, (ii) noncash lease expenses of RMB39.5 million, (iii) loss from equity method investments, net of taxes of RMB36.8 million, (iv) deferred income taxes of RMB14.4 million, (v) share-based compensation of RMB9.0 million, (vi) depreciation of property and equipment of RMB8.5 million, (vii) loss from property and equipment impairment of RMB7.9 million, (viii) provision for credit losses of RMB6.9 million, (ix) income tax payable of RMB4.6 million, and (x) loss from intangible assets impairment of RMB2.3 million.

Net cash provided by operating activities amounted to RMB31.1 million in the 2021 fiscal year. It reflected the net loss of RMB27.9 million, primarily adjusted by noncash lease expenses of RMB54.5 million, share-based compensation of RMB27.5 million, depreciation of property and equipment of RMB13.8 million and accrued expenses and other current liabilities of RMB11.9 million, partially offset by changes in operating lease liabilities of RMB57.9 million.

Investing Activities

Net cash used in investing activities amounted to RMB96.7 million (US\$13.9 million) in the 2023 fiscal year. This was primarily attributable to purchases of short-term investments under fair value of RMB175.8 million (US\$25.4 million), purchases of long-term investments under fair value of RMB145.9 million (US\$21.0 million), purchase of short-term investments of RMB29.3 million (US\$4.2 million), payments to long-term investments of RMB13.5 million (US\$ 1.9 million), and purchases of property and equipment of RMB8.7 million (US\$1.2 million), offset by the proceeds from maturity of investments of RMB276.6 million (US\$39.9 million).

Net cash provided by investing activities amounted to RMB4.3 million in the 2022 fiscal year. This was primarily attributable to proceeds from maturity of investments under fair value of RMB128.1 million, partially offset by the purchase of short-term investments of RMB89.5 million and the payments to long-term investments of RMB14.0 million.

Net cash used in investing activities amounted to RMB68.0 million in the 2021 fiscal year. This was primarily attributable to the purchase of investments under fair value of RMB175.8 million, the payments to long-term investment of RMB44.4 million, and the payments to short-term investments of RMB31.0 million, partially offset by proceeds from maturity of investments under fair value of RMB192.9 million.

Financing Activities

Net cash used by financing activities amounted to RMB0.8 million (US\$0.1 million) in the 2023 fiscal year. This was primarily attributable to repayment on related parties loans of RMB0.6 million (US\$0.1 million).

Net cash used by financing activities amounted to RMB25.6 million in the 2022 fiscal year. This was primarily attributable to repurchase of ordinary shares of RMB27.8 million and partially offset by the contribution from non-controlling interests of RMB3.6 million.

Net cash provided in financing activities amounted to RMB0.2 million in the 2021 fiscal year. This was primarily attributable to proceeds from related parties loans of RMB0.1 million.

Material Cash Requirements

Our material cash requirements as of February 28, 2023 primarily include our working capital needs, capital expenditures, lease obligations, capital commitment, and long-term investment obligations.

Our capital expenditures amounted to RMB10.4 million, RMB10.0 million and RMB8.7 million (US\$1.2 million) in the 2021, 2022, 2023 fiscal year, respectively. Our capital expenditures were primarily related to leasehold improvements and development of study camps.

The following table sets forth our contractual obligations as of February 28, 2023.

	Payment Due by Period					
	Total		Less Than			More than
	RMB	US\$	1 Year RMB	1-3 Years RMB	3-5 years RMB	5 years RMB
	(in thousands)					
Lease Obligations	5,685	821	4,386	1,299	—	—
Long-term investment obligations	17,500	2,524	17,500	—	—	—
Capital commitments	5,826	840	5,826	—	—	—
Total	29,011	4,185	27,712	1,299	—	—

The capital commitments were solely related to contracts signed with vendors for camps construction by us and are expected to be paid in one year.

Our long-term investment obligations represent obligations in connection with several investments as of February 28, 2023. As of February 28, 2023, the payment due within one year and thereafter for our long-term investment obligations amounted to RMB17.5 million (US\$2.5 million).

We intend to fund our existing and future material cash requirements primarily with anticipated cash flows from our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' 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 leasing, hedging or research and development services with us.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of February 28, 2023.

Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' 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. Moreover, 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 leasing, hedging or product development services with us.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and the VIEs. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries, which in turn depends on the service fees paid to Shanghai Fuxi by the VIEs. In the 2023 fiscal year, Shanghai Fuxi received service fees of RMB1.3 million (US\$0.2 million) from the VIEs and did not distribute any dividends. Although we plan to continue to invest in and expand our PRC operations indefinitely, our WFOE may receive service fees from the VIEs and we may rely on dividends from our WFOE and other PRC subsidiaries for our cash needs in the future. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

Even though we currently do not require any such dividends, loans or advances from our entities for working capital and other funding purposes, we may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders.

We operate and generate all of our revenue in the PRC. The VIEs in the PRC contributed 100%, 100% and 97.6% of our consolidated revenue for the years ended February 28, 2021, 2022 and 2023, respectively.

Our assets are located in the Cayman Islands, the PRC and Hong Kong. As of February 28, 2023, 30.9% of our total assets were located in the PRC, 62.0% of our total assets were located in the Cayman Islands and 7.1% of our total assets were located in Hong Kong. The table below sets forth the respective asset contributions of (i) our company and our subsidiaries and (ii) the VIEs in the PRC for the periods indicated as a percentage of total assets:

	Assets		
	As of February 28		
	2021	2022	2023
Our Company and our subsidiaries			
Four Seasons Education Cayman	43.4 %	55.8 %	62.0 %
Four Seasons Education HK and other subsidiaries	6.0 %	9.6 %	7.1 %
Shanghai Fuxi	11.3 %	13.7 %	13.9 %
Our variable interest entities	39.3 %	20.9 %	17.0 %
Total assets	100.0 %	100.0 %	100.0 %

* The percentages given exclude inter-company transactions among Four Season Education (Cayman) Inc., its subsidiaries and its variable interest entities.

C. Research and Development, Patents and Licenses, etc.

Research and Development

All costs that are incurred in connection with the planning and implementation phases of the development of software for internal use are expensed. Costs incurred in the development phase are capitalized and amortized over the estimated useful life. No costs were capitalized for any of the periods presented.

Costs incurred internally in researching and developing a software product to be sold, leased or marketed are charged to expense as research and development costs prior to technological feasibility being established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Technological feasibility is established upon completion of all the activities that are necessary to substantiate that the software product can be produced in accordance with its design specifications, including functions, features, and technical performance requirements. No costs were capitalized for any of periods presented.

Intellectual Property

See “Item 4. Information on the Company — B. Business Overview — 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 fiscal year ended February 28, 2023 that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

For our critical accounting estimates, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Estimates.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table provides information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Peiqing Tian	61	Chairman
Yi Zuo	48	Director and Chief Executive Officer
Shaoqing Jiang	49	Director
Zongwei Li	51	Independent Director
Bing Yuan	55	Independent Director

Peiqing Tian has served as our chairman since our inception and our chief executive officer from inception to November 2019. Mr. Tian has been dedicated to math education and critical to the development and success of our business. Mr. Tian is the editor-in-chief of *Elementary School Mathematical Thinking: Practice Problems and Solutions* and various other books on math education. In addition, he has served in various head coach and organizational committee positions for math competitions, such as director of the Shanghai regional organization committee of the Asia International Mathematical Olympiad Open Contest in 2015, head coach and secretary-general of the Asia Pacific Elementary School Mathematics Olympiad Invitational Competition in 2014 and head of the Shanghai testing center of the American Mathematics Competition in 2013. Prior to founding our company, he served as a teacher at Shanghai Wuning Middle School from 1984 to 1989. Between 1989 and 2004, Mr. Tian worked in management roles in several travel agencies. He received his bachelor's degree in mathematics from East China Normal University in 1984.

Yi Zuo has served as our director since February 2015 and chief executive officer since November 2019. She also served as our chief financial officer from March 2017 to November 2019. Prior to joining us, Ms. Zuo served as a partner and the head of the China team of Lihui Private Fund, a private equity fund, from 2013 to 2016. She also has approximately 10 years of experience in investment banking at UBS Group AG, Morgan Stanley Asia Limited and Deutsche Bank AG, Hong Kong Branch. Prior to that, she served as a consulting manager at PricewaterhouseCoopers from 1997 to 2000. She received her MBA from Stanford Business School in 2004 and her bachelor's degree in economics from Fudan University in 1997.

Shaoqing Jiang has served as our director since April 2017. Mr. Jiang currently serves as the operational director of Chengwei Capital. He has over 10 years of experience in investments across the TMT, energy, semiconductor and environmental technologies sectors at Renaissance Environment Investment, Walden International, Cummings-Goldman Capital Partners and Chengwei Ventures. He received his MBA degree from Stern Business School of New York University in 2005 and his bachelor's degree in English literature from Fudan University in 1997.

Zongwei Li has served as our independent director since November 2017. Mr. Li has served as chief financial officer of Linmon Media Limited since November 2022, a drama producing and distributing company listed on the Hong Kong Stock Exchange. He served as a managing director of Sailing Capital, a private equity fund, from June 2014 to March 2019. He served as an executive director and chief financial officer of Yingli Green Energy Holding Company Limited, a photovoltaic manufacturer listed on the New York Stock Exchange, from 2006 to 2014. He also has approximately 11 years of experience as a senior audit manager at Pricewaterhouse Coopers from 1995 to 2006. Prior to that, he served as a securities and futures trader at CITIC Securities from 1993 to 1995. Mr. Li is also currently an independent director and chairman of the audit committee of Yadea Group Holdings Ltd., an electric vehicle brand listed on the Hong Kong Stock Exchange. He also served as an independent director and chairman of the audit committee of Youku Tudou Inc., an Internet television company listed on the New York Stock Exchange from 2010 to 2016. Mr. Li received his MBA from Olin School of Business, Washington University in St. Louis in 2006 and his bachelor's degree in mechanical engineering from Shanghai Institute of Technology in 1993. Mr. Li is a nonpracticing certified member of China institute of Certified Public Accountants. His business address is 36/F, CITIC Plaza, 859 North Sichuan Road, Shanghai 200085, China.

Bing Yuan has served as our independent director since July 2020. Mr. Yuan is a co-founder and managing partner of Rockets Capital, 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 was the Chief Operating Officer of Hony Capital and a member of Hony Capital's Executive Committee, responsible for its equity investment operations. 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 at 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, focused on corporate finance and merger & acquisitions transactions in the technology, media and telecom industry. During his investment banking time, Mr. Yuan has assisted numerous prominent Chinese State-Owned Enterprises and private sector companies in completing their IPO, corporate finance and M&A transactions. Mr. Yuan has 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 Doctorate's degree in June 1998 from Yale University. His business address is No. 316 Grand Hills, Beijing, China 100015, China.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a specified time period, which will be automatically extended unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the board does not affect the executive's position, willful disobedience of a lawful and reasonable order, misconducts being inconsistent with the due and faithful discharge of the executive officer's material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three-month prior written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information. Each executive officer has also agreed to assign to our company all his or her all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works, concepts and trade secrets which the executive officer may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of the executive officer's employment with us that are either related to the scope of the employment or make use of the resources of the company. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Specifically, each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following termination of his or her employment or expiration of the employment agreement: (i) carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with us, (ii) solicit or entice away any of our customer, client, representative or agent, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officer, manager, consultant or employee.

We have entered into indemnification agreements with our directors and executive officers, pursuant to which we will 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 such a director or officer.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended February 28, 2023, we paid an aggregate of RMB2.5 million (US\$0.4 million) in cash and benefits to our executive officers, and we paid US\$0.1 million in compensation to our independent directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. We have no service contracts with any of our directors providing for benefits upon termination of employment.

Share Incentive Plan

We maintain share incentive plans in order to attract, motivate, retain and reward talent, provide additional incentives to our officers, employees, directors and other eligible persons, and promote the success of our business and the interests of our shareholders. The maximum number of ordinary shares which may be issued pursuant to our share incentive plans is 4,201,330.

2015 Share Incentive Plan

In June 2015, our board of directors approved the 2015 Share Incentive Plan, or the 2015 Plan, to provide additional incentives to our senior management and key employees. The 2015 Plan permits the grant of options to purchase our ordinary shares. As of the date of this annual report, we have granted 1,505,000 shares under the 2015 Plan.

On July 1, 2015, we granted options to purchase a total of 1,175,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options vest on a four-year schedule starting July 1, 2016, and will expire on June 30, 2025.

On July 1, 2016, we granted options to purchase a total of 330,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options vest on a four-year schedule starting July 1, 2017, and will expire on June 30, 2026.

The following paragraphs summarize the terms of the 2015 Plan.

Plan Administration. Our board of directors or a proxy appointed by our board of directors acts as the plan administrator. The plan administrator 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 grant.

Types of Awards. The 2015 Plan permits the grants of options to purchase ordinary shares.

Award Agreements. Each award under the 2015 Plan shall be evidenced by an award agreement between the award recipient and our company, which includes the provisions applicable in the event of the grantee's employment or service terminates, and our company to amend and modify the award.

Eligibility. Only our senior management, start-up employees and key position holders of the company approved by our board of directors are eligible to receive awards or grants under the 2015 Plan.

Vesting Schedule. The awards granted or to be granted under the 2015 Plan have a four-year vesting schedule, with 25% of the awards vesting annually.

Amendment, Suspension or Termination. Our board of directors has the authority to amend, suspend or terminate the plan. However, no such action may adversely affect in any material way any award that has been granted or awarded to the recipient. Any amendment, suspension or termination shall be made by our board of directors in writing.

Transfer Restrictions. Subject also to all the transfer restrictions under the applicable laws and regulations and the restrictions set forth in the applicable award agreement, all awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

2017 Share Incentive Plan

In March 2017, we adopted our 2017 Share Incentive Plan, or the 2017 Plan, which permits the grant of options to purchase our ordinary shares, restricted shares and restricted share units. As of the date of this annual report, we have granted awards for 3,270,000 shares under the 2017 Plan.

On March 27, 2017, we granted options to purchase a total of 1,110,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options had a four-year vesting schedule starting March 27, 2019, and will expire on March 26, 2027.

On July 3, 2018, we granted options to purchase a total of 860,000 ordinary shares to independent directors, executive officers and employees at a weighted average exercise price of US\$5.89 per share. The options had a three or four-year vesting schedule starting July 3, 2019, and will expire on July 2, 2028.

On January 22, 2019, we modified the exercise price to US\$4.6 for a total number of 460,000 share options previously granted to independent directors, executive officers and employees on July 3, 2018. All other terms of the share options granted remain unchanged.

On June 30, 2019, we granted 360,000 share options to employees at the weighted average grant date fair value of RMB10.46 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

On Feb 17, 2020, we granted 80,000 share options to one employee at the weighted average grant date fair value of RMB10.03 per share. These share options vest ratably at each grant date anniversary over a vesting period of four years.

On February 5, 2021, we granted 860,000 share options to employees at the weighted average grant date fair value of RMB13.24 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

On June 1, 2023, we modified the exercise price to US\$2.0 for a total number of 1,155,000 share options previously granted to independent directors, executive officers and employees on July 3, 2018, June 30, 2019 and February 5, 2021. All other terms of the share options granted remain unchanged.

On June 1, 2023, we granted 100,000 share options to employees with a ten-year life and vest ratably at each grant date anniversary over a period of four years.

The following paragraphs summarize the terms of the 2017 Plan.

Plan Administration. Our board of directors or a committee appointed by our board of directors acts as the plan administrator. The board of directors or the committee may also delegate one or more members of our board of directors to grant or amend awards or take other administrative actions.

Types of Awards. The 2017 Plan authorizes the grant of options to purchase ordinary shares, the award of restricted shares and the award of restricted share units.

Award Agreements. Each award under the 2017 Plan shall be evidenced by an award agreement between the award recipient and our company, which may be any written notice, agreement, terms and conditions, contract or other instrument or document evidencing such award.

Eligibility. The plan administrator may select among the following eligible individuals to whom an award may be granted: (i) our employees, (ii) consultants or advisers contracted directly with us, who render bona fide services to us (except in connection with the offer or sale of securities in a capital-raising transaction or which directly or indirectly promote or maintain a market for our securities), and (iii) directors who are not our employees; provided however that awards shall not be granted to consultants or non-employee directors who are resident of any country in the European Union and any other country, which pursuant to the applicable laws, does not allow grants to non-employee.

Term of Awards. Each award under the 2017 Plan shall vest or be exercised not more than 10 years after the date of grant unless extended by the plan administrator. Each share award is subject to earlier termination as set forth in the 2017 Plan. The award is only exercisable before the eligible individual's termination of service with us, except as determined otherwise by the plan administrator or set forth in the award agreement.

Vesting Schedule and Other Restrictions. The plan administrator has discretion in determining the individual vesting schedules and other restrictions applicable to the awards granted under the 2017 Plan. The vesting schedule is set forth in the award agreement.

Exercise Price and Purchase Price. The plan administrator has discretion in determining the price of the awards, which can be fixed or variable related to the fair market value of the underlying ordinary shares and are subject to a number of limitations.

Acceleration of Vesting upon Corporate Transaction. Upon the occurrence of a change in control event, the plan administrator may accelerate the vesting, make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding awards) based upon, to the extent relevant in the circumstances, the distribution or consideration payable to holders of the ordinary shares upon or in respect of such event.

Termination. The 2017 Plan shall expire on the tenth anniversary of the date when our board of directors adopted the 2017 Plan.

Amendment, Suspension or Termination. No amendment, modification or termination of the 2017 Plan shall, without the prior written consent of the award recipients, adversely affect in any material way any award that has been granted or awarded prior to such amendment, suspension or termination. Subject to the above, the plan administrator may at any time terminate, amend or modify the 2017 Plan, except where shareholder approval is required to comply with applicable laws or where the amendment relates to (i) any increases in the number of shares available under the 2017 Plan (other than any adjustment permitted under the 2017 Plan), or (ii) an extension of the term of the 2017 Plan or the exercise period for an option beyond ten years from the date of grant. To the extent permissible under the applicable laws, our board of directors may decide to follow home country practice not to seek shareholder approval for any amendment or modification of the 2017 Plan.

Transfer Restrictions. Subject also to all the transfer restrictions under the applicable laws and regulations and the restrictions set forth in the applicable award agreement, all awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

C. Board Practice

Our board of directors consists of five directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock 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 directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a nominating and corporate governance committee under the board of directors. 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 Zongwei Li and Bing Yuan, and is chaired by Zongwei Li. Each of Zongwei Li and Bing Yuan satisfies the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meets the independence standards under Rule 10A-3 under the Exchange Act. Our audit committee will consist solely of independent directors that satisfy the New York Stock Exchange and SEC requirements within one year of the completion of our initial public offering. Our board of directors has also determined that Zongwei Li qualifies as an "audit committee financial expert" within the meaning of the SEC rules and possesses financial sophistication within the meaning of the New York Stock Exchange Listed Company Manual. 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:

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management's response and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with the management and our internal auditor and our independent registered public accounting firm;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee consists of Zongwei Li and Bing Yuan, and is chaired by Bing Yuan. Each of Zongwei Li and Bing Yuan satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. Our 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 upon. The compensation committee is responsible for, among other things:

- reviewing and approving to the board with respect to the compensation for our chief executive officer;
- overseeing and making recommendations with respect to the compensation for our officers and employees other than the chief executive officer;
- selecting compensation and benefits consultants, legal counsel or other advisors that the Committee believes to be desirable or appropriate; and
- reviewing and administering all long-term incentive compensation, stock option, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Zongwei Li and Bing Yuan, and is chaired by Bing Yuan. Each of Zongwei Li and Bing Yuan satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board of directors and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing the performance of each incumbent director and considering the results of such evaluation when determining whether or not to recommend the nomination of such director for an additional term on an annual basis;
- advising the board policies and procedures with respect to corporate governance matters;
- evaluating its own performance on an annual basis; and
- reporting to the board on its findings and actions periodically.

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 act with skill and care. 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. 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. Our company has the right to seek damages if a duty owed by our directors is breached. 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.

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 officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Terms of Directors and Executive Officers

Each of our directors shall hold office until the expiration of his or her term, or until his or her office is otherwise vacated. Each director whose term of office expires shall be eligible for re-election. All of our executive officers are appointed by and serve at the discretion of our board of directors. Our directors may be removed from office by special resolution. A director will be removed from office automatically if, among other things, the director (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 by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our memorandum and articles of association. The compensation of our directors is determined by our board of directors. There is no mandatory retirement age for directors.

D. Employees

The following table sets forth the numbers of our employees, categorized by function, as of February 28, 2023:

<u>Functions</u>	<u>Number of Employees</u>
Teachers	76
Learning center student services	12
General and administration	61
Sales, marketing and business development	18
Total	167

We had a total of 286 and 716 employees as of February 28, 2022 and 2021, respectively.

We generally enter into standard employment agreements with our management and our educational content development personnel. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this annual report.

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares by:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our ordinary shares; and
- each selling shareholder.

The calculations in the table below are based on 21,188,955 ordinary shares outstanding as of May 31, 2023, excluding 2,913,028 ordinary shares repurchased by the Company.

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	
	Number**	Percent**
Directors and Executive Officers:		
Peiqing Tian ⁽¹⁾	9,584,901	44.4
Yi Zuo ⁽²⁾	1,299,012	5.9
Shaoqing Jiang	-	-
Zongwei Li	*	*
Bing Yuan	-	-
All directors and executive officers as a group	10,908,913	51.5
Principal Shareholders:		
Peiqing Tian ⁽¹⁾	9,584,901	44.4
Chengwei Capital HK Limited ⁽³⁾	3,133,333	14.8
Theodore Walker Cheng-De King ⁽⁴⁾	2,219,820	10.5
Jun Guo ⁽⁵⁾	2,100,000	9.9
Yi Zuo ⁽²⁾	1,299,012	5.9

* Beneficially owns less than 1% of our outstanding shares.

** 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. These shares, however, are not included in the computation of the percentage ownership of any other person.

- (1) Consists of 8,809,451 ordinary shares held by Four Season Education Holdings Limited and 375,450 ordinary shares held in the form of ADSs, and the shares beneficially held by Mr. Tian also includes 400,000 ordinary shares underlying options vested within 60 days after the date of May 31, 2023 held by Mr. Peiqing Tian. Four Season Education Holdings Limited, a British Virgin Islands company, is wholly-owned by Mr. Peiqing Tian. Mr. Peiqing Tian's business address is Room 1301, Zi'an Building, 309 Yuyuan Road, Jing'an District, Shanghai 200040, PRC.
- (2) Consists of 272,222 ordinary shares held by Harvest Consulting Holding Limited, a British Virgin Islands company, and 35,000 ordinary shares held in the form of ADSs, and 991,790 ordinary shares underlying options vested within 60 days after the date of May 31, 2023 held by Ms. Yi Zuo. Ms. Yi Zuo is the sole shareholder of Harvest Consulting Holding Limited. Ms. Yi Zuo's business address is Room 1301, Zi'an Building, 309 Yuyuan Road, Jing'an District, Shanghai 200040, PRC.
- (3) Consists of 3,133,333 ordinary shares held in the form of ADSs held by Chengwei Capital HK Limited, a company incorporated in Hong Kong. Chengwei Capital HK Limited is wholly-owned by Chengwei Evergreen Capital, LP, whose general partner is Chengwei Evergreen Management, LLC. Chengwei Evergreen Capital, LP is 99% economically owned by institutional LPs whose beneficial owners are not controlling persons and are not natural persons. Chengwei Evergreen Management, LLC has 1% economic ownership of Chengwei Evergreen Capital, LP and EXL Holdings, LLC has 100% controlling voting power of Chengwei Evergreen Management, LLC. Eric Xun Li has 100% controlling voting power of EXL Holdings, LLC. The address of Chengwei Capital HK Limited is 26/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (4) Consists of 2,219,820 ordinary shares held in the form of ADSs by Sutro Park Ltd., a British Virgin Islands company. Mr. Theodore Walker Cheng-De King is the sole shareholder of Sutro Park Ltd. Mr. King's business address is Unit 1502, 15th Floor, 99 Hennessy Road, Wanchai, Hong Kong.
- (5) Consists of 2,100,000 ordinary shares held by Banya Holding Limited, a British Virgin Islands company. Ms. Jun Guo is the sole shareholder of Banya Holding Limited. Ms. Jun Guo's business address is 14th Floor, Zi'an Building, No. 309 Yuyuan Road, Jing'an District, Shanghai 200040, China.

Our ADSs are traded on the New York Stock Exchange and brokers or other nominees may hold ADSs in “street name” for customers who are the beneficial owners of our ADSs. As a result, we may not be aware of each person or group of affiliated persons who beneficially own more than 5.0% of our ordinary shares.

As of May 31, 2023, the number of our ordinary shares issued and outstanding was 21,188,955, excluding 2,913,028 ordinary shares repurchased by the Company, and Deutsche Bank Trust Company Americas, as the depository of our ADS facility, was the only record holder of our common shares in the United States. Other than the depository, we had no record shareholders in the United States as of February 28, 2023.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

For certain information as of February 28, 2023 concerning the outstanding awards we have granted to our directors and executive officers individually pursuant to our share incentive plan, see “Item 6. Directors, Senior Management and Employees — B. Compensation — Share Incentive Plan.” Other than under the 2015 Share Incentive Plan and the 2017 Share Incentive Plan, there are no arrangements for involving the employees in the capital of the company, including any arrangement that involves the issue or grant of options or shares or securities of the company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees — E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with The VIEs, Their Shareholders and Us

See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements among The VIEs, Their Shareholders and Us.”

Transactions with Other Related Parties

Purchases of Services Provided by Related Parties

We charged service fee for the copyright use of our self-developed book series and purchased printing service for the self-developed book series from East China Normal University Electronic and Audio-visual Publishing House (“ESNU Publishing”), a wholly-owned subsidiary of the non-controlling shareholder of us. For the 2021, 2022 and 2023 fiscal years, we entered into transactions of an aggregate of approximately nil, nil, and RMB0.5 million (US\$0.1 million), respectively, to purchase services from ESNU Publishing. The amounts of transactions that we entered into with others were approximately RMB3.8 million, nil and RMB0.1 million (US\$ 0.02 million) for the 2021, 2022 and 2023 fiscal years, respectively.

Services Provided to Related Parties

We provide services to Shanghai Four Season Online School (“SHFSOS”), which is sponsored by Shanghai Jiaxin Travel Agency, an entity controlled by Mr. Tian Peihua, brother of Mr. Tian Peiqing, Chairman of the Company. We entered into transactions of an aggregate of approximately nil, nil and RMB7.4 million (US\$1.1 million) to provide course design and development services, digital learning system, student management platform and promotional assistance service to SHFSOS, in the 2021, 2022 and 2023 fiscal year, respectively. The amounts of transactions that we entered into with others were approximately RMB2.5 million, RMB0.9 million and RMB0.3 million (US\$ 0.04 million) for the 2021, 2022 and 2023 fiscal years, respectively.

Related Party leases

We recognized lease expenses of RMB0.1 million, RMB0.1 million and RMB0.1million (US\$0.01 million) in the 2021, 2022 and 2023 fiscal year, respectively.

Gain from disposal of liabilities and a subsidiary

Due to the change in regulations, we ceased offering K9 Academic AST services at the end of 2021. We disposed the deferred revenue related to K9 Academic AST services that we received in advance from the students for the unconsummated lessons to Jiaxin Travel's sponsored not-for profit entities with a consideration at RMB7.5 million. After disposal, all the rights and obligations related to the contracts of unconsummated lessons were transferred to Jiaxin Travel. We recognized gain of RMB0.8 million from the transaction.

In December 2021, we disposed its entire equity interest in Shanghai Jing'an Dangdai Art Training School ("Dangdai") to Jiaxin Travel. No other form of consideration was received. The disposal was effected by the change of sponsor of Dangdai on December 31, 2021. Dangdai was in a net liability position at the time of disposal, and Jiaxin assumed all its liabilities, which led to the group recognizing a gain on disposal of RMB3.2 million. The disposal was not a strategic shift of the business and would not have a major impact on the Group's business, therefore the disposal did not qualify as discontinued operations.

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees — B. Compensation — Share Incentive Plan."

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employee — A. Directors and Senior Management — Employment Agreements and Indemnification Agreements."

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statement and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We are not a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have an adverse material effect on our business, financial condition or results of operations. We may periodically be subject to legal proceedings, investigations and claims relating to our business. We may also initiate legal proceedings to protect our rights and interests.

Dividend Policy

In January 2018, we declared dividends of US\$20 million to holders of our ordinary shares of record as of February 1, 2018, which was paid in February and April 2018. Except for the foregoing, we have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the foreseeable future on our shares or ADSs. 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 rely principally on dividends from our PRC subsidiaries 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 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC— Our subsidiary and the VIEs in the PRC are subject to restrictions on making dividends and other payments to us.”

Our board of directors has 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 board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may pay a dividend out of either profit or share premium account, and provided always 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 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. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to ordinary shares underlying 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. Offer and Listing Details

Our ADSs have been listed on the New York Stock Exchange since November 8, 2017 and traded under the symbol “FEDU.” Each ADS represents ten ordinary share as of February 28, 2023.

On June 21, 2022, we changed the ratio of our ADS representing our ordinary shares from two ADSs representing one ordinary share to one ADS representing ten ordinary shares. The change in the ADS ratio had the same effect as one-for-twenty reverse ADS split. There was no change to the underlying ordinary shares, and no ordinary shares was issued or cancelled in connection with the change in ADS ratio.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the New York Stock Exchange since November 8, 2017 under the symbol “FEDU.”

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

We are an exempted company incorporated in the Cayman Islands and our affairs are governed by our second amended and restated memorandum and articles of association and the Companies Act (As Revised) of the Cayman Islands, or Companies Act, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Second Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.2 to our registration statement on Form F-1 (File Number 333-220951) filed with the Securities and Exchange Commission on October 13, 2017. Our shareholders adopted our Second Amended and Restated Memorandum and Articles of Association by a special resolution on October 13, 2017, and effective upon completion of our initial public offering of ADSs representing our ordinary shares.

The following are summaries of material provisions of our Second Amended and Restated Memorandum and Articles of Association and the Companies Act as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

According to Clause 3 of our Second Amended and Restated Memorandum of Association, the objects for which we are established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Exempted Company

We are an exempted company incorporated 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 resident company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company is not required to open its register of members for inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;

- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

Ordinary Shares

General

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of shareholders. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares.

Dividends

The holders of our ordinary shares are entitled to receive such dividends as may be declared by our board of directors subject to our Second Amended and Restated Memorandum and Articles of Association and the Companies Act. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may pay a dividend out of either profit or share premium account, 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.

Register of Members

Under Cayman Islands law, we must keep a register of members and there must be entered therein:

- the names and addresses of the members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members will be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is, without sufficient cause, entered in or omitted from the register of members, or if default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member, the person or member aggrieved or any member or our company itself may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Voting Rights

Holders of our ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more shareholder present in person or by proxy entitled to vote and who together hold not less than one-tenth of all votes attaching to all shares in issue and entitled to vote. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. 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.

General Meetings and Shareholder Proposals

As an exempted company incorporated in the Cayman Islands, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our Second Amended and Restated Memorandum and Articles of Association provide that we may (but are not obliged to) in each calendar year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the New York Stock Exchange Listed Company Manual.

Shareholders' general meetings may be convened by a majority of our board of directors. 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 Second Amended and Restated Memorandum and Articles of Association allow our shareholders holding in aggregate, at the date of such requisition, not less than one-third of all votes attaching to all issued and outstanding shares that carry the right to vote to requisition an extraordinary general meeting of the 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. However, our Second Amended and Restated 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.

A quorum required for any general meeting of shareholders consists of one or more shareholders holding not less than one-third of all votes attaching to all shares in issue and entitled to vote present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and any other general meeting of our shareholders.

Transfer of Ordinary Shares

Subject to the restrictions in our Second Amended and Restated 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 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 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; or
- a fee of such maximum sum as the New York Stock Exchange 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 are obligated to, within three calendar 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 of shares or of any class of shares may, after compliance with any notice requirement of the designated stock exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors 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. We are a “limited liability” company incorporated under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our Second Amended and Restated Memorandum of Association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least fourteen calendar days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our Second Amended and Restated Memorandum and Articles of Association. 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 fresh 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 the 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 may, subject to any rights or restrictions for the time being attached to any class, be materially adversely varied either with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special 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 any class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking pari passu with or subsequent to the shares of that class 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.

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 (other than our memorandum and articles of association, register of mortgages and charges and special resolutions of our shareholders). However, we will provide our shareholders with annual audited financial statements. See “Item 10. Additional Information — H. Documents on Display.”

Changes in Capital

Our company may from time to time by ordinary resolutions of our shareholders:

- increase our share capital by new shares of such amount as it thinks expedient;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- subdivide our existing shares, or any of them into shares of a smaller amount than that fixed by our memorandum of association provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

Our company may by special resolution of our shareholders, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control regulations or currency restrictions. See “Item 4. Information on the Company — B. Business Overview — Regulations on Foreign Exchange.”

E. Taxation

The following summary of Cayman Islands, the PRC and U.S. federal income tax consequences of an investment in the ADSs or 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 consequences relating to an investment in the ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws, or tax laws of jurisdictions other than the Cayman Islands, the PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel. To the extent that the discussion relates to matters of the PRC tax law, it represents the opinion of Fangda Partners, our PRC counsel.

Cayman Islands Taxation

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 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, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

PRC Taxation

Under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes. Under the implementation rules to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, the SAT Circular 82 issued by the State Administration of Taxation in April 2009 specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the State Administration of Taxation issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. We are incorporated outside the PRC. As a holding company, our key assets are our ownership interests in our subsidiaries, and our key assets are located, and our records (including the resolutions of our board of directors and the resolutions of our shareholders) are maintained, outside the PRC. As such, we do not believe that we meet all of the conditions above or are PRC resident enterprises for PRC tax purposes. For the same reasons, we believe our other entities outside of the PRC 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 our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, the holding company is generally subject to a 25% enterprise income tax rate on its worldwide income. In addition, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs, and a 20% withholding tax would potentially be imposed on dividends we pay to our non-PRC individual shareholders and with respect to gains derived by our non-PRC individual shareholders from transferring our shares or ADSs. See “Item 3. Key Information — D. Risk Factors — Risk Related to Doing Business in the PRC — Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.”

Certain United States Federal Income Tax Considerations

The following discussion describes the material United States federal income tax consequences to a United States Holder (as defined below), under current law, of an investment in our ADSs or ordinary shares. This discussion is based on the federal income tax laws of the United States as of the date of this annual report, including the United States Internal Revenue Code of 1986, as amended, or the Code, existing and proposed Treasury Regulations promulgated thereunder, judicial authority, published administrative positions of the IRS, and other applicable authorities, all as of the date of this annual report. All of the foregoing authorities are subject to change, which change could apply retroactively and could significantly affect the tax consequences described below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion and there can be no assurance that the IRS or a court will agree with our statements and conclusions. This summary does not discuss the so-called Medicare tax on net investment income, any United States federal non-income tax laws, including the United States federal estate, gift and alternative minimum tax laws, or the laws of any state, local or non-United States jurisdiction.

This discussion applies only to a United States Holder (as defined below) that holds ADSs or ordinary shares as capital assets for United States federal income tax purposes (generally, property held for investment). The discussion neither addresses the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations, such as:

- banks and certain other financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- brokers or dealers in stocks and securities, or currencies;
- persons who use or are required to use a mark-to-market method of accounting;
- certain former citizens or residents of the United States subject to Section 877 of the Code;
- entities subject to the United States anti-inversion rules;
- tax-exempt organizations and entities;
- persons subject to the alternative minimum tax provisions of the Code;
- persons whose functional currency is other than the United States dollar;
- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction;
- persons holding ADSs or ordinary shares through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our voting power or value;

- persons who acquired ADSs or ordinary shares pursuant to the exercise of an employee stock option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities;
- persons required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement; or
- persons that held, directly, indirectly or by attribution, ADSs or ordinary shares or other ownership interests in us prior to our initial public offering.

If a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes) holds our ADSs or ordinary shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership or partner in a partnership holding our ADSs or ordinary shares should consult its tax advisors regarding the tax consequences of investing in and holding our ADSs or ordinary shares.

THE FOLLOWING DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

For purposes of the discussion below, a “United States Holder” is a beneficial owner of the ADSs or ordinary shares that is, for United States 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 United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury Regulations to treat such trust as a domestic trust.

The discussion below assumes that the representations contained in the deposit agreement and any related agreement are true and that the obligations in such agreements will be complied with in accordance with their terms.

ADSs

If you own ADSs, then you should be treated as the owner of the underlying ordinary shares represented by those ADSs for United States federal income tax purposes. Accordingly, deposits or withdrawals of ordinary shares for ADSs should not be subject to United States federal income tax.

Dividends and Other Distributions on the ADSs or Our Ordinary Shares

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of any distribution that we make to you with respect to our ADSs or ordinary shares (including the amount of any PRC or other withholding taxes withheld therefrom) will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including any withheld taxes) will be includable in your gross income on the day actually or constructively received by you, if you own the ordinary shares, or by the depositary, if you own ADSs. We currently do not, and we do not intend to, determine our earnings and profits on the basis of United States federal income tax principles. Therefore, a United States Holder should expect that any distribution paid generally will be reported as a “dividend” for United States federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction allowed to qualifying corporations under the Code.

Dividends received by a non-corporate United States Holder may qualify for the lower rates of tax applicable to “qualified dividend income,” provided certain conditions are met, including (1) we are neither a passive foreign investment company nor treated as such with respect to you in the taxable year in which the dividend is paid or the preceding taxable year, (2) our ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, and (3) certain holding period and other requirements are met. As discussed below under “—Passive Foreign Investment Company,” we believe that we were a PFIC for our taxable year ended February 28, 2023.

Under a published IRS Notice, common or ordinary shares, or American depositary shares representing such shares, are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs (but not our ordinary shares) are. Based on existing guidance, it is unclear whether the ordinary shares will be considered to be readily tradable on an established securities market in the United States, because only the ADSs, and not the underlying ordinary shares, are listed on a securities market in the United States. We believe, but we cannot assure you, that dividends we pay, if any, on the ordinary shares that are represented by ADSs, but not the ordinary shares that are not so represented, will be eligible for the reduced rates of taxation, subject to applicable limitations (including ineligibility for reduced rates as a result of our being a PFIC). In addition, if we are treated as a PRC resident enterprise under the PRC tax law (see Item 10. Additional Information — E. Taxation—PRC Taxation”), then we may be eligible for the benefits of the income tax treaty between the United States and the PRC. If we are eligible for such benefits, then dividends that we pay on our ordinary shares, regardless of whether such shares are represented by ADSs, would be eligible for the reduced rates of taxation, subject to applicable limitations (including ineligibility for reduced rates as a result of our being a PFIC).

Even if dividends would be treated as paid by a qualified foreign corporation, a non-corporate United States Holder will not be eligible for reduced rates of taxation if it does not hold our ADSs or our ordinary shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date or if the United States Holder elects to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code. In addition, the rate reduction will not apply to dividends of a qualified foreign corporation if the non-corporate United States Holder receiving the dividend is obligated to make related payments with respect to positions in substantially similar or related property.

You should consult your tax advisors regarding the availability of the lower tax rates applicable to qualified dividend income for any dividends that we pay with respect to our ADSs or our ordinary shares, as well as the effect of any change in applicable law after the date of this annual report.

Any PRC withholding taxes imposed on dividends paid to you with respect to the ADSs or ordinary shares generally will be treated as foreign taxes eligible for credit against your United States federal income tax liability, subject to the various limitations and disallowance rules that apply to foreign tax credits generally. For purposes of calculating the foreign tax credit, dividends paid to you with respect to the ADSs or ordinary shares will be treated as income from sources outside the United States and generally will constitute passive category income. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

Disposition of the ADSs or Our Ordinary Shares

You will recognize gain or loss on any sale, exchange or other taxable disposition of the ADSs or ordinary shares in an amount equal to the difference between the amount realized on the sale or exchange and your tax basis in the ADSs or ordinary shares. Subject to the discussion under “— Passive Foreign Investment Company” below, such gain or loss generally will be capital gain or loss. Capital gains of a non-corporate United States Holder, including an individual, which has held the ADSs or ordinary shares for more than one year, are currently eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss that you recognize on a disposition of the ADSs or ordinary shares generally will be treated as United States-source income or loss for foreign tax credit limitation purposes. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax is imposed on gain from the disposition of the ADSs or ordinary shares (see Item 10. Additional Information — E. Taxation—PRC Taxation”), then a United States Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC-source income for foreign tax credit purposes. If such an election is made, the gain so treated will be treated as a separate class or “basket” of income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss, as well as the availability of a foreign tax credit, in your particular circumstances.

Passive Foreign Investment Company

Based on the market price of our ADSs, the value of our assets and the composition of our income and assets, we believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for our taxable year ended February 28, 2023.

We will be treated as a PFIC for United States federal income tax purposes for any taxable year if, applying applicable look-through rules, either:

- at least 75% of our gross income for such year is passive income; or
- at least 50% of the value of our assets (generally determined based on a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income.

For this purpose, cash and assets readily convertible into cash are categorized as passive assets, and our goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person), 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, more than 25% by value of the stock. Although the law in this regard is unclear, we treat the VIEs as being owned by us for United States federal income tax purposes because we exercise effective control over the operation of such entities and because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated United States GAAP financial statements.

We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current or any future taxable year. The determination of whether we will be a PFIC for any taxable year may depend in part upon the value of our goodwill and other unbooked intangibles not reflected on our balance sheet (which may depend upon the market price of the ADSs or ordinary shares from time to time, which may fluctuate significantly) and also may be affected by how, and how quickly, we spend our liquid assets and the cash we generate from our operations and raise in any offering. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization. While we believe our classification methodology and valuation approach are reasonable, it is possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles.

If we are a PFIC for any taxable year during which you hold the ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares, as applicable. If we cease to be a PFIC and you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described in the following two paragraphs. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and, as a result, you will not be subject to the rules described below with respect to any “excess distribution” you receive from us or any gain from an actual sale or other disposition of the ADSs or ordinary shares. **You are strongly urged to consult your tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be a PFIC and such an election becomes available to you.**

For each taxable year that we are treated as a PFIC with respect to you, unless you make a “mark-to-market” election (as discussed below), you generally will be subject to special adverse tax rules with respect to any “excess distribution” that you receive from us and any gain that you recognize from a sale or other disposition, including a pledge, of ADSs or ordinary shares. For this purpose, distributions that you receive in a taxable year that are greater than 125% of the average annual distributions that you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount of the excess distribution or recognized gain allocated to the taxable year of the distribution or disposition, and to any taxable years in your holding period prior to the first taxable year in which we were treated as a PFIC, will be treated as ordinary income; and
- the amount of the excess distribution or recognized gain allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the resulting tax for each such year will be subject to the interest charge generally applicable to underpayments of tax.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) from a sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

For each taxable year that we are treated as a PFIC with respect to you, if any of our non-United States subsidiaries that are corporations (or other corporations in which we own equity interests) is also a PFIC (each such entity, a “lower tier PFIC”), you would be treated as owning a proportionate amount (by value) of the shares of each lower tier PFIC for purposes of the application of these PFIC rules. You should consult your tax advisors regarding the application of the PFIC rules to any of our lower tier PFICs.

A United States Holder of “marketable stock” (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain from the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, any distributions we make would generally be subject to the tax rules discussed above under “—Dividends and Other Distributions on the ADSs or Our Ordinary Shares,” except that the lower capital gains rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable Treasury Regulations. Our ADSs, but not our ordinary shares, are listed on the New York Stock Exchange, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs remain listed on the New York Stock Exchange and are regularly traded, and you are a holder of ADSs, we expect that the mark-to-market election should be available to you, but no assurances are given in this regard.

Because a mark-to-market election cannot be made for equity interests in any lower tier PFICs that we may own, if we were a PFIC for any taxable year, a United States Holder that makes the mark-to-market election may continue to be subject to the tax and interest charges under the general PFIC rules with respect to such United States Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

In certain circumstances, a shareholder in a PFIC may avoid the adverse tax and interest-charge regime described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to your ADSs or ordinary shares only if we agree to furnish you annually with a PFIC annual information statement as specified in the applicable Treasury Regulations. We currently do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

A United States Holder that holds the ADSs or ordinary shares in any year in which we are a PFIC will be required to file an annual report containing such information as the United States Treasury Department may require. As previously noted, we believe that we were a PFIC for our taxable year ended February 28, 2023. **YOU ARE STRONGLY URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE IMPACT OF OUR BEING A PFIC ON YOUR INVESTMENT IN OUR ADSs OR ORDINARY SHARES, AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN OUR ADSs OR ORDINARY SHARES AND THE AVAILABILITY, APPLICATION AND CONSEQUENCES OF THE ELECTIONS DISCUSSED ABOVE.**

Information Reporting and Backup Withholding

Information reporting to the IRS and backup withholding generally will apply to dividends in respect of our ADSs or our ordinary shares, and the proceeds from the sale or exchange of our ADSs or our ordinary shares, that are paid to you within the United States (and in certain cases, outside the United States), unless you furnish a correct taxpayer identification number and make any other required certification, generally on IRS Form W-9 or you otherwise establish an exemption from information reporting and backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding generally are allowed as a credit against your United States federal income tax liability, and you may be entitled to obtain a refund of any excess amounts withheld under the backup withholding rules if you file an appropriate claim for refund with the IRS and furnish any required information in a timely manner.

United States Holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules.

Information with Respect to Foreign Financial Assets

United States Holders who are individuals (and certain entities closely held by individuals) generally will be required to report their names, addresses and such information relating to an interest in our ADSs or ordinary shares as is necessary to identify the class or issue of which the ADSs or ordinary shares are a part. These requirements are subject to exceptions, including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all “specified foreign financial assets” (as defined in the Code) does not exceed US\$50,000.

United States Holders should consult their tax advisors regarding the application of these information reporting rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File Number 333-220951), as amended, including prospectus contained therein, to register additional securities that become effective immediately upon filing, to register our Class A ordinary shares in relation to our initial public offering. We also filed with the SEC related registration statement on Form F-6 (File Number 333-221179) to register the ADSs and registration statement on Form S-8 (File Number 333-224308) to register our securities to be issued under our 2015 Share Incentive Plan and 2017 Share Incentive Plan.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, 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 are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depository of our ADSs, 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' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities. A significant portion of our revenue-generating transactions and expense-related transactions are denominated in Renminbi, which is the functional currency of our subsidiaries and VIEs in China. We do not hedge against currency risk.

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by various factors such as changes in political and economic conditions in the PRC. On July 21, 2005, the PRC government changed its decade-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 halted 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 Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of February 28, 2023, we had Renminbi-denominated cash, cash equivalents and restricted cash of RMB70.6 million (US\$10.2 million). A 10% depreciation of the Renminbi against the U.S. dollar based on the foreign exchange rate on February 28, 2023, would result in a decrease of US\$1.0 million in cash, cash equivalents and restricted cash.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by our excess cash, which is mostly held in interest-bearing bank deposits. 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. However, our future interest income may fall short of expectations due to changes in market interest rates.

Inflation Risk

To date, inflation in China has not materially impacted 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.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Our American depositary shares, each of which represents ten Class A ordinary shares, are listed on the New York Stock Exchange. The Deutsche Bank Trust Company Americas is the depositary of our ADS program. The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

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 or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

<u>Service</u>	<u>Fees</u>
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS canceled
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights.	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.—D. Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

E. Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-220951), as amended, in relation to our initial public offering, which was declared effective by the SEC on November 7, 2017. In November 2017, we completed our initial public offering in which we issued and sold an aggregate of 9,608,738 ADSs, representing 4,804,369 ordinary shares, resulting in net proceeds to us of approximately US\$89.5 million.

For the period from the effective date of the registration statement on Form F-1 to February 28, 2023, we have used US\$38.9 million of our proceed from the offering, of which US\$20.0 million was paid in connection with our dividend paid in 2019, US\$8.3 million was paid in connection with our share repurchase, US\$5.8 million was paid in connection with equity investments and US\$4.8 million was used for working capital and other general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and principal financial and accounting officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this annual report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of February 28, 2023, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was 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, to allow timely decisions regarding required disclosure, due to the presence of the material weakness that we lack sufficient and appropriate review over the financial reporting in accordance with U.S. GAAP.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company’s assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company’s receipts and expenditures are being made only in accordance with authorizations of a company’s management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company’s assets that could have a material effect on the consolidated financial statements. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

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 or procedures may deteriorate. As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of our internal control over financial reporting as of February 28, 2023, using criteria established in “Internal Control—Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was ineffective due to the presence of a material weakness as of February 28, 2023.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm because our company is neither an accelerated filer nor a large accelerated filer, as such terms are defined in Rule 12b-2 under the Exchange Act.

Changes in Internal Control over Financial Reporting

Management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the course of auditing our consolidated financial statements for the years ended February 28, 2021, 2022 and 2023, we and our independent registered public accounting firms identified a material weakness in the design or operation of internal controls, that we lack sufficient and appropriate review over the financial reporting in accordance with U.S. GAAP. This could adversely affect our ability to record, process, summarize, and report financial data.

We are in the process of implementing remediation measures to remediate the identified material weakness. To remediate the material weakness identified in internal control over financial reporting of us, we plan to: (a) further refine the relevant controls caliber and incorporate enhanced communication and documentation procedures between our auditors' operations team and the individuals responsible for preparation of financial statements and (b) implement additional supervision and review activities by qualified personnel and the development and use of checklists to assist in our financial reporting processes.

However, we cannot assure you that we will remediate our material weakness or significant deficiencies in a timely manner or will not identify additional material weaknesses or significant deficiencies in the future. In addition, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to employ significant resources to maintain a financial reporting system that satisfies our reporting obligations.

See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.”

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has also determined that Mr. Zongwei Li, an independent director and a member of our audit committee, qualifies as an “audit committee financial expert” within the meaning of the SEC rules and possesses financial sophistication within the meaning of the New York Stock Exchange Listed Company Manual. Mr. Zongwei Li satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meets the independence standards under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (file No. 333-220951) filed with the SEC on October 13, 2017 and posted a copy of our code of business conduct and ethics on our website at www.sijiedu.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

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 our independent registered public accounting firms, namely Deloitte Touche Tohmatsu Certified Public Accountants LLP and Marcum Asia CPAs LLP, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Years Ended February 28		
	2021	2022	2023
	USD	USD	USD
		(in thousands)	
Audit fees ⁽¹⁾	830	653	480
Tax fees ⁽²⁾	—	—	—

(1) “Audit fees” means the audit of our annual consolidated financial statements and assistance with and review of documents filed with the SEC.

(2) “Tax fees” means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice and tax planning.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Marcum Asia CPAs LLP, our independent registered public accounting firms, including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by the audit committee prior to the completion of the audit.

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 18, 2022, the Board of Directors authorized a share repurchase program under which the Company is authorized to repurchase its own ordinary shares in the form of ADS with an aggregate value of up to US\$5 million during the next twelve-month period (the "Program"). Pursuant to the Program, share purchases will be made by the Company from time to time through the open market and in privately negotiated transactions at prevailing market prices, depending on the market conditions and other considerations. The share repurchases will be carried out in a manner in compliance with Rule 10b-18 and/or Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended, so as to qualify for the safe harbor provided therein.

The following table summarizes the details of the repurchases made in accordance with the Program during the year ended February 28, 2023.

Period	Total number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan
January 2023	2,433	7.96	19,378	4,980,622
February 2023	2,526	8.66	21,865	4,958,757
Total	4,959		41,243	

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On December 3, 2021, we engaged Marcum Asia CPAs LLP (formerly Marcum Bernstein & Pinchuk LLP), or MarcumAsia, as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ended February 28, 2022. MarcumAsia replaced Deloitte, whose engagement was terminated by us on December 3, 2021. The change of our independent registered public accounting firm was approved by our Board and the Audit Committee of our Board, and the decision was not made due to any disagreements between us and Deloitte.

Deloitte's report on the consolidated financial statements as of and for the year ended February 28, 2021 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal year ended February 28, 2021, and any subsequent interim period through our dismissal of Deloitte on December 3, 2021, there were (i) no disagreements (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions thereto) between the Company and Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, and (ii) no "reportable events" (as defined in Item 16F(a)(1)(v) of Form 20-F) other than the material weakness reported in Item 15 of the Company's Form 20-F filed with the U.S. Securities and Exchange Commission on July 2, 2021.

We provided a copy of this disclosure in Item 16F to Deloitte and requested that Deloitte furnish us with a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from Deloitte addressed to the SEC, dated June 28, 2023, is filed herein as Exhibit 15.5.

Prior to MarcumAsia's engagement, neither we nor anyone on our behalf consulted MarcumAsia regarding either (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us by MarcumAsia that MarcumAsia concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (b) any matter that was the subject of a disagreement, as that term is defined in Item 16F(a)(1)(iv) of Form 20-F (and the related instructions thereto) or a reportable event.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange corporate governance listing standards. However, New York Stock Exchange 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 New York Stock Exchange corporate governance listing standards.

We currently follow and intent to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of New York Stock Exchange that a listed company must have (i) a majority of the board be independent; (ii) an audit committee of at least three independent directors; and (iii) hold an annual meeting of shareholders no later than one year after the end of our fiscal year. Other than the home country practice described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the New York Stock Exchange listing rules. See “Item 3. Key Information — D. Risk Factors — Risks Related to our Ordinary Shares and ADSs — 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” and “Item 3. Key Information — D. Risk Factors — Risks Related to our Ordinary Shares and ADSs — 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 corporate governance listing standards under the New York Stock Exchange; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards under the New York Stock Exchange.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 Four Seasons Education (Cayman) Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Second Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
2.1	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for ordinary shares (incorporated by reference to Exhibit 4.2 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
2.3	Form of Deposit Agreement among the registrant, the depository and owners and holders of the ADSs (incorporated by reference to Exhibit 4.3 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220951) filed publicly with the SEC on October 27, 2017)
2.4	Description of Securities (incorporated by reference to Exhibit 2.4 from our registration statement on Form 20-F (File No. 333-220951) filed publicly with the SEC on June 24, 2020)
4.1	2015 Share Option Incentive Plan (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.2	2017 Share Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 from our registration statement on Form S-8 (File No. 333-224308) filed publicly with the SEC on April 17, 2018)
4.3	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.4	Form of Employment Agreement between the Registrant and its executive officer of the Registrant (incorporated by reference to Exhibit 10.4 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.5	English translation of exclusive service agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd., Shanghai Jing'an Modern Art Culture Education School, Shanghai Shane English Training School, Shanghai Jing'an Saxon English Training School, Taicang Yinglian Yunlin Foreign Language Training Center (currently named as Taicang Four Seasons Education and Training Center), Nanchang Honggutan New Area Four Seasons Training School and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.6 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.6	English translation of exclusive call option agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.7 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.7	English translation of equity pledge agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.8 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)

- 4.8 [English translation of shareholder voting rights proxy agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 \(incorporated by reference to Exhibit 10.9 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.9 [English translation of exclusive service agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.10 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.10 [English translation of exclusive call option agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.11 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.11 [English translation of equity pledge agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.12 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.12 [English translation of shareholder voting rights proxy agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.13 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.13 [English translation of the donation agreement and donation agreement memorandum with Shanghai East China Normal University Education Development Fund \(incorporated by reference to Exhibit 10.14 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\).](#)
- 4.14 [English Translation of Supplementary Agreement of Exclusive Service Agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd. and Mr. Peiqing Tian dated February 28, 2019 \(incorporated by reference to Exhibit 4.14 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 25, 2019\).](#)
- 4.15 [English Translation of Termination Agreement of Exclusive Service Agreement, Exclusive Call Option Agreement, Equity Pledge Agreement and Shareholder Voting Rights Proxy Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated March 1, 2021 \(incorporated by reference to Exhibit 4.15 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on July 2, 2021\).](#)
- 4.16 [English Translation of Supplementary Agreement of Exclusive Service Agreement \(II\) among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd. and Mr. Peiqing Tian, dated March 1, 2021 \(incorporated by reference to Exhibit 4.16 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on July 2, 2021\).](#)
- 4.17 [English Translation of Exclusive Service Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Ms. Suhua Zhu, dated November 1, 2021 \(incorporated by reference to Exhibit 4.17 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\).](#)
- 4.18 [English Translation of Exclusive Exclusive Call Option Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Ms. Suhua Zhu, dated November 1, 2021 \(incorporated by reference to Exhibit 4.18 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\).](#)

- 4.19 [English Translation of Exclusive Equity Pledge Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Ms. Suhua Zhu, dated November 1, 2021 \(incorporated by reference to Exhibit 4.19 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\)](#)
- 4.20 [English Translation of Shareholder Voting Rights Proxy Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Ms. Suhua Zhu, dated November 1, 2021 \(incorporated by reference to Exhibit 4.20 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\)](#)
- 4.21 [English Translation of Consent Letter granted by shareholder of Shanghai Four Seasons Education Investment Management Co., Ltd.'s spouse dated November 1, 2021 \(incorporated by reference to Exhibit 4.21 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\)](#)
- 4.22 [English Translation of Consent Letter granted by shareholder of Shanghai Four Seasons Education Investment Management Co., Ltd.'s spouse dated November 1, 2021 \(incorporated by reference to Exhibit 4.22 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 30, 2022\)](#)
- 4.23* [English Translation of Contract for Assignment of State-owned Construction Land Use Right dated September 2, 2021](#)
- 4.24* [English Translation of Contract for Assignment of State-owned Construction Land Use Right dated September 2, 2021](#)
- 8.1* [List of major subsidiaries, variable interest entities and principal affiliated entities held by the variable interest entities of the Registrant](#)
- 11.1 [Code of Business Conduct and Ethics of the Registrant \(incorporated by reference to Exhibit 99.1 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 12.1** [Certification by the Group Principal Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 12.2** [Certification by the Group Principal Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 13.1** [Certification by the Group Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2** [Certification by the Group Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1* [Consent of Marcum Asia CPAs LLP, Independent Registered Public Accounting Firm](#)
- 15.2* [Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Independent Registered Public Accounting Firm](#)
- 15.3* [Consent of Maples and Calder \(Hong Kong\) LLP](#)
- 15.4* [Consent of Fangda Partners regarding certain PRC law matters](#)
- 15.5* [Letter from Deloitte Touche Tohmatsu Certified Public Accountants LLP, Independent Registered Public Accounting Firm](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema 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 (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Four Seasons Education (Cayman) Inc.

By: /s/ Yi Zuo

Name: Yi Zuo

Title: Chief Executive Director

Date: June 28, 2023

[Signature Page to Form 20-F]

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Four Seasons Education (Cayman) Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Four Seasons Education (Cayman) Inc. (the “Company”) as of February 28, 2023 and 2022, the related consolidated statements of operations, comprehensive (loss) income, changes in shareholder’s equity and cash flows for each of the years in the two-year period ended February 28, 2023, and the related notes (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 February 28, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended February 28, 2023, in conformity with accounting principles generally accepted in the United States of America.

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 audits 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 audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment Assessment on Long-Lived Assets

Critical Audit Matter Description

Long-lived assets, primarily, property and equipment, intangible assets with finite lives, and operating lease right-of-use assets. As explained in Note 2 to the consolidated financial statements, the Company evaluates the recoverability of long-lived assets with determinable useful lives whenever events or changes in circumstances indicate that an asset's carrying amounts may not be recoverable. The Company measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Company would recognize an impairment loss, which is the excess of carrying amount over the fair value of the assets, using the expected future discounted cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require judgment and actual results may differ from assumed and estimated amounts.

As described in Note 5, Note 6, and Note 15 to the consolidated financial statements, the Company performed impairment analysis on the property and equipment, intangible assets, and operating lease right-of-use assets, and no impairment loss was recorded during the year ended February 28, 2023.

The Company's impairment analysis involved a high degree of subjectivity, including the projection of future cash flows. The significant assumptions used in calculating projected future cash flows include useful lives of long-lived assets, revenue projection and revenue growth rates, cost of revenue projection and operating margins. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future cash flows, and assessing the audit evidence is also complex.

How the Critical Audit Matter was Addressed in the Audit

Our principal audit procedures included, among others:

- evaluating the Company's impairment assessment methodology and process;
- assessing the reasonableness of management's forecasts by testing the completeness, accuracy, and relevance of underlying data;
- corroborating the significant assumptions, including useful lives of long-lived assets, revenue projection and revenue growth rates, cost of revenue projection and operating margins, with historical data and evidence obtained to support future projection.

/s/Marcum Asia CPAs LLP

Marcum Asia CPAs LLP
(Formerly Marcum Bernstein & Pinchuk LLP)
We have served as the Company's auditor since 2021.
New York, NY
June 28, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Four Seasons Education (Cayman) Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows of Four Seasons Education (Cayman) Inc. and its subsidiaries (the "Company") for the year ended February 28, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, results of operations and cash flows of the Company for the year ended February 28, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 audit 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 audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, the People's Republic of China
July 2, 2021

We have served as the Company's auditor since 2017. In December 2021, we became the predecessor auditor.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except for share and per share data)

	Note	As of		
		February 28, 2022	February 28, 2023	
		RMB	RMB	USD (Note 2)
ASSETS				
Current assets				
Cash and cash equivalents		262,429	175,696	25,344
Accounts receivable, net of allowance for credit losses of RMB215 as of both February 28, 2022 and 2023		2,037	887	128
Other receivables, deposits and other assets, net of allowance for credit losses of RMB5,052 and RMB5,852 as of February 28, 2022 and 2023, respectively		11,979	7,306	1,055
Amount due from related parties, net of allowance for credit losses of RMB332 and RMB971 as of February 28, 2022 and 2023, respectively	14	3,534	11,127	1,605
Short-term investments	4	89,544	24,332	3,510
Short-term investments under fair value	4		156,639	22,595
Long-term investments under fair value - current	4	156,459	135,201	19,502
Total current assets		525,982	511,188	73,739
Non-current assets				
Restricted cash		10,273	1,362	196
Property and equipment, net	5	8,643	13,979	2,016
Operating lease right-of-use assets	15	35,482	29,379	4,238
Intangible assets, net	6	3,265	2,476	357
Deferred tax assets	12	869	601	87
Long-term investments, net	8	14,000	27,500	3,967
Long-term investment under fair value - non-current	4	—	13,583	1,959
Other non-current assets		4,019	972	140
Total non-current assets		76,551	89,852	12,960
TOTAL ASSETS		602,533	601,040	86,699
LIABILITIES (including amounts of the consolidated VIEs without recourse to Four Seasons Education (Cayman) Inc. See Note 2)				
Current liabilities				
Amounts due to related parties	14	883	867	125
Accrued expenses and other current liabilities	9	68,289	59,542	8,589
Operating lease liabilities - current	15	3,185	2,531	365
Income tax payable		14,722	17,171	2,477
Deferred revenue		6,492	7,269	1,049
Total current liabilities		93,571	87,380	12,605

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED BALANCE SHEETS - continued
(Amounts in thousands, except for share and per share data)

	Note	As of		
		February 28, 2022	February 28, 2023	
		RMB	RMB	USD (Note 2)
Non-current liabilities				
Deferred tax liabilities	12	725	575	83
Operating lease liabilities - non-current	15	5,743	1,195	172
Total non-current liabilities		6,468	1,770	255
TOTAL LIABILITIES		100,039	89,150	12,860
Commitments and contingencies	16			
EQUITY				
Ordinary shares (US\$0.0001 par value; 500,000,000 shares authorized, 21,238,806 and 21,189,215 shares issued and outstanding as of February 28, 2022 and 2023, respectively)		14	14	2
Additional paid-in capital		777,023	780,191	112,541
Treasury shares (2,863,117 and 2,912,768 shares as of February 28, 2022 and 2023, respectively)	10	(55,693)	(55,931)	(8,068)
Accumulated deficit		(252,634)	(282,300)	(40,721)
Accumulated other comprehensive (loss) income		(22,768)	15,758	2,273
Shareholders' equity		445,942	457,732	66,027
Non-controlling interests		56,552	54,158	7,812
Total equity		502,494	511,890	73,839
TOTAL LIABILITIES AND EQUITY		602,533	601,040	86,699

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

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except for share and per share data)

	Note	For the Years Ended			
		February 28, 2021	February 28, 2022	February 28, 2023	
		RMB	RMB	RMB	USD (Note 2)
Revenue					
---Revenue from third parties		277,806	249,274	26,556	3,831
---Revenue from related parties		2,476	949	7,660	1,105
Total Revenue	2(q)	280,282	250,223	34,216	4,936
Cost of revenue		(168,832)	(149,615)	(19,922)	(2,874)
Gross profit		111,450	100,608	14,294	2,062
General and administrative expenses		(116,972)	(85,298)	(45,291)	(6,533)
Sales and marketing expenses		(30,953)	(22,045)	(4,668)	(673)
Lease termination loss		—	(7,046)	—	—
Impairment loss on intangible assets and goodwill		—	(44,562)	—	—
Impairment loss on other long-lived assets		—	(7,871)	—	—
Operating loss		(36,475)	(66,214)	(35,665)	(5,144)
Subsidy income		11,898	2,298	1,412	204
Gain from disposal of liabilities and a subsidiary	14	—	4,048	—	—
Interest income, net		3,403	3,230	2,284	329
Other income (expenses), net		1,900	(3,501)	(526)	(76)
Loss before income taxes and loss from equity method investments		(19,274)	(60,139)	(32,495)	(4,687)
Income tax expense	12	(4,760)	(21,843)	(993)	(143)
Loss from equity method investments		(3,852)	(36,750)	—	—
Net loss		(27,886)	(118,732)	(33,488)	(4,830)
Less: Net income (loss) attributable to non-controlling interests		310	(5,270)	(3,822)	(551)
Net loss attributable to Four Seasons Education (Cayman) Inc.		(28,196)	(113,462)	(29,666)	(4,279)
Net loss per ordinary share:					
- Basic	13	(1.22)	(5.04)	(1.40)	(0.20)
- Diluted	13	(1.22)	(5.04)	(1.40)	(0.20)
Weighted average shares used in calculating net loss per ordinary share:					
- Basic	13	23,131,195	22,491,122	21,234,763	21,234,763
- Diluted	13	23,131,195	22,491,122	21,234,763	21,234,763

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

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Amounts in thousands, except for share and per share data)

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD (Note 2)
Net loss	(27,886)	(118,732)	(33,488)	(4,830)
Other comprehensive (loss) income, net of tax of nil				
Foreign currency translation adjustments	(39,380)	(9,479)	38,526	5,557
Comprehensive (loss) income	(67,266)	(128,211)	5,038	727
Less: Comprehensive income (loss) attributable to non-controlling interests	310	(5,270)	(3,822)	(551)
Comprehensive (loss) income attributable to Four Seasons Education (Cayman) Inc.	<u>(67,576)</u>	<u>(122,941)</u>	<u>8,860</u>	<u>1,278</u>

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

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income(loss)	Total Four Seasons Education (Cayman) Inc. shareholders' equity	Non-controlling interests	Total equity
	Number	RMB	Number	RMB						
Balance at February 29, 2020 in RMB	23,131,195	15	970,788	(27,899)	742,637	(110,094)	26,091	630,750	44,202	674,952
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,374	1,374
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	11,776	11,776
Share-based compensation	—	—	—	—	27,513	—	—	27,513	—	27,513
Net loss for the year	—	—	—	—	—	(28,196)	—	(28,196)	310	(27,886)
Foreign currency translation adjustments	—	—	—	—	—	—	(39,380)	(39,380)	—	(39,380)
VIE deconsolidation	—	—	—	—	(2,000)	—	—	(2,000)	—	(2,000)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	39	39
Balance at February 28, 2021 in RMB	23,131,195	15	970,788	(27,899)	768,150	(138,290)	(13,289)	588,687	57,701	646,388
Contribution from non-controlling interests	—	—	—	—	(480)	—	—	(480)	4,110	3,630
Share-based compensation	—	—	—	—	9,002	—	—	9,002	—	9,002
Net loss for the year	—	—	—	—	—	(113,462)	—	(113,462)	(5,270)	(118,732)
Foreign currency translation adjustments	—	—	—	—	—	—	(9,479)	(9,479)	—	(9,479)
Repurchase of ordinary shares (Note 10)	(1,892,389)	(1)	1,892,389	(27,794)	—	—	—	(27,795)	—	(27,795)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	11	11
Reconsolidation of previously deconsolidated VIE	—	—	—	—	351	—	—	351	—	351
Dividend to non-controlling interests	—	—	—	—	—	(882)	—	(882)	—	(882)
Balance at February 28, 2022 in RMB	21,238,806	14	2,863,177	(55,693)	777,023	(252,634)	(22,768)	445,942	56,552	502,494
Deregistration of subsidiaries	—	—	—	—	—	—	—	—	1,428	1,428
Repurchase of ordinary shares (Note 10)	(49,591)	(0)	49,591	(238)	—	—	—	(238)	—	(238)
Net loss for the year	—	—	—	—	—	(29,666)	—	(29,666)	(3,822)	(33,488)
Share-based compensation	—	—	—	—	3,168	—	—	3,168	—	3,168
Foreign currency translation adjustments	—	—	—	—	—	—	38,526	38,526	—	38,526
Balance at February 28, 2023 in RMB	21,189,215	14	2,912,768	(55,931)	780,191	(282,300)	15,758	457,732	54,158	511,890
Balance at February 28, 2023 in USD (Note 2)	21,189,215	2	2,912,768	(8,068)	112,541	(40,721)	2,273	66,027	7,812	73,839

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

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except for share and per share data)

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from operating activities</i>				
Net loss for the year	(27,886)	(118,732)	(33,488)	(4,830)
<i>Adjustments to reconcile net cash flows from operating activities:</i>				
Share-based compensation	27,513	9,002	3,168	457
Provision for credit losses	—	6,881	1,438	207
Depreciation of property and equipment	13,754	8,458	2,802	404
Noncash lease expenses	54,466	39,476	2,960	427
Loss of disposal of property and equipment	416	954	315	45
Loss from property and equipment impairment	—	7,871	—	—
Amortization of intangible assets	1,949	1,719	789	114
Loss from intangible assets impairment	—	2,255	—	—
Loss from equity method investments, net of taxes	3,852	36,750	—	—
Loss from goodwill impairment	—	42,307	—	—
Fair value change of investments	(2,148)	1,106	1,927	278
Gain from disposal of liabilities and a subsidiary	(2,087)	(4,048)	—	—
Loss from deregistration of subsidiaries	—	—	458	66
Deferred income taxes	(3,271)	14,436	118	17
<i>Changes in operating assets and liabilities and other, net:</i>				
Accounts receivable	1,008	(1,677)	1,150	166
Amounts due from related parties	(515)	(332)	(8,231)	(1,187)
Other receivables, deposits and other assets	8,091	(11,920)	3,873	558
Other non-current assets	(91)	(1,737)	3,047	440
Changes in operating lease liabilities	(57,938)	(59,801)	(2,059)	(297)
Amounts due to related parties	587	396	584	84
Accrued expenses and other current liabilities	11,912	(3,148)	(7,570)	(1,092)
Income tax payable	(2,159)	4,577	2,449	353
Deferred revenue	3,671	(66,114)	777	112
Net cash provided by (used in) operating activities	<u>31,124</u>	<u>(91,321)</u>	<u>(25,493)</u>	<u>(3,678)</u>
<i>Cash flows from investing activities</i>				
Purchases of property and equipment	(10,441)	(9,876)	(8,659)	(1,249)
Purchases of intangible assets	—	(120)	—	—
Acquisition of businesses, net of cash acquired	854	(422)	—	—
Payments to long-term investments	(44,481)	(14,000)	(13,500)	(1,947)
Purchases of short-term investments	(31,000)	(89,544)	(29,349)	(4,234)
Purchases of short-term investments under fair value	—	—	(175,849)	(25,365)
Purchases of long-term investments under fair value	(175,820)	—	(145,910)	(21,047)
Proceeds from maturity of investments	192,884	128,136	276,565	39,894
Loans to related parties	—	(588)	—	—
VIE consolidation	—	100	—	—
Disposal of liabilities	—	(7,500)	—	—
Disposal of a subsidiary	—	(1,889)	—	—
Net cash (used in) provided by investing activities	<u>(68,004)</u>	<u>4,297</u>	<u>(96,702)</u>	<u>(13,948)</u>

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - continue
(Amounts in thousands, except for share and per share data)

	For the Years Ended			
	February 28	February 28	February 28	
	2021	2022	2023	
	RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from financing activities</i>				
Contribution from non-controlling interests	90	3,630	—	—
Proceeds from related parties loans	100	—	—	—
Repayment on related parties loans	—	(508)	(600)	(87)
Net proceeds from options exercised	8	—	—	—
Repurchase of ordinary shares	—	(27,795)	(238)	(34)
Dividends paid to non-controlling interests	—	(882)	—	—
Net cash provided by (used in) financing activities	198	(25,555)	(838)	(121)
Effect of foreign exchange rate changes	(16,460)	(3,932)	27,389	3,950
Net decrease in cash, cash equivalents and restricted cash	(53,142)	(116,511)	(95,644)	(13,797)
Cash, cash equivalents and restricted cash at beginning of the year	442,355	389,213	272,702	39,337
Cash, cash equivalents and restricted cash at end of the year	389,213	272,702	177,058	25,540
Reconciliation in amounts on consolidated balance sheets:				
Cash and cash equivalents	378,358	262,429	175,696	25,344
Restricted cash	10,855	10,273	1,362	196
Total cash, cash equivalents and restricted cash	389,213	272,702	177,058	25,540
Supplemental disclosure of cash flow information:				
Income taxes paid	10,189	3,315	156	23
Cash paid for amounts included in measurement of lease liabilities	59,547	39,013	4,516	651
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	51,434	30,259	2,491	359
Supplemental schedule of non-cash investing and financing activities:				
Purchases of property and equipment included in payable	302	326	120	17
Non-cash contribution from non-controlling interests	11,686	—	—	—

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

FOUR SEASONS EDUCATION (CAYMAN) INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except for share and per share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Four Seasons Education (Cayman) Inc. (the "Company") was incorporated in the Cayman Islands on June 9, 2014. The Company, its subsidiaries, its consolidated Variable Interest Entity (the "VIE") and VIE's subsidiaries (collectively referred to as the "Group") are principally engaged in provision of after-school education services for kindergarten, elementary and middle school students in the People's Republic of China (the "PRC").

On December 29, 2014, the Company established a wholly-owned foreign invested subsidiary, Shanghai Fuxi Enterprise Management Consulting Co., Ltd. ("Shanghai Fuxi", or "WFOE") in the PRC. PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing educational services outside China. As a Cayman Islands company, the Company is deemed a foreign legal person under the PRC laws but not an educational institution and does not provide education services. To comply with the PRC laws and regulations, the Group provides substantially all of its education business in the PRC through Shanghai Four Seasons Education Investment Management Co., Ltd. ("Four Seasons Investment"), Shanghai Luoliang Network Technology Co., Ltd. ("Shanghai Luoliang", previously named as Shanghai Four Seasons Education and Training Co., Ltd.) (the "VIEs") and its subsidiaries. Shanghai Fuxi entered into a series of contractual arrangements (see Note 2(b)) with its VIEs and their respective shareholders through which the Company became the primary beneficiary of VIEs.

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 (compulsory education includes elementary school education of six years and middle school education of three years, together as the "Compulsory Stage Education") (the "Opinion"), which provides that, among other things, (i) local government authorities shall no longer approve new after-school tutoring institutions ("Academic AST Institutions") providing tutoring services on academic subjects for students in compulsory education, and the existing after-school tutoring institutions providing tutoring services on academic subjects shall be registered as non-profit, and local government authorities shall no longer approve any new Academic AST Institutions providing tutoring services on academic subjects for pre-school-age children and students in grade ten to twelve; (ii) online Academic AST 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 internet content provider license ("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.

On September 7, 2021, to implement the Opinion, the Chinese Ministry of Education ("MOE") published on its website that the MOE, together with two other government authorities, issued a circular requiring K-9 Academic AST Institutions to complete registration as non-profit by the end of 2021, and K-9 Academic AST Institutions shall, before completing such registration, suspend enrollment of students and charging fees (the "Regulations").

To comply with the Opinion and the Regulations, the Company performed business restructuring and organizational adjustments, including ceasing offering tutoring services related to academic subjects to students from kindergarten through grade nine (the “K9 Academic AST Services”) by the end of 2021 in mainland China (“Business Restructuring”), disposing the deferred revenue of unconsumed lessons related to K-9 Academic AST services and disposing its 100% equity interest in Shanghai Jing’an Dangdai Art Training School (“Dangdai”) to Shanghai Jiaxin Travel Agency (“Jiaxin Travel”) with nil consideration at the end of 2021 (Note 14).

As of February 28, 2023, details of the Company’s major subsidiaries, its VIEs and VIEs’ subsidiaries are as follows:

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment)	Equity interest attributed to the Group as of February 28, 2022	Principal activities
Subsidiaries:				
Four Seasons Education (Hong Kong) Limited (“Four Seasons Hong Kong”)	June 24, 2014	Hong Kong	100%	Investment holding
Shanghai Fuxi Information Technology Service Co., Ltd. (“Shanghai Fuxi”)	December 29, 2014	Shanghai	100%	Consulting service
Wuyuan Sijijiaozhong Tourism Inv Mgt Co., Ltd. (“Wuyuan Sijijiaozhong”)	December 20, 2022	Jiangxi	100%	Consulting service
Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd. (“Wuyuan Siji Gongda”)	May 28, 2021	Jiangxi	100%	Education service
Variable interest entities:				
Shanghai Luoliang Network Technology Co., Ltd. (“Shanghai Luoliang”) ⁽¹⁾	March 12, 2014	Shanghai	100%	Education service
Shanghai Four Seasons Education Investment Management Co., Ltd. (“Four Seasons Investment”) ⁽²⁾	March 13, 2007	Shanghai	100%	Investment holding
VIE’s subsidiaries:				
Four Seasons Class Training Co., Ltd. (“Four Seasons Class”)	September 1, 2016	Shanghai	100%	Education service
Shanghai Tongfang Technology Further Education School (“Tongfang School”)	May 16, 2013	Shanghai	100%	Education service
Wufeng Siji Xuezhi Education Management Co., Ltd. (“Wufeng Siji Xuezhi”)	October 19, 2021	Hubei	60%	Education service
Shexian Siji Xingzhi Culture Development Co., Ltd. (“Shexian Siji Xingzhi”)	November 11, 2021	Jiangxi	100%	Education service
Shanghai Huangpu Fantasy Further Education School (“Fantasy School”)	September 1, 2018	Shanghai	51%	Education service
Shanghai Jing’an Four Seasons Intellectual Sports Club (“Four Seasons Intellectual Sports”)	June 15, 2018	Shanghai	100%	Education service
Chongqing Jingzhan Technology Training Center Co., Ltd. (“Chongqing Jingzhan”)	September 1, 2018	Chongqing	51%	Education service

- (1) On October 10, 2022, Shanghai Four Seasons Education and Training Co., Ltd. changed its name to Shanghai Luoliang Network Technology Co., Ltd.
- (2) On March 1, 2020, Shanghai Fuxi terminated the contractual arrangements with Four Seasons Investment and its shareholders, including the exclusive service agreement, exclusive call option agreement, equity pledge agreement and shareholder voting rights proxy agreement. At the same time, the ownership of the learning center previously held by Four Seasons Investment namely Shanghai Tongfang Technology Further Education School (“Tongfang School”) was transferred to the other VIE of the Company, namely Shanghai Four Seasons. Other than Tongfang School, the assets and liabilities held by Four Seasons Investment were immaterial. On November 1, 2021, Shanghai Fuxi entered into a series of contractual arrangements with Four Seasons Investment and its shareholders through which the Company once again became the primary beneficiary of Four Seasons Investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

(b) Principles of consolidation

The Company evaluates the need to consolidate the VIEs of which the Company is the primary beneficiary. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE.

Determining whether the Company is the primary beneficiary in the VIE arrangements between the WFOE and the VIE requires a careful evaluation of the facts and circumstances, including whether the contractual agreements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and US GAAP. The Company continually reviews its corporate governance arrangements to ensure that the contractual agreements are in fact valid and legally enforceable and therefore are indeed substantive.

The Company has also considered conflicts of interest arisen from the contractual arrangements. Mr. Tian is the nominal shareholder of the VIEs, and Mr. Tian is also the controlling shareholder and the largest shareholder of the Company. The interests of Mr. Tian as the nominal shareholder of the VIEs may differ from the interests of the Company as a whole, since Mr. Tian is only one of the beneficial shareholders of the Company. The Company relies on Mr. Tian, as a director of the Company, to fulfill his fiduciary duties and abide by laws of the PRC and Cayman Islands and act in the best interest of the Company. The Company believes Mr. Tian will not act contrary to any of the contractual arrangements and the call option agreement provides the Company with a mechanism to remove Mr. Tian as a nominal shareholder of the VIEs should he act to the detriment of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and Mr. Tian, the Company 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 VIE Arrangements

The Company consolidates Shanghai Four Seasons, Four Seasons Investment and their subsidiaries as variable interest entities and referred to them as "the VIEs" in the Company's consolidated financial statements. PRC laws and regulations currently require foreign entity that invests in the education business in China to be an educational institution with certain qualifications and experience in providing high-quality education outside China. The Company is not an educational institution and does not provide education services. Therefore, the Company conduct the operation through the VIEs. In addition, the VIEs hold leases and other assets necessary to operate the Company's schools and learning centers, employ teachers and generate substantially all of the Company's total net revenue.

The Company, through its wholly owned subsidiary in China, Shanghai Fuxi has entered into the following contractual arrangement with the VIEs that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities and cash flows in the Company's consolidated financial statements.

Agreements that provide the Company with effective control over the VIEs include:

Call Option Agreement Pursuant to the call option agreement among the WFOE, Shanghai Four Seasons, Four Seasons Investment and the shareholders of Shanghai Four Seasons and Four Seasons Investment ("VIE shareholders"), the VIE shareholders unconditionally and irrevocably granted the WFOE or its designee an exclusive option to purchase, to the extent permitted under PRC laws and regulations, all or part of the equity interests in the VIEs at nominal consideration which decided by the WFOE or the lowest consideration permitted by PRC laws and regulations under the circumstances where the WFOE or its designee is permitted under PRC laws and regulations to own all or part of the equity interests of VIEs. The WFOE has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. Without the WFOE's written consent, the VIE shareholders may not sell, transfer, pledge or otherwise dispose of or create any encumbrance on any of VIEs' assets or equity interests. The agreement can be terminated by the WFOE by giving a 30-day prior notice, but not by the VIEs or VIE shareholders.

Voting Rights Proxy Agreement & Irrevocable Power of Attorney The VIE shareholders executed voting rights proxy agreement, appointing the WFOE, or any person designated by the WFOE, as their attorney-in-fact to (i) call and attend shareholders meeting of VIEs and execute relevant shareholders resolutions; (ii) exercise on his behalf all his rights as a shareholder of VIEs, including those rights under PRC laws and regulations and the articles of association of VIEs, such as voting, appointing, replacing or removing directors, (iii) submit all documents as required by governmental authorities on behalf of VIEs, (iv) assign the shareholding rights to VIEs, including receiving dividends, disposing of equity interest and enjoying the rights and interests during and after liquidation. The agreement will remain in effect unless the WFOE terminates the agreement by giving a written notice.

Spousal Consent Letter Pursuant to the spousal consent letter executed by the spouse of certain shareholders of VIEs, each of such spouse unconditionally and irrevocably agreed to the execution of exclusive service agreement, exclusive call option agreement, shareholder voting rights proxy agreement and irrevocable power of attorney and equity pledge agreement described above by the applicable shareholder. They further undertakes not to make any assertions in connection with the equity interests of the VIEs held by the applicable shareholder, and confirm that the shareholder can perform the relevant transaction documents described above and further amend or terminate such transaction documents without the authorization or consent from such spouse. The spouse of each applicable shareholder agrees and undertakes that if he/she obtains any equity interests of the VIEs held by the applicable shareholder for any reasons, he/she would be bound by the transaction documents described above and the amended and restated exclusive service agreement between WFOE and our VIEs. The valid term of spousal consent letter is same as the term of the exclusive call option agreement.

Equity Pledge Agreement The VIE shareholders agreed to pledge their equity interest in VIEs to the WFOE to secure the performance of the VIEs' obligations under the series of contractual agreements and any such agreements to be entered into in the future. Without prior written consent of the WFOE, the VIE shareholders shall not transfer or dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. If any economic interests were received by means of their equity interests in the VIEs, such interests belong to the WFOE. The agreement can be early terminated by the WFOE by giving a 30-day prior notice, but not by the VIEs or VIE shareholders.

Agreements that transfer economic benefits of VIEs to the Group include:

Exclusive Services Agreement Under the exclusive services agreement, the Company and the WFOE have the exclusive right to provide comprehensive technical and business support services to the VIEs. In particular, such services include conducting market research and offering strategic business advice, providing information technology services, providing advices on mergers and acquisitions, providing human resources management services, providing intellectual property licensing services, providing support for teaching activities and providing other services that the parties may mutually agree from time to time. In exchange, the VIEs pay annual service fees to the WFOE in the amount equivalent to all of their net income as confirmed by the WFOE. The WFOE has the right to adjust the service fee rates at its sole discretion based on the services provided and the operation conditions of VIEs. The agreement can be early terminated by the WFOE by giving a 30-day prior notice, but not by the VIEs or VIE shareholders.

The Voting Rights Proxy Agreement and Irrevocable Power of Attorney have conveyed all shareholder rights held by the VIE shareholders to the WFOE or any person designated by the WFOE, including the right to appoint executive directors of the VIEs to conduct day to day management of the VIEs' businesses, and to approve significant transactions of the VIEs. In addition, the Call Option Agreement provides the WFOE with a substantive kick-out right of the VIE shareholders through an exclusive option to purchase all or any part of the shareholders' equity interest in the VIEs. The Equity Pledge Agreements further secure the obligations of the shareholders of the VIEs under the above agreements.

Because the Company, through the WFOE, has (i) the power to direct the activities of the VIEs that most significantly affect the entity's economic performance and (ii) the right to receive substantially all of the benefits from the VIEs, the Company is deemed the primary beneficiary of the VIEs. Accordingly, the Company has consolidated the VIEs' financial results of operations, assets and liabilities in the Group's consolidated financial statements. The aforementioned agreements are effective agreements between a parent and consolidated subsidiaries, neither of which is accounted for in the consolidated financial statements or are ultimately eliminated upon consolidation (i.e. service fees under the Exclusive Services Agreement).

The Company believes that the contractual arrangements with the VIEs are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and VIEs;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and VIEs;
- limit the Group's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiaries and VIEs may not be able to comply;
- require the Company or the Company's PRC subsidiaries or VIEs to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The following consolidated financial statement balances and amounts of the Company's VIEs and their subsidiaries, were included in the accompanying consolidated financial statements after the elimination of intercompany balances and transactions among the Company, its subsidiaries, its VIEs and VIEs' subsidiaries.

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
ASSETS			
Total current assets	64,735	54,382	7,845
Total non-current assets	61,160	47,576	6,863
TOTAL ASSETS	125,895	101,958	14,708
LIABILITIES			
Amount due to related parties	883	867	125
Accrued expenses and other current liabilities	64,449	56,009	8,079
Operating lease liabilities-current	2,626	2,067	298
Income tax payable	12,339	13,963	2,014
Deferred revenue	6,492	7,269	1,049
Total current liabilities	86,789	80,175	11,565
Deferred tax liabilities	725	575	83
Operating lease liabilities-non-current	5,152	859	124
Total non-current liabilities	5,877	1,434	207
TOTAL LIABILITIES	92,666	81,609	11,772

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD
Total revenue	280,282	250,223	33,381	4,815
Operating loss	(13,652)	(63,619)	(12,688)	(1,830)
Net loss	(5,529)	(80,976)	(11,077)	(1,598)
Net cash provided by (used in) operating activities	43,753	(53,288)	(73,927)	(10,664)
Net cash (used in) provided by investing activities	(33,758)	(2,294)	4,841	698
Net cash provided by financing activities	198	4,240	44,640	6,439

The VIEs contributed 100%, 100% and 97.6% of the Group's consolidated revenue for the years ended February 28, 2021, 2022 and 2023, respectively. As of February 28, 2022 and 2023, the VIEs accounted for an aggregate of 20.9% and 17.0% respectively, of the audited consolidated total assets, and 92.6% and 91.5% respectively, of the consolidated total liabilities. Total assets not associated with the VIEs mainly consist of cash and cash equivalents, short-term investments and long-term investments under fair value.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs were ever to need financial support, the Group may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

The Group believes that there are no assets held in the VIEs that can be used only to settle obligations of the VIEs, except for registered capital and the PRC statutory reserves. As the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the VIEs. Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 19 for disclosure of restricted net assets.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. The Group bases its estimates on historical 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 assessment of useful lives of long-lived assets, realization of deferred tax assets, impairment assessment of investments, property and equipment, intangible assets and goodwill, valuation of share-based compensation, fair value assessment of investments, assumptions used to determine the fair value of the assets acquired through business combination and incremental borrowing rate for lease. Actual results may differ materially from those estimates.

(d) Business combinations

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Group to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. Alternatively, the excess of the (i) the fair value of the identifiable net assets of the acquiree over (ii) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree is recorded as a gain on bargain purchase.

(e) 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. The Group has investments measured at fair value on a recurring basis at the end of each reporting period and classified as level 2 fair value measurements (see Note 2(1)). Various inputs for the investment valuation, including time value, volatility factors, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures, substantially are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

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.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, property and equipment, and operating lease right-of-use assets, are not required to be measured at fair value on a recurring basis, and instead are reported at carrying value in its consolidated balance sheet. However, on a periodic basis or whenever events or changes in circumstances indicate that they may not be fully recoverable (and at least annually for goodwill), the respective carrying value of non-financial assets are assessed for impairment and, if ultimately considered impaired, are adjusted and written down to their fair value, as estimated based on consideration of external market participant assumptions. The fair values of these assets were determined based on Level 3 measurements, the related inputs of which included estimates of the amount and timing of the assets' net future discounted cash flows, based on historical experience and consideration of current trends, market conditions, and comparable sales, as applicable.

The following table presents the impairment charges recorded by the Group for assets measured at fair value on a non-recurring basis for the years ended February 28, 2021, 2022 and 2023:

	For the Years Ended							
	February 28, 2021		February 28, 2022		February 28, 2023			
	Fair Value As of Impairment Date	Total Impairment Loss	Fair Value As of Impairment Date	Total Impairment Loss	Fair Value As of Impairment Date		Total Impairment Loss	
	RMB	RMB	RMB	RMB	RMB	USD	RMB	USD
Property and equipment, net (Note 5)	—	—	—	7,871	—	—	—	—
Intangible assets, net (Note 6)	—	—	—	2,255	—	—	—	—
Goodwill (Note 7)	—	—	—	42,307	—	—	—	—

The carrying values of financial instruments, which consist of cash and cash equivalents, accounts receivable and contract assets, other receivables, short-term investments (term deposits and wealth management products), amounts due to related parties and other current liabilities are recorded at cost which approximates their fair value due to the short-term nature of these instruments.

(f) Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and affiliates incorporated outside the mainland China is the United States dollar ("US dollar" or "US\$"). The functional currency of all the other subsidiaries and the VIEs and VIEs' subsidiaries is RMB.

Monetary assets and liabilities denominated in currencies other than the RMB are remeasured into RMB at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the RMB during the year are converted into RMB at the applicable rates of exchange prevailing on the day transactions occurred. Exchange gains and losses are recognized in the consolidated statements of operations.

Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenue, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustments and are shown as a separate component of other comprehensive (loss) income in the consolidated statements of comprehensive (loss) income.

(g) Foreign currency risk

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's 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, cash equivalents and restricted cash denominated in RMB amounted to RMB86,019 and RMB70,628 (US\$10,188) as of February 28, 2022 and 2023, respectively.

(h) Convenience translation

The Group's business is primarily conducted in China and almost all of the revenue is denominated in RMB. Translations of balances in the consolidated balance sheets, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows from RMB into US dollar as of and for the year ended February 28, 2023 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.9325, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on February 28, 2023. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on February 28, 2023, or at any other rate.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in bank, time deposits with original maturities of three months or less when purchased and floating rate financial instruments which are unrestricted as to withdrawal or use. The carrying value of cash equivalents approximates market value. The Group's cash and cash equivalents was RMB262,429 and RMB175,696 (US\$ 25,344) as of February 28, 2022 and 2023, respectively.

(j) Allowance for credit losses

The Group has developed a current expected credit loss ("CECL") model based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The Group considers historical collection rates, current financial status, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. The balance of allowance for accounts receivable, other receivables, deposits and other assets and amount due from related parties was RMB5,599 and RMB7,038(US\$1,015) as of February 28, 2022 and 2023, respectively. Balances are written off when determined to be uncollectible.

(k) Restricted cash

The Group's restricted cash represents deposits restricted as to withdrawal or use under government regulations. Restricted cash is classified as non-current based on when the deposits will be released in accordance with the terms of the respective agreements with the banks and governing authorities.

(l) Investments

The Group's investments consist of term deposit with original maturities greater than three months, wealth management products, investments under fair value and equity-method investments.

Wealth management products were mainly deposits placed with financial institutions with original maturities greater than three months but less than one year. Wealth management products and term deposit with original maturities greater than three months but less than one year, or original maturities greater than one year but will maturity within one year are recorded as short-term investments in the consolidated balance sheets.

The investments under fair value pertain to structured products in fund-linked notes, interest rate-linked notes, floating rate notes, etc. The Group elects to adopt the fair value option in accordance with ASC 825 Financial Instruments to record the investments at fair value in short-term investments under fair value and long-term investments under fair value in the consolidated balance sheets. Changes in the fair value of the investments are recorded as other income (expense), net in the consolidated statements of operations. Income of RMB2,148, and loss of RMB1,106 and RMB 1,927 (US\$278) on fair value changes were recorded in the consolidated statements of operations for the years ended February 28, 2021, 2022 and 2023, respectively.

The Group accounts for investment in equity securities that are in-substance common stocks and over which the Group can exercise significant influence but holds no controlling interest under equity method of accounting. Under this method, the Group's pro rata share of income (loss) from investment is recognized in the consolidated statements of comprehensive (loss) income. Dividends received reduce the carrying amount of the investment. When the Group's share of loss in an equity-method investee equals or exceeds its carrying value of the investment in that entity, the Group continues to report its share of equity method losses in the statements of comprehensive income to the extent and as an adjustment to the carrying amount of its other investments in the investee. Equity-method investment is reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other-than-temporary. In making this determination, factors are evaluated in determining whether a loss in value should be recognized. These include consideration of the intent and ability of the Group to hold investment and the ability of the investee to sustain an earnings capacity, justifying the carrying amount of the investment. Impairment losses are recognized in other expense when a decline in value is deemed to be other-than-temporary. As a result of the impairment analysis, the Group did not record any impairment for the years ended February 28, 2021, February 28, 2023, and the impairment loss for the year ended February 28, 2022 was RMB35,584.

(m) Property and equipment, net

Property and equipment is generally stated at historical cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortization expense of long-lived assets is included in either cost of revenue or selling, general and administrative expenses, as appropriate. Property and equipment consists of the following and depreciation is calculated on a straight-line basis over the following estimated useful lives:

Electronic equipment	3 - 5 years
Office equipment & Furniture	3 - 5 years
Motor vehicles	3 - 5 years
Leasehold improvement	Shorter of the lease term or expected useful life

(n) Intangible assets, net

Acquired intangible assets other than goodwill consist of trade name, student base and customer relationship, school cooperation agreements, non-compete agreement and license which are carried at cost, less accumulated amortization and impairment. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. The amortization periods by intangible asset classes are as follows:

Trade name	10 - 20 years
Student base and customer relationship	3 - 9 years
School cooperation agreements	5 years
Non-compete agreements	3 years
Software	5 years
License	3 years

(o) Impairment of long-lived assets

The Group evaluates the recoverability of long-lived assets with determinable useful lives whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. 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, which is the excess of carrying amount over the fair value of the assets, using the expected future discounted cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require judgment and actual results may differ from assumed and estimated amounts. The Group recognized nil, RMB7,871 and nil impairment loss of property and equipment during the years ended February 28, 2021, 2022 and 2023, respectively. The Group recognized nil, RMB2,255 and nil impairment loss on intangible assets during the years ended February 28, 2021, 2022 and 2023, respectively.

(p) Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combinations and the existing workforce of the acquired businesses.

Goodwill is assessed annually for impairment (February 28 for the Group), or if indicator noted for goodwill impairment. The Group evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment in accordance with ASC Topic 350. All goodwill generated from acquisitions was allocated to the one reporting unit: Four Seasons Education reporting unit as of February 28, 2022 and 2023.

In the evaluation of goodwill for impairment, the Group may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, the quantitative impairment test is performed.

Starting from March 1, 2019, the Group adopted ASU No. 2017-04, simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. Under the new guidance, if the fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of a reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. When determining the fair value of each reporting unit, the Group uses discounted cash flow model that includes a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with each reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

Based on the results of goodwill impairment tests, the Group recognized nil, RMB42,307 and nil impairment loss on goodwill during the years ended February 28, 2021, 2022 and 2023, respectively.

(q) Revenue recognition

The Group derives its revenue from learning services, learning technology and content solutions, and study camp and learning trip services.

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 Topic 606: (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.

Disaggregation of Revenue

The following table represents disaggregation of Group's revenue from contracts with customers by service nature for the years ended. The Group's revenue is reported net of value added taxes and surcharges.

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD
Learning services	268,334	235,627	18,516	2,672
Learning technology and content solutions	11,734	13,537	12,328	1,778
Study camp and learning trip	268	1,843	3,502	505
Less: Sales tax	54	784	130	19
Total	<u>280,282</u>	<u>250,223</u>	<u>34,216</u>	<u>4,936</u>

Learning services Historically, the Group offered expertly designed courses for students of different aptitude levels for each elementary school grade level as well as middle school, including tutoring services related to academic subjects to students from kindergarten through grade nine (the "K9 Academic AST Services") and non-academic tutoring. To comply with the Opinion and the Regulations, the Company ceased offering the K9 Academic AST Services by the end of 2021 in mainland China. The Company continues to offer a broad range of expertly designed non-academic tutoring to enhance young learners' scientific, cultural and aesthetic literacy. The Company's non-academic tutoring include, among others, calligraphy, art, recitation, bridge, Go, and sudoku.

For learning services, each contract represents a series of distinct services, which is delivery of various courses. The services have substantially the same pattern of transfer to the students, as such, they are considered as a single performance obligation. The transaction price is stated in the contract and known at the time of contract inception. The tuition fees are generally collected in advance and are initially recorded as deferred revenue. There is no variable considerations in the contracts with customers, except that the Group offers certain refunds for the programs for elementary and middle school students. These refunds were offered for any unattended classes to students who decided to withdraw from a course, and for tuition fees received in advance for offline courses that were cancelled due to COVID-19 and were subjected to refund at the option of the customer. The Group estimates the refund liability based on historical refund rates on a portfolio basis using the expected value method. Reclassification was made from deferred revenue to refund liabilities, which is recorded under accrued expenses and other current liabilities on the consolidated balance sheets, for tuitions collected that are expected to be refunded to the customers in the future. The Group estimated the refund liability of RMB664 and RMB408 (US\$59) as of February 28, 2022 and 2023. Revenue from learning services is recognized proportionately as the courses are delivered.

In some promotion activities, the Group grants cash coupon to students who make qualified course purchases. Those students can redeem the cash coupon in the next purchase as part of payment prior to the incentive's expiration. The Group determined the cash coupon granted to existing students are material rights. As a result, a portion of sales price received on students making qualified purchases is allocated to the sales incentives granted based on the relative standalone selling prices. The selling price of cash coupon is estimated based on the discount amount and the probability of redemption. Revenue allocated to sales incentives is recorded as deferred revenue until redemption or expiration. Once the coupon is redeemed, revenue will be recognized based on the revenue recognition policy discussed above. Students may not always redeem cash coupon before the expiration of the sales incentive. Therefore, the Group expects to be entitled to a breakage amount in deferred revenue related to the incentives. The Group estimates the breakage based on historical students' usage and recognizes the estimated breakage as revenue in proportion to the pattern of incentives exercised by students. The assessment of estimating breakage is updated on a quarterly basis. Changes in estimated breakage is accounted for by adjusting deferred revenue to reflect the remaining incentive rights expected to be exercised. Historically, the estimated breakage has not been significantly changed and the amount related to the sales incentives is not material.

Learning technology and content solutions Learning technology and content solutions mainly include course design and development services, digital learning system, student management platform and promotional assistance for educational institutions and K-12 schools, staff outsourcing services, etc.

The Group enters into distinct learning technology and content solutions contracts with its customers, i.e. course design and development services, digital learning system, student management platform and promotional assistance for educational institutions and K-12 schools, staff outsourcing services, etc. The learning technology and content solutions service is distinct and is identified as one performance obligation. The transaction price is stated in the contract and known at the time of contract inception. There is no variable considerations in the contracts with customers. Revenue from course design and development services, digital learning system, student management platform and promotional assistance for educational institutions and K-12 schools, and staff outsourcing services to customers is recognized proportionately as the services are delivered.

Study camp and learning trip The Group provided study camp and learning trip programs, creating an immersive learning experience to meet emerging scenario-based, experiential and interactive learning and training needs from group and individual learners.

The Group enters into distinct study camp and learning trip contracts with its customers. The study camp and learning trip product and service is distinct and is identified as one performance obligation. The transaction price is stated in the contract and known at the time of contract inception. There is no variable considerations in the contracts with customers. Revenue from study camp and learning trip to customers is recognized proportionately as the services are delivered.

Contract balance

Contract assets primarily relate to the Group's rights to consideration for the cooperation with other learning centers and K-12 school course delivery performed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional. Contract assets were nil as of February 28, 2022 and 2023, respectively. All accounts receivable and contract asset amounts are classified as current.

The Group classifies contract liabilities as deferred revenue. For the years ended February 28, 2022 and 2023, RMB75,242 and RMB6,492 (US\$936) of revenue are recognized from the beginning balance of contract liabilities as of March 1, 2021 and 2022. The contract liabilities were RMB6,492 and RMB7,269 (US\$1,049) as of February 28, 2022 and 2023, respectively. The difference between the opening and closing balances of the Group's contract liabilities primarily results from the timing difference between the Group's satisfaction of performance obligation and the customer's payment, and the disposal of deferred revenue due to the ceased offering K-9 Academic AST services at the end of 2021 (Note 14).

Practical expedients and exemptions

The Group has applied the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. Therefore, the Group elects the portfolio approach in applying the new revenue guidance.

The Group has elected to record the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

The Group has elected to apply the invoice practical expedient to recognize revenue in the amount to which the Group has a right to invoice, given the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services completed to date.

(r) Cost of revenue

Cost of revenue consists of the following:

- Staff costs, which primarily consist of teaching salaries and other benefits for the teachers and related service providing staff,
- Study camp and learning trip related expense, which primarily consist of study tour travel expense, accommodation expense and transportation expenditures,
- Rental, utilities and maintenance costs for the learning centers,
- Education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, student activity expenses and platform and service charges for online course, and
- Amortization of leasehold improvement of learning centers.

(s) Sales and marketing expenses

Sales and marketing expenses primarily consist of marketing and promotional expenses, salaries and benefits expenses related to the Group's sales and marketing personnel and other expenses related to the Group's sales and marketing team. Advertising expenses primarily consist of cost of funding payments for the promotion of corporate image and product marketing. The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended February 28, 2021, 2022 and 2023, the advertising expenses were RMB25,486, RMB15,579 and RMB2,708 (US\$391), respectively.

(t) Leases

The Group adopted Topic 842 on March 1, 2019 using the modified retrospective transition approach allowed under ASU 2018-11, without adjusting the comparative periods presented. The Group elected the practical expedients under ASU 2016-02 which includes the use of hindsight in determining the lease term and the practical expedient package to not reassess whether any expired or existing contracts are or contain leases, to not reassess the classification of any expired or existing leases, and to not reassess initial direct costs for any existing leases.

The Group has lease contracts mainly for offices and learning centers in different cities in the PRC under operating leases. The Group determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. The Group measures its lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate. As its leases do not provide an implicit borrowing rate, the Group uses an incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date. 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's leases have lease terms of up to fifteen years, which includes lessee options to extend the lease, only to the extent it is reasonably certain that the Group will exercise such extension options. The Group begins recognizing lease expense when the lessor makes the underlying asset available to the Group. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Additionally, the Group elected not to recognize leases with lease terms of 12 months or less at the commencement date. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term, not included in lease liabilities. Noncash lease expense are used as the noncash add-back for the amortization of the right-of use assets to the operating section of the consolidated statements of cash flows. The Group's lease agreements do not contain any significant residual value guarantees or restricted covenants.

The Group evaluates the carrying value of right-of-use assets, including the operating lease obligation of the asset group if there are indicators of impairment and reviews the recoverability of the related asset group. If the carrying value of the asset group determined to not be recoverable and is in excess of the estimated fair value, the Group records an impairment loss in the consolidated statement of operations. Based on the impairment assessments of the right-of-use assets, there are no impairment loss of operating lease right-of-use assets during the years ended February 28, 2021, 2022 and 2023.

(u) Government subsidies

The Group recognizes government subsidies as subsidy income when they are received because they are not subject to any past or future conditions, performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as subsidy income totaled RMB11,898, RMB2,298 and RMB1,412 (US\$204) for the years ended February 28, 2021, 2022 and 2023, respectively.

(v) Income taxes

Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant taxing authorities. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating losses are carried forward and credited by applying enacted statutory tax rates applicable to future years when the reported amounts of the asset or liability are expected to be recovered or settled, respectively. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. 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 will be classified as a component of the provisions for income taxes.

(w) Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees. Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes organized by the relevant local government authorities for its eligible employees whereby the Group is required to make contributions to the Schemes at certain percentages of the deemed salary rate announced annually by the local government authorities.

The Group has no other material obligation for payment of pension benefits associated with those schemes beyond the annual contributions described above.

(x) Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued and recognized as compensation expense adjusted for forfeiture effect on a straight-line basis, over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

The expected term represents the period that share-based awards are expected to be outstanding, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee exercise behavior. Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as the expected expiration term. The Group accounts for forfeitures of the share-based awards when they occur. Previously recognized compensation cost for the awards is reversed in the period that the award is forfeited. Amortization of share-based compensation is presented in the same line item in the consolidated statements of operations as the cash compensation of those employees receiving the award.

(y) Non-controlling interests

A non-controlling interest in a subsidiary of the Group represents the portion of the equity (net assets) in the subsidiary not directly or indirectly attributable to the Group. Non-controlling interests are presented as a separate component of equity in the consolidated balance sheet and earnings and other comprehensive income (loss) are attributed to controlling and non-controlling interests.

(z) Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity except those resulting from investments by owners and distributions to owners. For the years presented, total comprehensive (loss) income included net loss and foreign currency translation adjustments.

(aa) Loss per share

Basic loss per share are computed by dividing net loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Ordinary share equivalents are excluded from the computation in income periods should their effects be anti-dilutive. The Group had share options, which could potentially dilute basic earnings per share in the future.

(ab) Treasury shares

Treasury shares represents ordinary shares repurchased by the Group that are no longer outstanding and are held by the Group. Treasury shares is accounted for under the cost method. Under this method, repurchase of ordinary shares was recorded as treasury shares at historical purchase price. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings.

(ac) Recent accounting pronouncements not yet adopted

Recently issued ASUs by the FASB have no material impact on the Group's consolidated statements of operations and cash flows or financial position.

3. BUSINESS COMBINATION

Business combinations during the year ended February 28, 2021:

On February 7, 2018, the Group acquired 50% equity interest of Shanghai Huashi Dongfang Digital Publishing Co., Ltd. ("Huashi Dongfang") for a total consideration of RMB1,300. The Group accounted for the investment under equity-method as the Group has the ability to exert significant influence. The Group recognized investment loss of RMB25 and RMB5 in loss from equity method investments for the years ended February 29, 2020 and February 28, 2021, respectively. On April 22, 2020 the Group acquired another 19.97% equity interest of Huashi Dongfang for a total consideration of RMB1,330. Both were fully paid as of February 28, 2021. As a result of these transactions, the Group obtained control in this entity and therefore accounted for these transactions as step acquisition. The goodwill and non-controlling interests acquired from the acquisition were RMB1,804 and RMB1,174, respectively. Pro forma results of operations for this acquisition have not been presented as they are not material to the Group's consolidated results.

On September 1, 2020, the Group acquired 80% equity interest of Shanghai Jiahe International Travel Service Co., Ltd. ("Jiahe") for a total consideration of RMB800 which was fully paid as of February 28, 2021. The intangible assets and non-controlling interests acquired from the acquisition were RMB302 and RMB200, respectively. Pro forma results of operations for this acquisition have not been presented as they are not material to the Group's consolidated results.

Revenue and net loss of Huashi Dongfang and Jiahe aggregately included in the consolidated statements of operations for the year ended February 28, 2021 were RMB213 and RMB258, respectively. The transaction cost for the acquisitions of Huashi Dongfang and Jiahe was immaterial.

Business combinations during the year ended February 28, 2022:

On July 1, 2020, the Group acquired 40% equity interest of Shanghai Jing'an Four Seasons Bridge Club ("Bridge Club") for a consideration of RMB200, and accounted the investment under equity method as the Group has the ability to exert significant influence. On March 1, 2021, the Company acquired another 30% equity interest of Bridge Club for a consideration of RMB600. As a result of these transactions, the Group obtained the control in Bridge Club and accounted for these transactions as step acquisition. The goodwill and non-controlling interests acquired were RMB589 and RMB11, respectively. Pro forma results of operations for this acquisition have not been presented as they are not material to the Group's consolidated results.

Four Seasons Online Education (Cayman) Inc. ("FSOL", a related party of the Group) provides online math tutoring services, namely "52 Math", to young children in small class, which aim to improve the comprehensive math capacities of young children. On May 1, 2021, the Group acquired the "52 Math" business from FSOL assuming the entity's liabilities without obtaining its assets, which included all the teachers, students, management and sales team, the administrative information of customers of the "52 Math" business. No other form of considerations were paid. The Group accounted for the acquisition using the purchase method of accounting under ASC 805, Business Combinations. The fair value of net liabilities acquired was RMB4,751, which was the unconsummated tuition fee received in advance by FSOL and assumed by the Group as of the acquisition date. The Group recognized goodwill of RMB4,751. The business combination did not have a material impact on the Group's consolidated statements of operations and therefore pro forma disclosure have not been presented.

4. SHORT-TERM INVESTMENT AND INVESTMENTS UNDER FAIR VALUE

Short-term investment includes structured deposits and term deposit with original maturities greater than three months but less than one year, or original maturities greater than one year but will maturity within one year.

The investments under fair value pertain to structured products in fund-linked notes, interest rate-linked notes, floating rate notes, etc. The Group elects to adopt the fair value option in accordance with ASC 825 Financial Instruments to record the investments at fair value. The Group measured the investments under fair value on a recurring basis at the end of each reporting period and classified this as level 2 fair value measurements. Changes in the fair value of the investments are recorded as other income (expense), net in the consolidated statements of operations. Income of RMB2,148, and loss of RMB1,106 and RMB 1,927 (US\$278) on fair value changes were recorded in the consolidated statements of operations for the years ended February 28, 2021, 2022 and 2023, respectively.

Short-term investments as of February 28, 2022 and 2023 were as follows:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Term deposits	—	24,332	3,510
Structured deposits	89,544	—	—
Total	89,544	24,332	3,510

Investments under fair value as of February 28, 2022 and 2023 were as follows:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Short-term investments under fair value	—	156,639	22,595
Total	—	156,639	22,595
Long-term investments under fair value-current	156,459	135,201	19,502
Long-term investments under fair value-non-current	—	13,583	1,959
Total	156,459	148,784	21,461

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the followings:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Leasehold improvement	5,283	7,334	1,058
Motor vehicles	2,892	3,007	434
Electronic equipment	2,368	3,503	505
Office equipment & furniture	1,206	1,760	254
Construction in progress	5,101	7,899	1,139
Total	16,850	23,503	3,390
Less: accumulated depreciation	8,207	9,524	1,374
Property and equipment, net	8,643	13,979	2,016

For the years ended February 28, 2021, 2022 and 2023, depreciation expenses were RMB13,754, RMB8,458 and RMB2,802 (US\$ 404), respectively.

The Group recorded impairment loss for property and equipment of nil, RMB7,871 and nil for the years ended February 28, 2021, 2022 and 2023, respectively. The impairment loss for the year ended February 28, 2022 arose as a result of the changes in the regulatory environment and the Business Restructuring.

6. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Trade name	4,000	4,000	577
Student base and customer relationship	2,200	2,200	317
School cooperation agreements	1,000	1,000	144
Non-compete agreements	440	440	63
Purchased software	442	442	64
License	302	302	44
Total	8,384	8,384	1,209
Less: accumulated amortization	5,119	5,908	852
Intangible assets, net	3,265	2,476	357

For the years ended February 28, 2021, 2022 and 2023, amortization expenses were RMB1,949, RMB1,719 and RMB789 (US\$114), respectively. As of February 28, 2023, estimated amortization expense of the existing intangible assets for each of the next five years ending February 28, 2028 and thereafter is RMB614, RMB424, RMB424, RMB414, RMB400 and RMB200.

The Group recorded impairment loss for intangible assets of nil, RMB2,255 and nil for the years ended February 28, 2021, 2022 and 2023, respectively. The impairment loss for the year ended February 28, 2022 arose as a result of the changes in the regulatory environment and the Business Restructuring.

7. GOODWILL

Changes in the carrying amount of goodwill for the years ended February 28, 2022 and 2023 consisted of the following:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Balance at beginning of the year	36,967	—	—
Goodwill acquired during the year (Note 3)	5,340	—	—
Impairment losses	(42,307)	—	—
Balance at ending of the year	—	—	—

No impairment of goodwill was recorded for the years ended February 28, 2021 and 2023. For the year ended February 28, 2022, the Group recorded impairment for goodwill of RMB42,307 as the Group ceased offering K9 Academic AST services. As of February 28, 2022 and 2023, the goodwill and accumulated impairment loss was RMB157,476 (US\$22,716).

8. LONG-TERM INVESTMENTS, NET

The investments as of February 28, 2022 and 2023 were as follows:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Equity-method investments:			
- FSOL	—	—	—
- Shanghai Yanjin Information Technology Co., Ltd. ("VIP Sing")	—	—	—
- Others	—	—	—
Equity investments without readily determinable fair values:			
- Huangshan Xingyue Research Travel Education Co., Ltd. ("Huangshan")	500	500	72
- Nanjing Chengwei Venture Capital Partnership (Limited Partnership) ("Chengwei")	13,500	27,000	3,895
Total	14,000	27,500	3,967

The Group purchased 2,564,103 Series B preferred shares and 1,923,077 Series B-2 preferred shares of FSOL in March and April 2020, respectively, with the total cash consideration of US\$5,833 to acquire approximately 35.77% of FSOL. The Group accounted for the investment in FSOL under equity-method as the preferred shares were deemed in-substance common stocks and the Group has the ability to exert significant influence. The Group recognized investment loss of RMB2,857, investment income of RMB 460 and nil from equity method investments for the years ended February 28, 2021, 2022 and 2023, respectively. The investment was fully impaired for RMB35,332(US\$5,601) in fiscal year 2022.

The Group purchased 8.1% equity interest of Shanghai Yanjin Information Technology Co., Ltd. ("VIP Sing") in May 2020 with cash consideration of RMB3,000. The Group accounted for the investment in VIP Sing under equity-method as the Group has the ability to exert significant influence through the board seat held by the Group. The Group recognized investment loss of RMB1,226, RMB1,522 and nil in loss from equity method investments for the years ended February 28, 2021, 2022 and 2023. The investment was fully impaired for RMB252 in the year ended February 28, 2022.

In January 2022, the Group purchased 15% equity interest of Huangshan with consideration of RMB500. In December 2021, February 2022 and August 2022, the Group paid considerations of RMB 4,500, RMB9,000 and RMB 13,500 to purchase equity interest of Chengwei, and the equity interest held by the Group as of February 28, 2023 was 4.01%. The Group also committed to provide further capital investment to Chengwei of RMB18,000 (US\$2,596) when requested by Chengwei in future. The Group accounted the investment in Huangshan and Chengwei under equity investments without readily determinable fair values method as the Group had no significant influence over the investee and Huangshan and Chengwei had no readily determinable fair value.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Accrued employee payroll and welfare benefits	5,620	3,443	497
Payable for funding commitments (1)	45,000	45,000	6,491
Default payable (2)	4,634	1,520	219
Other taxes payable (3)	1,287	887	128
Professional service fee payable	1,533	1,076	155
Refund liabilities	664	408	59
Others	9,551	7,208	1,040
Total	<u>68,289</u>	<u>59,542</u>	<u>8,589</u>

- (1) As of February 28, 2022 and 2023, RMB45,000 has been accrued as marketing expenses, according to the funding commitment with Shanghai East Normal University Education Development Fund for public welfare purpose.
- (2) Default payable represents payable for the early terminated lease contracts.
- (3) Other taxes payable consists of value added tax payable, withholding individual tax payable and other tax payable.

10. TREASURY SHARES

Treasury shares represent shares repurchased by the Group that are no longer outstanding and are held by the Group. Under the repurchase plan, the Group had repurchased an aggregate of 1,892,389 and 49,591 ordinary shares on the open market for a total cash consideration of RMB27,794 and RMB238 (US\$34) during the years ended February 28, 2022 and 2023, which were accounted for as the cost of the treasury shares.

11. SHARE-BASED COMPENSATION

The following table presents the classification of the Group's share-based compensation expenses:

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD
General and administrative expenses	26,822	8,817	3,001	433
Sales and marketing expenses	691	185	167	24
Total share-based compensation	<u>27,513</u>	<u>9,002</u>	<u>3,168</u>	<u>457</u>

In June 2015, The Company's shareholders adopted a share incentive plan ("2015 Option Plan"). In March 2017, The Company's shareholders adopted another share incentive plan ("2017 Option Plan"). The Company's shareholders have authorized the issuance of up to 4,201,330 ordinary shares underlying all options (including incentive share options, or ISOs), restricted shares and restricted share units granted to a participant under the 2015 Option Plan and 2017 Option Plan.

On January 22, 2019, the Company modified the exercise price to US\$4.6 for a total number of 460,000 share options previously granted to independent directors, executive officers and employees on July 3, 2018. All other terms of the share options granted remain unchanged. The modification resulted in an incremental compensation cost of RMB3,967, of which RMB127 was recognized as compensation expenses during the year ended February 28, 2019. The remaining RMB3,840 will be amortized over the remaining vesting period of the modified options.

On June 30, 2019 and February 17, 2020, the Company granted 360,000 and 80,000 share options to employees at the weighted average grant date fair value of RMB10.46 and RMB10.03 per share, respectively. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

On February 5, 2021, the Company granted 860,000 share options to our directors, executive officers and employees at the weighted average grant date fair value of RMB13.24 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

The Group used the Black-Scholes option pricing model and the following assumptions to estimate the fair value of the options granted during the year ended February 28, 2021 with reference to the closing price of the Company on the measurement dates.

	<u>For the Year Ended</u> <u>February 28,</u> <u>2021</u>
Average risk-free rate of interest	1.2 %
Estimated volatility rate	53.0 %
Dividend yield	0 %
Life of options	10 years

The risk-free rate of interest is based on the US Treasury yield curve as of valuation date. Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as the expected expiration term.

A summary of the aggregate option activity and information regarding options outstanding for the periods presented are as below:

	<u>Number of</u> <u>Options</u> <u>(in 000s)</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u> <u>RMB</u>	<u>Weighted</u> <u>Average</u> <u>Remaining</u> <u>Contract</u> <u>Life</u> <u>Years</u>	<u>Aggregate</u> <u>Intrinsic</u> <u>Value</u> <u>RMB</u>
Options outstanding on February 28, 2021	4,090	14.96	6.94	29,428
Granted	—	—	—	—
Forfeited	(122)	27.12	8.44	—
Expired	(70)	19.91	5.43	—
Exercised	—	—	—	—
Options outstanding on February 28, 2022	3,898	14.49	5.91	—
Granted	—	—	—	—
Forfeited	(93)	25.46	7.66	—
Expired	(592)	13.60	4.57	—
Exercised	—	—	—	—
Options outstanding on February 28, 2023	3,213	14.34	4.91	—
Options vested or expected to vest on February 28, 2023	3,213	14.34	4.99	—
Options exercisable on February 28, 2023	2,790	13.92	4.56	—

For years ended February 28, 2021, 2022 and 2023, the Group recognized share-based compensation expense of RMB27,513, RMB9,002 and RMB3,168 (US\$457), respectively. As of February 28, 2023, there was RMB5,018 (US\$724) in total unrecognized compensation cost related to non-vested share options, which is expected to be recognized over a weighted-average period of 1.96 years.

12. INCOME TAXES

Income tax expenses consist of the following:

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD
Current income tax expense:				
PRC	8,030	7,407	875	126
Deferred income tax expense:				
PRC	(3,270)	14,436	118	17
Total income tax expense	4,760	21,843	993	143

Cayman Islands

Four Seasons Education (Cayman) Inc. is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, Four Seasons Education (Cayman) Inc. is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiary, Four Seasons Education (Hong Kong) Limited, which domiciled in Hong Kong, has introduced a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK dollar 2,000 of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. No provision for Hong Kong Profits tax has been made in the consolidated financial statements as it has no assessable income for the years ended February 28, 2021, 2022 and 2023.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), the Group's subsidiaries and VIEs incorporated in the PRC are subject to statutory rate of 25% with the following exceptions.

Certain entities within the Group are qualified as small low-profit enterprises. For the years ended February 28, 2021, the portion of annual taxable income amount of a small low-profit enterprises which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. For the year ended February 28, 2022, the portion of annual taxable income amount of a small low-profit enterprises which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. For the year ended February 28, 2023, the portion of annual taxable income amount of a small low-profit enterprises which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets and liabilities were as follows:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Deferred tax assets:			
Net operating loss carry-forward	7,054	8,486	1,224
Advertising expenses	5,535	5,600	808
Rental	2,128	545	79
Accrued expenses	13,168	13,701	1,976
Property and equipment, net	119	115	17
Allowance for doubtful accounts	2,318	3,312	478
Less: valuation allowance	(27,368)	(30,521)	(4,403)
Total deferred tax assets	2,954	1,238	179
Deferred tax liabilities:			
Intangible assets	725	575	83
Right-of-use asset	2,085	637	92
Total deferred tax liabilities	2,810	1,212	175
Net deferred tax assets	144	26	4

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law. Movement of the valuation allowance is as follows:

	As of		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
Balance at the beginning of the year	(6,301)	(27,368)	(3,948)
Provided	(23,079)	(3,383)	(488)
Written off	2,012	230	33
Balance at the end of the year	(27,368)	(30,521)	(4,403)

As of February 28, 2023, PRC tax loss carry-forward amounted to RMB56,480 (US\$8,147), and would expire from calendar year 2024 to 2028, respectively. HK tax loss carry-forward amounted to RMB6,403 (US\$924) can be carried forward indefinitely. The Group does not file consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of RMB30,521 (US\$4,403) had been established as of February 28, 2023, in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

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 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 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 statutory income tax rate of 25%.

As of February 28, 2022 and 2023, there are RMB13,217 and RMB15,313 (\$US2,209) respectively of uncertain tax position included in income tax payable that if recognized upon the expiration of the statute limitation would impact the effective tax rate. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. There was no interest and penalty accrued as of February 28, 2022 and 2023. The Group is currently unable to provide an estimate of a range of total amount of unrecognized tax benefits that is reasonably possible to change significantly within the next twelve months.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. A deferred tax liability should be recognized for the undistributed profits of PRC subsidiaries unless the Company has sufficient evidence to demonstrate that the undistributed dividends will be reinvested and the remittance of the dividends will be postponed indefinitely. The Group plans to indefinitely reinvest undistributed profits earned from its China subsidiaries in its operations in the PRC. Therefore, no withholding income taxes for undistributed profits of the Group's subsidiaries have been provided as of February 28, 2022 and 2023.

A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Group completed its feasibility analysis on a method, which the Group will ultimately execute if necessary to repatriate the undistributed earnings of the VIE without significant tax costs. As such, the Group does not accrue deferred tax liabilities on the earnings of the VIE given that the Group will ultimately use the means.

Loss before provision for income taxes is attributable to the following geographic locations for the years ended February 28:

	For the Years Ended		
	February 28, 2022	February 28, 2023	
	RMB	RMB	USD
PRC	(44,126)	(14,937)	(2,154)
Foreign	(16,013)	(17,558)	(2,533)
Total Loss before provision of income taxes	(60,139)	(32,495)	(4,687)

Reconciliations of the differences between PRC statutory income tax rate and the Group's effective income tax rate for the years ended February 28, 2021, 2022 and 2023 are as follows:

	For the Years Ended		
	February 28, 2021	February 28, 2022	February 28, 2023
Statutory income tax rate	25 %	25 %	25 %
Non-deductible expenses	(32 %)	(12 %)	4 %
Effect of preferential tax rate	8 %	(5 %)	(3 %)
Effect of different tax rate of subsidiary operation in other jurisdiction	(7 %)	(6 %)	(13 %)
Effect of tax rate change	—	—	(6 %)
Effect of valuation allowance	(19 %)	(38 %)	(10 %)
Effective tax rate	(25 %)	(36 %)	(3 %)

For the year ended February 28, 2022, the non-deductible expenses is mainly due to goodwill impairment.

13. LOSS PER SHARE

Net loss per share was computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding for the years ended February 28, 2021, 2022 and 2023:

	For the Years Ended			
	February 28, 2021	February 28, 2022	February 28, 2023	
	RMB	RMB	RMB	USD
Net loss attributable to ordinary shareholders-basic and diluted	(28,196)	(113,462)	(29,666)	(4,279)
Weighted average number of ordinary shares outstanding-basic and diluted	23,131,195	22,491,122	21,234,763	21,234,763
Basic and diluted -net loss per share	(1.22)	(5.04)	(1.40)	(0.20)

As of February 28, 2021, 2022 and 2023, diluted net loss per share does not include the following instruments as their inclusion would be antidilutive:

	For the Years Ended		
	February 28, 2021	February 28, 2022	February 28, 2023
Share options	4,090,109	3,897,609	3,212,209

14. RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group:

Name of related parties	Relationship with the group
FSOL	Equity method investee of the Group
Shanghai Fuxi Network Co., Ltd. ("Fuxi Network")	Equity method investee of the Group
VIP Sing	Equity method investee of the Group
Jiaxin Travel	Entity controlled by Tian Peihua, brother of Tian Peiqing, Chairman of the Group
Dangdai	Entity ultimately controlled by Tian Peihua, brother of Tian Peiqing, Chairman of the Group
Huangshan Culture Investment Group Co., Ltd. ("Huangshan Culture")	Non-controlling interest shareholder of VIE's subsidiary
Ju Yiming, Liu Wei, Shen Yalin, Yang Huining, Ma Lichao, Yang Hongguan and Song Ping	Non-controlling interest shareholders of VIE's subsidiaries
Shanghai Four Season Online School ("SHFSOS")	Sponsored by Shanghai Jiaxin Travel Agency, Entity controlled by Tian Peihua, brother of Tian Peiqing, Chairman of the Group
East China Normal University Electronic and Audio-visual Publishing House ("ESNU Publishing")	Wholly-owned subsidiary of the non-controlling shareholder of the Group

The Group entered into the following transactions with its related parties:

	For the Years Ended			
	February 28 2021	February 28 2022	February 28 2023	
	RMB	RMB	RMB	USD
Services provided to related parties				
SHFSOS ⁽¹⁾	—	—	7,381	1,065
ESNU Publishing ⁽²⁾	—	—	155	22
Dangdai	—	—	124	18
Fuxi Network	2,476	949	—	—
Total	2,476	949	7,660	1,105
Purchases of services provided by related parties				
ESNU Publishing ⁽²⁾	—	—	532	77
SHFSOS	—	—	127	18
Fuxi Network	3,525	—	—	—
Others	246	—	—	—
Total	3,771	—	659	95
Lease expense to Huangshan Culture ⁽³⁾	108	108	91	13
Total	108	108	91	13
Gain from disposal of liabilities and a subsidiary ⁽⁴⁾	—	4,048	—	—
Total	—	4,048	—	—

(1) The Company provided course design and development services, digital learning system, student management platform and promotional assistance service to SHFSOS, and charged service fee accordingly.

(2) The Company charged service fee from ESNU Publishing for the copyright use of the Company's self-developed book series. The Company also purchased printing service for the self-developed book series from ESNU Publishing.

(3) In September 2019, the Group entered into two lease contracts with Huangshan Culture Investment Group Co., Ltd., non-controlling interest shareholder of Huangshan Four Seasons Research and Learning Education Development Co., Ltd. The Group recognized an operating lease right-of-use asset of RMB88 and nil, and operating lease liability of RMB40 and nil as of February 28, 2022 and 2023, respectively. The operating lease expenses was RMB108, RMB108 and RMB91(US\$13) for the years ended February 28, 2021, 2022 and 2023, respectively.

(4) Due to the change in regulations, the Group ceased offering K-9 Academic AST services at the end of 2021. The Group disposed the deferred revenue related to K-9 Academic AST services that it received in advance from the students for the unconsummated lessons to Jiaxin Travel's sponsored not-for profit entities with a consideration at RMB7,500. After disposal, all the rights and obligations related to the contracts of unconsummated lessons were transferred to Jiaxin Travel. The Group recognized gain of RMB 835 from the transaction for the year ended February 28, 2022.

In December 2021, the Group disposed its entire equity interest in Shanghai Jing'an Dangdai Art Training School ("Dangdai") to Jiaxin Travel. No other form of consideration was received. The disposal was effected by the change of sponsor of Dangdai on December 31, 2021. Dangdai was in a net liability position at the time of disposal, and Jiaxin assumed all its liabilities, which led to the group recognizing a gain on disposal of RMB3,213 for the year ended February 28, 2022. The disposal was not a strategic shift of the business and would not have a major impact on the Group's business, therefore the disposal did not qualify as discontinued operations.

The following tables present amounts due from and to related parties as of February 28, 2022 and 2023:

	As of February 28,		
	2022	2023	
	RMB	RMB	USD
Amount due from related parties			
SHFSOS ⁽¹⁾	—	6,471	933
Dangdai ⁽²⁾	1,998	2,209	319
ESNU Publishing ⁽³⁾	—	1,859	268
Jiaxin Travel ⁽²⁾	948	—	—
Non-controlling interest shareholders of VIE's subsidiaries ⁽⁴⁾	588	588	85
Total	3,534	11,127	1,605
Amounts due to related parties			
ESNU Publishing ⁽⁵⁾	—	541	78
Non-controlling interest shareholders of VIE's subsidiaries ⁽⁶⁾	723	283	41
Others	160	43	6
Total	883	867	125

- (1) The amount represents the receivable from course design and development services, digital learning system, student management platform and promotional assistance service provided to SHFSOS.
- (2) The amount represents the refund of tuition fee on behalf of Jiaxin Travel and Dangdai after the disposal of deferred revenue and Dangdai to Jiaxin Travel.
- (3) The amount represents the prepayments for book printing service provided by ESNU Publishing.
- (4) The amount represents the loan lent to non-controlling interest shareholders.
- (5) The amount represents the advance from ESNU Publishing for copyright use.
- (6) The amount represents the loan borrowed from non-controlling interest shareholders, which were non-interest bearing, unsecured, and due on demand.

15. LEASES

The Group's operating leases mainly related to offices and learning centers in the PRC. As of February 28, 2022 and 2023, the Group had no leases that were classified as a financing lease. Total operating lease expenses for the years ended February 28, 2021, 2022 and 2023 were RMB56,081, RMB43,959 and RMB4,769 (US\$688), respectively, and was recorded in cost of revenues or operating expenses on the consolidated statements of operations. The short term lease expenses for the years ended February 28, 2021, 2022 and 2023 were RMB708, nil and nil, respectively and was recorded in the consolidated statements of operations. As of February 28, 2023, the Group did not have additional operating leases that have not yet commenced.

Weighted-average remaining lease terms and discount rates are as follows:

	As of February 28,	
	2022	2023
Weighted average remaining lease term (years)	4.3	1.71
Weighted average discount rate	5.7 %	5.4 %

The following is a maturity analysis of the annual undiscounted cash flows for the annual periods ended February 28 or 29:

Year ending of February 28 or 29:	RMB	USD
2024	4,386	633
2025	1,211	175
2026	88	13
Thereafter	-	-
Total minimum lease payments	5,685	821
Less: amount representing interest	(1,959)	(284)
Present value of minimum lease payments	3,726	537

16. COMMITMENTS AND CONTINGENCIES

(a) Capital and Other Commitments

As of February 28, 2023, the Group had capital commitments of approximately RMB5,826 (US\$840). These commitments were solely related to contracts signed with vendors for camps construction by the Group and are expected to be paid in one year.

As of February 28, 2023, the Group had long-term investment obligations represent obligations in connection with several investments and amounted to RMB17,500 (US\$2,524) and are expected to be paid in one year.

(b) Contingencies

From time to time, the Group may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Group does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of operations or liquidity.

17. CONCENTRATION

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivables, deposits and other assets, short-term investments, short-term investments under fair value and long-term investments under fair value. The Group places its cash and cash equivalents and investments with financial institutions with high-credit ratings. The Group conducts credit evaluations of its customers and suppliers, and generally does not require collateral or other security from them. The Group evaluates its collection experience and long outstanding balances to determine the need for an allowance for doubtful accounts.

The Group evaluates its concentrations of the continuing operations are as follows:

(a) Major customers:

For the years ended February 28, 2021, 2022 and 2023, the customers who accounted for 10% or more of total revenues are presented as follows:

	For the Years Ended						
	February 28, 2021		February 28, 2022		February 28, 2023		
	RMB	%	RMB	%	RMB	US\$	
Customer A	—	—	—	—	7,381	1,065	22
Total	—	—	—	—	7,381	1,065	22

As of February 28, 2022 and 2023, the customers who accounted for 10% or more of accounts receivable are presented as follows:

	February 28, 2022		As of		
			February 28, 2023		
	RMB	%	RMB	US\$	%
Customer B	—	—	492	71	55
Customer C	—	—	100	14	11
Total	—	—	592	85	66

(b) Major suppliers:

For the years ended February 28, 2021, 2022 and 2023, there was no supplier accounting for 10% or more of the cost of revenues.

18. SEGMENT INFORMATION

The Group's chief operating decision maker, comprised of the Chairman and CEO, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group does not distinguish among markets or segments for the purpose of internal reports.

All of the Group's revenue for the years ended February 28, 2021, 2022 and 2023 were generated from the PRC. As of February 28, 2022 and 2023, substantially all of the long-lived assets of the Group are located in the PRC, and no geographical information is presented.

19. MAINLAND CHINA 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, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total contributions for such employee benefits were RMB12,148, RMB15,966 and RMB4,885 (US\$705) for the years ended February 28, 2021, 2022 and 2023 respectively. The Company enjoyed temporary exemption from mandated defined contribution plan in the year ended February 28, 2021 of RMB4,213 due to COVID-19.

20. RESTRICTED NET ASSETS

As a result of the PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital, additional paid-in capital and the statutory reserves of the Company's PRC subsidiaries, affiliates and VIEs. As of February 28, 2022 and 2023, the total of restricted net assets were RMB116,359 and RMB111,490 (US\$16,082), respectively.

21. SUBSEQUENT EVENT

The Group has evaluated subsequent events to the balance sheet date of February 28, 2023 through June 28, 2023, the date of issuance of the consolidated financial statements, there were no other subsequent events occurred that would require recognition or disclosure in the Group's consolidated financial statements except for the below.

On June 1, 2023, the Group modified the exercise price to US\$2 for a total number of 1,155,000 outstanding share options previously granted to independent directors, executive officers and employees on July 3, 2018, June 30, 2019 and February 5, 2021. All other terms of the share options granted remain unchanged. The Group is performing valuation for the modified options, and the incremental compensation cost, if any, as a result of the modification would be recognized.

On June 1, 2023, the Group granted 100,000 share options to employees with a ten-year life and vest ratably at each grant date anniversary over a period of four years.

Contract for Assignment of State-owned Construction Land Use Right

Parties to this Contract:

Assignor: Wuyuan County Planning and Natural Resources Commission

Mailing address: 8 Shuxiang Road

Postal code: /

Tel: 0793-7343898

Fax: /

Deposit Bank: /

Account No.: /

Assignee: Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd.

Mailing address: No. 1, Huang Village, Qinghua Town, Wuyuan County, Shangshao, Jiangxi Province

Postal code: /

Tel: 187555941801

Fax: /

Deposit Bank: /

Account No.: /

Chapter I General Provisions

Article 1 The Contract is entered into by the parties hereto on the basis of equality, voluntariness, consideration, and good faith in accordance with the *Property Law of the People's Republic of China*, the *Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on Land Administration* and the *Law of the People's Republic of China on the Administration of Urban Real Estate*, and the administrative regulations and policies governing land supply.

Article 2 The Assigned Land is owned by the People's Republic of China, and the Assignor is authorized to assign the state-owned construction land use right in accordance with laws. Any resources and objects buried under the Assigned Land shall not be included in the scope of the state-owned construction land use right in and of the Assigned Land.

Article 3 For the state-owned construction land legally obtained by the Assignee, the Assignee shall have the right to possess, use, seek profits and dispose in accordance with the law within the term of assignment and shall also have the right to use the land for the construction of buildings, fixtures and their auxiliary facilities in accordance with the law.

Chapter II Delivery of the Assigned Land and the Payment of Assignment Price

Article 4 The registered number of the Assigned Land under the Contract is DEL2021-21, with a total area of thirty nine thousand one hundred and thirty nine and eight hundredth square meters (39139.08 m²), of which thirty nine thousand one hundred and thirty nine and eight hundredth square meters (39139.08 m²) will be assigned hereunder.

The Assigned Land under the Contract is located in Huangjia Qinhuo Town.

The ichnographic boundaries of the Assigned Land under the Contract is / / and the chart attached thereto; please refer to Appendix 1 for the Ichnographic Boundaries of the Assigned Land.

The vertical limits of the Assigned Land under the Contract are at / / as its upper limit and / / as its lower limit, with the altitude difference of / / meters. Please refer to Appendix 2 for the Vertical Limits of the Assigned Land.

The spatial scope of the Assigned Land refers to the closed space formed by the above-mentioned boundary points posed by the vertical plane and the upper and lower elevation level.

Article 5 The purpose of the Assigned Land under the Contract is for education.

Article 6 The Assignor agrees to deliver the Assigned Land to the Assignee by September 26, 2021, and the Assignor agrees that the Assigned Land shall meet the following land conditions regulated in Article 1 of this article at the delivery of the land.

1. To level the land and make it meet the conditions of present condition;

The infrastructure around the land shall include / / ;

2. Current land status: / / .

Article 7 The term of assignment of the state-owned construction land use right under the contract is 50 years, counting from the date when the Assigned Land is delivered as agreed in Article 6 of the Contract. In respect of any allotted (or leased) state-owned construction land use right for which assignment formalities are required retrospectively, the term of such assignment shall be counted from the date when the contract is signed.

Article 8 The assignment price for the state-owned construction land use right under the Contract is RMB twelve million and one hundred thousand yuan (RMB12100000), and the price per square meter is RMB three hundred and nine and fifteen hundredth yuan (RMB309.15).

Article 9 The deposit for the Assigned Land under the Contract is RMB six million and fifty thousand yuan (RMB6050000). The deposit shall be regarded as part of the payment for the assignment price.

Article 10 The Assignee agrees to pay the assignment price for the state-owned construction land use right in accordance with Article 1, Paragraph 1 of this Article:

1. The assignment price for the state-owned construction land use right shall be paid up in a lump sum payment at one time within 14 days after the Contract is signed.

2. The assignment price for the state-owned construction land use right shall be paid by / / installments in accordance with the following time and amount.

For the payment of state-owned construction land use right by installment, the Assignee, when paying for the second installment and the subsequent installment of assignment price for state-owned construction land use right, shall agree to pay interest to the Assignor at the lending interest rate released by the People's Bank of China on the date of the payment of the first installment.

Article 11 After paying up the assignment price of the land parcel in accordance with the Contract, the Assignee may apply for the Certificate of Assignment of State-owned Construction Land Use

Right by presenting relevant supporting materials including the Contract and payment receipt of the assignment price.

Chapter III Development, Construction and Utilization of the Assigned Land

Article 12 The Assignee shall agree to implement development and investment of the Assigned Land under the Contract as provided under Section ___ of this Article:

1. The Assigned land under the Contract shall be used for construction of industrial projects, and the Assignee agrees that the total fixed assets invested in the land under the Contract shall not be less than the approved amount or the filed amount, (in Words) ___ yuan (in Figure) ___ yuan. The investment shall not be less than (in Words) ___ yuan (in Figure) ___ yuan per square meter. The total investment of the fixed assets to the Assigned Land under the Contract shall include buildings, fixtures and their auxiliary facilities, equipment as well as the assignment price.
2. The Assigned Land under the Contract shall be used for construction of non-industrial projects, and the Assignee undertakes that the total development and investment amount of the land parcel under the Contract shall not be less than (in Words) ___ yuan (in Figure) ___ yuan.

Article 13 The new buildings, fixtures and their auxiliary facilities established on the Assigned Land under the Contract shall meet the planning conditions for the Assigned Land determined by the planning administrations of the city (county) (Please refer to Appendix III), among which:

Nature of the main buildings: ___;
Nature of the auxiliary buildings: ___;
Total floor area of the building: no more than 35225.17 square meters;
Floor Area Ratio: below 0.9 ;
Building Height Limitation: below 24 meters ;
Building Density: below 40% ;
Greening Rate: above 20% ;
Other requirements for the land use: ___.

Other land use requirements: 1. In addition to paying the full land transfer price, the transferee also needs to pay an additional RMB2.5369 million yuan for the collection and storage of the property to the Wuyuan County Finance Bureau before September 16, 2021; 2. After the development and construction of the plot is completed, the real estate on the ground shall be 100% owned by the bidder and shall not be divided or transferred.

Article 14 The Assignee agrees to implement complementary development of the Assigned Land under the Contract as provided under Section ___ of this Article:

1. The Assigned Land under the Contract is used for construction of industrial projects. In accordance with the planning and designing conditions regulated by the planning departments, within the boundaries of the Assigned Land under the Contract, the land used for office buildings and service facilities shall be no more than ___ % of the total area of the Assigned Land, which is ___ square meters, and the building area shall be no more than ___ square meters. The Assignee agrees not to build non-productive facilities such as set residential buildings, expert buildings, hotels, guesthouses and training centers on the Assigned Land under the Contract.
 2. The Assigned Land under the Contract is used for construction of residential projects. In accordance with the planning and construction conditions regulated by the planning and construction departments, within the boundaries of the Assigned Land under the Contract, the total number of apartments shall not be less than ___ sets, among which, the apartments with the construction area of less than 90 square meters shall not be less than ___ sets. The requirement for the residential building sets is ___. Within the boundaries of the Assigned Land under the
-

Contract, the land area used for developing apartments under 90 square meters shall not less than / / % of the total area of the Assigned Land. For the housing built by the government for low-income residents including affordable housing and low-rent housing to be developed within the boundaries of the Assigned Land under the Contract, the Assignee agrees to do in accordance with Article / / upon completion of construction.

- 1) To transfer to the government.
- 2) To be purchased by the government.
- 3) To be implemented in accordance with relevant administrative regulations on the construction and sales of economically affordable housing.
- 4) / / .

Article 15 The Assignee agrees to construct the following complementary facilities within the boundaries of the Assigned Land under the Contract, and voluntarily transfer to the government upon completion of construction without compensation:

 / / .

Article 16 The Assignee agrees that the construction projects on the Assigned Land under the Contract shall commence prior to March 26, 2022 and complete prior to September 26, 2023 .

If the construction is not commenced as schedule above, the Assignee shall submit the application for deferral to the Assignor 30 days in advance. After the deferral of commencement is approved by the Assignor, the completion time shall be deferred accordingly, but the period of deferral shall not exceed one year.

Article 17 During the construction on the Assigned Land under the Contract, the Assignee shall connect water supply, gas supply, power supplies, sewage disposal and other facilities in the Assigned Land to the main pipelines, the interface of electro-converting stations or pulling in projects outside of the Assigned Land in accordance with relevant laws and regulations.

The Assignee shall agree to allow the entering, passing and crossing the Assigned Land of any kind of pipelines and wires required by the government for utility purposes. However, if the use of the Assigned Land is affected by such activities, the responsible government agency or utility service provider shall make reasonable indemnity.

Article 18 The Assignee shall abide by the land use purpose and floor area ratio as agreed in the Contract and shall not make any alteration without authorization. Within the assignment term, if the proposed use of the Assigned Land needs to be altered, both Parties shall agree to make the alteration in accordance with Section 2 of this article.

1. The Assignor shall collect the construction land use right with payment of consideration.
2. They shall go through the approval formalities of altering the land use purpose in accordance with laws and sign an alteration agreement on assignment of state-owned construction land use right or sign a new contract of assignment of state-owned construction land use right. The Assignee shall make a supplementary payment for the balance between the evaluated market price of the construction land use right with the new purpose when the alteration is approved and the evaluated market price of the construction land use right with the previously approved purpose. The registration of altering the land use right shall be undertaken.

Article 19 Within the term of the Assigned Land under the Contract, the government shall reserve its right to adjust the planning of the Assigned Land under the Contract. If the original planning is

modified, it shall not affect the existing buildings on the Assigned Land. However, the transformation, renovation and reconstruction of the buildings, fixtures and their auxiliary facilities on the Assigned Land within its use term, or renewal of the Contract upon expiration of use term shall be implemented in accordance with the then effective planning requirements.

Article 20 For the state-owned construction land use right utilized by the Assignee in accordance with the law, the Assignor shall not withdraw the assignment before the use term expires as agreed in the Contract. Under special circumstances when the Assignor needs to withdraw the state-owned construction land use right in accordance with the needs of public interests in advance the Assignor shall report for approval in accordance with legal formalities and shall compensate the land user in accordance with the value of the buildings, fixtures and their auxiliary facilities on the Assigned Land at the time of withdrawal, the estimated value of the then market price of the remained assignment term of the state-owned construction land use right and the estimated direct loss arising from the withdrawal.

Chapter IV Transfer, Lease and Mortgage of the State-Owned Construction Land Use Right

Article 21 After paying up the assignment price of the state-owned construction land use right in accordance with the Contract and obtaining the Certificate of the State-owned Land Used Right, the Assignee shall be entitled to transfer, lease or mortgage all or part of the state-owned construction land use right under the Contract. The first transfer shall meet the conditions in Section 2 of this article:

1. The development of the Assigned Land shall be conducted in accordance with the Contract, and more than 25% of the total development and investment have been completed.
2. The investment and development shall be conducted in accordance with the Contract, and the Assigned Land has formed conditions for industrial purpose or other construction purposes.

Article 22 The transfer, lease and mortgage of the state-owned construction land use right shall not violate the laws and regulations of the country and the provisions of the Contract.

Article 23 If all or part of the state-owned construction land use right is transferred, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly. The use term of the state-owned construction land use right shall be the remaining term that the use term as agreed in the Contract minus the use term for which the Assignee has used.

After all or part of the state-owned construction land use right under the Contract is leased, the rights and obligations specified in the Contract and in the land registration documents shall still be undertaken by the Assignee.

Article 24 If the state-owned construction land use right is transferred or mortgaged, both parties for the transfer or mortgage shall apply for registration of changes for land use right at the land and resources administrations by presenting the Contract, relevant contract on transfer or on mortgage and the Certificate for the State-owned Land Use Right.

Chapter V Expiration of Use Term

Article 25 When the term agreed in the Contract expires, and the land user needs to continue using the Assigned Land under the Contract, an application for renewal shall be submitted to the Assignor no less than one year prior to the expiration of the use term. The Assignor shall not unreasonably withhold the application for the renewal unless the Assignor needs to withdraw the Assigned Land under the Contract for the needs of public interests.

For the construction land use right for residential purpose, it shall be renewed automatically upon the expiration of the use term.

If the Assignor agrees on the renewal, the land user shall effect the formalities for relevant land assignment or leasing for a consideration in accordance with the law, re-enter into the contract to use the relevant assigned or leased land for a consideration, and pay the relevant land assignment or leasing price.

Article 26 When the assignment term of the land use right expires and if the Assignee fails to obtain the approval of renewal of such right because of public interests, the Assignee shall return the Certificate of State-owned Land Use Right to the Assignor and shall complete the deregistration of the state-owned construction land use right in accordance with relevant regulations, and the Assignor shall withdraw the state-owned construction land use right without compensation. The Assignor and the land user shall agree to dispose the buildings, fixtures and their auxiliary facilities on the Assigned Land under the Contract in accordance with Section 1 of this Article:

1. The Assignor shall take ownership of the above-ground buildings, fixtures and their auxiliary facilities on the Assigned Land and give reasonable compensation to the land user based on the residual value of these buildings, fixtures and their auxiliary when they are taken back.
2. The Assignor shall take ownership of the above-ground buildings, fixtures and their auxiliary facilities on the Assigned Land without compensation.

Article 27 When the use term of the Assigned Land expires, if the land user fails to obtain the approval of renewal, the land user shall return the Certificate of State-owned Land Use Right, and shall complete deregistration of the state-owned construction land use right in accordance with relevant regulations. The Assignor shall withdraw the state-owned construction land use right without compensation. The above-ground buildings, fixtures and their auxiliary facilities on the Assigned Land under the Contract shall be owned by the Assignor without compensation. The land user shall guarantee the normal functions of the above-ground buildings and other objects and their auxiliary facilities and no deliberate destructions shall be allowed. If the above-ground buildings, fixtures and their auxiliary facilities lose their normal functions, the Assignor may request the land user to remove or dismantle the above-ground buildings, fixtures and their auxiliary facilities to restore the leveled ground on the Assigned Land.

Chapter VI Force Majeure

Article 28 Either of the parties of the Contract shall be exempt from responsibilities when all or part of the Contract cannot be performed due to occurrence of event of force majeure. However, any necessary remedy shall be taken to diminish the losses caused by the force majeure if conditions warrant it. The affected party shall not be exempted from responsibilities when force majeure event occurs during delay of performance.

Article 29 If any event of force majeure occurs, the affected party shall notify the other party in written form by mail, telegram or fax within 7 days of the occurrence of force majeure, and shall provide the other party with a report and evidences of the reason for which the performance of the Contract is delayed or prevented within 15 days of the occurrence of such event.

Chapter VII Liability for Breach of the Contract

Article 30 The Assignee shall pay for the assignment price of the state-owned construction land use right on time in accordance with the terms of the Contract. If the Assignee fails to pay for such assignment price on schedule, it shall be imposed on a daily penalty of 1% of the deferred payment to the Assignor starting from the first day after the due time. If the assignment price is overdue for more than 60 days, and the Assignee neglects the Assignor's reminder of the payment, the Assignor shall have the right to terminate the Contract, and the Assignee shall have no right to request the Assignor to refund the deposit. The Assignor can request the Assignee to compensate for the losses.

Article 31 If the Assignee terminates its investment and construction for any of its own reasons, and proposes to the Assignor to terminate the Contract and return the Assigned Land, the Assignor shall report for approval to the people's government which originally approves the land use right assignment plan.

After obtaining such approval, the Assignor shall, in accordance with the following agreements, refund all or part of the assignment price of the state-owned construction land use right (without interest) except for the deposit as agreed in the Contract, and withdraw the state-owned construction land use right. The established buildings, fixtures and their auxiliary facilities within the boundaries of the Assigned Land may not be compensated while the Assignor may request the Assignee to remove or dismantle the established buildings, fixtures and their auxiliary facilities to restore the leveled ground. However, if the Assignor is willing to continue to use the established buildings, fixtures and their auxiliary facilities within the boundaries of the Assigned Land, the Assignor shall make reasonable compensation to the Assignee.

1. If the Assignee applies to the Assignor not less than 60 days prior to the first anniversary of the construction commencement date provided under the Contract, the Assignor shall refund all the paid assignment price of the state-owned construction land use right except for the deposit.
2. If the Assignee applies to the Assignor between the first and the second year after the commencement of the construction and not less than 60 days before the second anniversary of the construction commencement date provided under the Contract, the Assignor shall refund the remainder of the assignment price of the state-owned construction land use right after deducting the deposit and the prices for idle land in accordance with regulations.

Article 32 If the Assigned Land is left unused for at least one year but less than two years due to the Assignee's failure to commence construction and development for any of its own reasons, the Assignee shall pay the cost of idled land in accordance with the law. If the land is left unused for at least two years and the construction on the Assigned Land doesn't commence, the Assignor shall have the right to take back the state-owned construction land use right without any compensation.

Article 33 If the Assignee fails to commence the construction on the date as agreed in the Contract, or another date agreed upon in cases of accepted delayed construction, it shall pay 1% of the total assignment price for the land use right as damages for breach of contract to the Assignor for each deferred day, and the Assignor shall be entitled to demand the Assignee to continue performing the Contract.

If the Assignee fails to complete the construction in accordance with the date provided under the Contract, or another date agreed upon in cases of accepted delayed construction, it shall pay 1% of the total assignment price for the land use right as damages for breach of contract to the Assignor for each deferred day.

Article 34 If the total fixed asset investment to the project, the investment intensity and the total development and investment amount fail to meet the requirements as agreed in the Contract, the Assignor may demand the Assignee to pay damages for breach of contract at a certain percentage of the assignment price herein equal to the percentage that the exact underpayment accounts for in the total investment amount and investment intensity requirement, and the Assignor shall be entitled to demand the Assignee to continue performing the Contract.

Article 35 If any index such as the floor area ratio and the building density fails to satisfy the lowest standard as agreed in the Contract, the Assignor may demand the Assignee to pay damages for breach of contract at a certain percentage of the assignment price equal to the percentage that the exact balance accounts for in the abovementioned lowest standard, and the Assignor shall be entitled to demand the Assignee to continue performing the Contract. If any index such as the floor area ratio and the building density exceeds the highest standard as agreed in the Contract, the Assignor shall be entitled to take back the excessive area and demand the Assignee to pay damages for breach of contract at a certain percentage of the assignment price equal to the percentage that the exact excess accounts for in the stipulated standard.

Article 36 If any index such as the greening rate of industrial construction project, the proportion and the area of the land used for office buildings and service facilities within the enterprises fails to satisfy the standard as agreed in the Contract, the Assignee shall pay the Assignor / % of the total assignment price for the land use right as damages for breach of contract and shall remove or dismantle such greening and construction facilities.

Article 37 After the Assignee pays the assignment price of the land use right in accordance with the Contract, the Assignor shall deliver the Assigned Land on time in accordance with the agreement of the Contract. If the possession period of the land parcel under the Contract is extended due to the Assignor's failure to deliver the Assigned Land on time, the Assignor shall pay 1% of the assignment price which has been paid by the Assignee as damages for breach of contract for each day extended. The land use term shall commence from the actual delivery date. If the land delivery is deferred for more than 60 days, and the Assignor fails to deliver the land after being reminded by the Assignee, the Assignee shall be entitled to terminate the Contract, and the Assignor shall repay the deposit in double and refund the paid assignment price of state-owned construction land use right after deducting the deposit, and the Assignee can request the Assignor to compensate the losses.

Article 38 If the Assignor fails to deliver the Assigned Land on time, or fails to deliver the Assigned Land on the conditions as agreed in the Contract, or unilaterally change the land use conditions, the Assignee shall have the right to request the Assignor to perform its obligations in accordance with the requirements agreed herein and compensate its direct loss caused by the delayed performance. The land use term shall commence from the date when the land use conditions are satisfied.

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Article 42 The two parties of the Contract shall guarantee that the names, mailing addresses, telephone numbers, fax numbers, Deposit Banks, representatives and other information they provide are authentic and valid. Any change to such information of either party shall be notified to the other party in written form within 15 days upon such change; otherwise, the changing party shall undertake the responsibilities for its failure to notify the change of information in time.

Article 43 The Contract including the Appendixes has 21 pages, and the Chinese version shall prevail.

Article 44 All the prices, amounts and land areas in the Contract shall be written both in words and in figures, which shall be identical to each other. If there is any discrepancy, those in words shall prevail.

Article 45 Any matter that is not covered in the Contract may be included in the Appendixes of the Contract upon agreement of both parties, which shall be equally binding with the Contract.

Article 46 The Contract shall be made in three counterparts, which shall be equally binding, with the Assignor holding one and the Assignee holding two counterparts.

Assignor (seal): Wuyuan County Planning and Natural Resources Commission

Assignee (seal): Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd.

Dated September 2, 2021

Contract for Assignment of State-owned Construction Land Use Right

Parties to this Contract:

Assignor: Wuyuan County Planning and Natural Resources Commission

Mailing address: 8 Shuxiang Road

Postal code: /

Tel: 0793-7343898

Fax: /

Deposit Bank: /

Account No.: /

Assignee: Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd.

Mailing address: No. 1, Huang Village, Qinghua Town, Wuyuan County, Shangshao, Jiangxi Province

Postal code: /

Tel: 187555941801

Fax: /

Deposit Bank: /

Account No.: /

Chapter I General Provisions

Article 1 The Contract is entered into by the parties hereto on the basis of equality, voluntariness, consideration, and good faith in accordance with the *Property Law of the People's Republic of China*, the *Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on Land Administration* and the *Law of the People's Republic of China on the Administration of Urban Real Estate*, and the administrative regulations and policies governing land supply.

Article 2 The Assigned Land is owned by the People's Republic of China, and the Assignor is authorized to assign the state-owned construction land use right in accordance with laws. Any resources and objects buried under the Assigned Land shall not be included in the scope of the state-owned construction land use right in and of the Assigned Land.

Article 3 For the state-owned construction land legally obtained by the Assignee, the Assignee shall have the right to possess, use, seek profits and dispose in accordance with the law within the term of assignment and shall also have the right to use the land for the construction of buildings, fixtures and their auxiliary facilities in accordance with the law.

Chapter II Delivery of the Assigned Land and the Payment of Assignment Price

Article 4 The registered number of the Assigned Land under the Contract is DEL2021-22, with a total area of six thousand three hundred and ninety twenty five hundredths square meters (6396.25 m²), of which six thousand three hundred and ninety twenty five hundredths square meters (6396.25 m²) will be assigned hereunder.

The Assigned Land under the Contract is located in Jin Village Qinghua Town.

The ichnographic boundaries of the Assigned Land under the Contract is / / and the chart attached thereto; please refer to Appendix 1 for the Ichnographic Boundaries of the Assigned Land.

The vertical limits of the Assigned Land under the Contract are at / / as its upper limit and / / as its lower limit, with the altitude difference of / / meters. Please refer to Appendix 2 for the Vertical Limits of the Assigned Land.

The spatial scope of the Assigned Land refers to the closed space formed by the above-mentioned boundary points posed by the vertical plane and the upper and lower elevation level.

Article 5 The purpose of the Assigned Land under the Contract is for commercial services, of which: hotel land: three thousand one hundred and ninety eight and thirteen hundredth square meters; catering land: one thousand seventy nine and twenty five hundredth square meters; commercial and financial land: one thousand nine hundred eighteen and seventeen hundredth square meters.

Article 6 The Assignor agrees to deliver the Assigned Land to the Assignee by September 26, 2021, and the Assignor agrees that the Assigned Land shall meet the following land conditions regulated in Article 1 of this article at the delivery of the land.

1. To level the land and make it meet the conditions of present condition ;

The infrastructure around the land shall include / / ;

2. Current land status: / / .

Article 7 The term of assignment of the state-owned construction land use right under the contract is 40 years, counting from the date when the Assigned Land is delivered as agreed in Article 6 of the Contract. In respect of any allotted (or leased) state-owned construction land use right for which assignment formalities are required retrospectively, the term of such assignment shall be counted from the date when the contract is signed.

Article 8 The assignment price for the state-owned construction land use right under the Contract is RMB two million nine hundred thousand yuan (RMB2900000), and the price per square meter is RMB four hundred and fifty three and thirty nine hundredth yuan (RMB453.39).

Article 9 The deposit for the Assigned Land under the Contract is RMB one million four hundred and fifty thousand yuan (RMB1450000). The deposit shall be regarded as part of the payment for the assignment price.

Article 10 The Assignee agrees to pay the assignment price for the state-owned construction land use right in accordance with Article 1 , Paragraph 1 of this Article:

1. The assignment price for the state-owned construction land use right shall be paid up in a lump sum payment at one time within 14 days after the Contract is signed.
2. The assignment price for the state-owned construction land use right shall be paid by / / installments in accordance with the following time and amount.

For the payment of state-owned construction land use right by installment, the Assignee, when paying for the second installment and the subsequent installment of assignment price for state-owned construction land use right, shall agree to pay interest to the Assignor at the lending interest rate released by the People's Bank of China on the date of the payment of the first installment.

Article 11 After paying up the assignment price of the land parcel in accordance with the Contract, the Assignee may apply for the Certificate of Assignment of State-owned Construction Land Use Right by presenting relevant supporting materials including the Contract and payment receipt of the assignment price.

Chapter III Development, Construction and Utilization of the Assigned Land

Article 12 The Assignee shall agree to implement development and investment of the Assigned Land under the Contract as provided under Section ___ of this Article:

1. The Assigned land under the Contract shall be used for construction of industrial projects, and the Assignee agrees that the total fixed assets invested in the land under the Contract shall not be less than the approved amount or the filed amount, (in Words) ___ yuan (in Figure) ___ yuan. The investment shall not be less than (in Words) ___ yuan (in Figure) ___ yuan per square meter. The total investment of the fixed assets to the Assigned Land under the Contract shall include buildings, fixtures and their auxiliary facilities, equipment as well as the assignment price.
2. The Assigned Land under the Contract shall be used for construction of non-industrial projects, and the Assignee undertakes that the total development and investment amount of the land parcel under the Contract shall not be less than (in Words) ___ yuan (in Figure) ___ yuan.

Article 13 The new buildings, fixtures and their auxiliary facilities established on the Assigned Land under the Contract shall meet the planning conditions for the Assigned Land determined by the planning administrations of the city (county) (Please refer to Appendix III), among which:

Nature of the main buildings: for business and office purpose;
Nature of the auxiliary buildings: ___;
Total floor area of the building: below 11513.25 square meters;
Floor Area Ratio: below 1.80 ;
Building Height Limitation: below 24 meters ;
Building Density: below 40% ;
Greening Rate: above 20% ;
Other requirements for the land use: ___.

Other land use requirements: 1. The land use includes hotel land, catering land, and commercial and financial land. The proportion of hotel land is not less than 50%, catering land is not more than 20%, and commercial and financial land is not more than 30%; 2. If there are properties within the plot, in addition to paying the full land transfer price, the transferee must also pay RMB470700 yuan to the Wuyuan County Finance Bureau for the collection and storage of the property before September 16, 2021; 3. After the development and construction of the plot is completed, the real estate on the ground shall be 100% owned by the transferee and shall not be divided or transferred.

Article 14 The Assignee agrees to implement complementary development of the Assigned Land under the Contract as provided under Section ___ of this Article:

1. The Assigned Land under the Contract is used for construction of industrial projects. In accordance with the planning and designing conditions regulated by the planning departments, within the boundaries of the Assigned Land under the Contract, the land used for office buildings and service facilities shall be no more than ___ % of the total area of the Assigned Land, which is ___ square meters, and the building area shall be no more than ___ square meters. The Assignee agrees not to build non-productive facilities such as set residential buildings, expert buildings, hotels, guesthouses and training centers on the Assigned Land under the Contract.
-

2. The Assigned Land under the Contract is used for construction of residential projects. In accordance with the planning and construction conditions regulated by the planning and construction departments, within the boundaries of the Assigned Land under the Contract, the total number of apartments shall not be less than ___/___ sets, among which, the apartments with the construction area of less than 90 square meters shall not be less than ___/___ sets. The requirement for the residential building sets is ___/___ . Within the boundaries of the Assigned Land under the Contract, the land area used for developing apartments under 90 square meters shall not less than ___/___ % of the total area of the Assigned Land. For the housing built by the government for low-income residents including affordable housing and low-rent housing to be developed within the boundaries of the Assigned Land under the Contract, the Assignee agrees to do in accordance with Article ___/___ upon completion of construction.

1) To transfer to the government.

2) To be purchased by the government.

3) To be implemented in accordance with relevant administrative regulations on the construction and sales of economically affordable housing.

4) ___/___ .

Article 15 The Assignee agrees to construct the following complementary facilities within the boundaries of the Assigned Land under the Contract, and voluntarily transfer to the government upon completion of construction without compensation:

___/___ .

Article 16 The Assignee agrees that the construction projects on the Assigned Land under the Contract shall commence prior to March 26, 2022 and complete prior to September 26, 2023 .

If the construction is not commenced as schedule above, the Assignee shall submit the application for deferral to the Assignor 30 days in advance. After the deferral of commencement is approved by the Assignor, the completion time shall be deferred accordingly, but the period of deferral shall not exceed one year.

Article 17 During the construction on the Assigned Land under the Contract, the Assignee shall connect water supply, gas supply, power supplies, sewage disposal and other facilities in the Assigned Land to the main pipelines, the interface of electro-converting stations or pulling in projects outside of the Assigned Land in accordance with relevant laws and regulations.

The Assignee shall agree to allow the entering, passing and crossing the Assigned Land of any kind of pipelines and wires required by the government for utility purposes. However, if the use of the Assigned Land is affected by such activities, the responsible government agency or utility service provider shall make reasonable indemnity.

Article 18 The Assignee shall abide by the land use purpose and floor area ratio as agreed in the Contract and shall not make any alteration without authorization. Within the assignment term, if the proposed use of the Assigned Land needs to be altered, both Parties shall agree to make the alteration in accordance with Section 2 of this article.

1. The Assignor shall collect the construction land use right with payment of consideration.

2. They shall go through the approval formalities of altering the land use purpose in accordance with laws and sign an alteration agreement on assignment of state-owned construction land use right or sign a new contract of assignment of state-owned construction land use right. The Assignee shall make a supplementary payment for the balance between the evaluated market price of the

construction land use right with the new purpose when the alteration is approved and the evaluated market price of the construction land use right with the previously approved purpose. The registration of altering the land use right shall be undertaken.

Article 19 Within the term of the Assigned Land under the Contract, the government shall reserve its right to adjust the planning of the Assigned Land under the Contract. If the original planning is modified, it shall not affect the existing buildings on the Assigned Land. However, the transformation, renovation and reconstruction of the buildings, fixtures and their auxiliary facilities on the Assigned Land within its use term, or renewal of the Contract upon expiration of use term shall be implemented in accordance with the then effective planning requirements.

Article 20 For the state-owned construction land use right utilized by the Assignee in accordance with the law, the Assignor shall not withdraw the assignment before the use term expires as agreed in the Contract. Under special circumstances when the Assignor needs to withdraw the state-owned construction land use right in accordance with the needs of public interests in advance the Assignor shall report for approval in accordance with legal formalities and shall compensate the land user in accordance with the value of the buildings, fixtures and their auxiliary facilities on the Assigned Land at the time of withdrawal, the estimated value of the then market price of the remained assignment term of the state-owned construction land use right and the estimated direct loss arising from the withdrawal.

Chapter IV Transfer, Lease and Mortgage of the State-Owned Construction Land Use Right

Article 21 After paying up the assignment price of the state-owned construction land use right in accordance with the Contract and obtaining the Certificate of the State-owned Land Used Right, the Assignee shall be entitled to transfer, lease or mortgage all or part of the state-owned construction land use right under the Contract. The first transfer shall meet the conditions in Section 1 of this article:

1. The development of the Assigned Land shall be conducted in accordance with the Contract, and more than 25% of the total development and investment have been completed.
2. The investment and development shall be conducted in accordance with the Contract, and the Assigned Land has formed conditions for industrial purpose or other construction purposes.

Article 22 The transfer, lease and mortgage of the state-owned construction land use right shall not violate the laws and regulations of the country and the provisions of the Contract.

Article 23 If all or part of the state-owned construction land use right is transferred, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly. The use term of the state-owned construction land use right shall be the remaining term that the use term as agreed in the Contract minus the use term for which the Assignee has used.

After all or part of the state-owned construction land use right under the Contract is leased, the rights and obligations specified in the Contract and in the land registration documents shall still be undertaken by the Assignee.

Article 24 If the state-owned construction land use right is transferred or mortgaged, both parties for the transfer or mortgage shall apply for registration of changes for land use right at the land and resources administrations by presenting the Contract, relevant contract on transfer or on mortgage and the Certificate for the State-owned Land Use Right.

Chapter V Expiration of Use Term

Article 25 When the term agreed in the Contract expires, and the land user needs to continue using the Assigned Land under the Contract, an application for renewal shall be submitted to the Assignor no less than one year prior to the expiration of the use term. The Assignor shall not unreasonably withhold

the application for the renewal unless the Assignor needs to withdraw the Assigned Land under the Contract for the needs of public interests.

For the construction land use right for residential purpose, it shall be renewed automatically upon the expiration of the use term.

If the Assignor agrees on the renewal, the land user shall effect the formalities for relevant land assignment or leasing for a consideration in accordance with the law, re-enter into the contract to use the relevant assigned or leased land for a consideration, and pay the relevant land assignment or leasing price.

Article 26 When the assignment term of the land use right expires and if the Assignee fails to obtain the approval of renewal of such right because of public interests, the Assignee shall return the Certificate of State-owned Land Use Right to the Assignor and shall complete the deregistration of the state-owned construction land use right in accordance with relevant regulations, and the Assignor shall withdraw the state-owned construction land use right without compensation. The Assignor and the land user shall agree to dispose the buildings, fixtures and their auxiliary facilities on the Assigned Land under the Contract in accordance with Section 1 of this Article:

1. The Assignor shall take ownership of the above-ground buildings, fixtures and their auxiliary facilities on the Assigned Land and give reasonable compensation to the land user based on the residual value of these buildings, fixtures and their auxiliary when they are taken back.
2. The Assignor shall take ownership of the above-ground buildings, fixtures and their auxiliary facilities on the Assigned Land without compensation.

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the Contract, and the Assignee shall have no right to request the Assignor to refund the deposit. The Assignor can request the Assignee to compensate for the losses.

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Article 41 The land assignment plan under the Contract has been approved by the People's Government of Wuyuan County . The Contract shall come into force as of the date of signing by two parties.

Article 42 The two parties of the Contract shall guarantee that the names, mailing addresses, telephone numbers, fax numbers, Deposit Banks, representatives and other information they provide are authentic and valid. Any change to such information of either party shall be notified to the other party in written form within 15 days upon such change; otherwise, the changing party shall undertake the responsibilities for its failure to notify the change of information in time.

Article 43 The Contract including the Appendixes has 21 pages, and the Chinese version shall prevail.

Article 44 All the prices, amounts and land areas in the Contract shall be written both in words and in figures, which shall be identical to each other. If there is any discrepancy, those in words shall prevail.

Article 45 Any matter that is not covered in the Contract may be included in the Appendixes of the Contract upon agreement of both parties, which shall be equally binding with the Contract.

Article 46 The Contract shall be made in three counterparts, which shall be equally binding, with the Assignor holding one and the Assignee holding two counterparts.

Assignor (seal): Wuyuan County Planning and Natural Resources Commission

Assignee (seal): Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd.

Dated September 2, 2021

List of major subsidiaries, VIEs and VIEs' subsidiaries

<u>Subsidiaries</u>	<u>Place of Incorporation</u>
Four Seasons Education (Hong Kong) Limited	Hong Kong
Shanghai Fuxi Information Technology Service Co., Ltd.	PRC
Wuyuan Sijijiaozhong Tourism Inv Mgt Co., Ltd.	PRC
Wuyuan Siji Gongda Study Camp Travel Development Co., Ltd.	PRC
<u>Variable interest entities</u>	<u>Place of Incorporation</u>
Shanghai Luoliang Network Technology Co., Ltd.	PRC
Shanghai Four Seasons Education Investment Management Co., Ltd.	PRC
<u>VIE's subsidiaries</u>	<u>Place of Incorporation</u>
Four Seasons Class Training Co., Ltd.	PRC
Shanghai Tongfang Technology Further Education School	PRC
Wufeng Siji Xuezhi Education Management Co., Ltd.	PRC
Shexian Siji Xingzhi Culture Development Co., Ltd.	PRC
Shanghai Huangpu Fantasy Further Education School	PRC
Shanghai Jing'an Four Seasons Intellectual Sports Club	PRC
Chongqing Jingzhan Technology Training Center Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yi Zuo, certify that:

1. I have reviewed this annual report on Form 20-F of Four Seasons Education (Cayman) Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 28, 2023

By: /s/ Yi Zuo

Name: Yi Zuo

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xun Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Four Seasons Education (Cayman) Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 28, 2023

By: /s/ Xun Wang

Name: Xun Wang

Title: Vice President of Finance

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Four Seasons Education (Cayman) Inc. (the "Company") on Form 20-F for the year ended February 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yi Zuo, Director and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 28, 2023

By: /s/ Yi Zuo
Name: Yi Zuo
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Four Seasons Education (Cayman) Inc. (the "Company") on Form 20-F for the year ended February 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xun Wang, Vice President of Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 28, 2023

By: /s/ Xun Wang

Name: Xun Wang

Title: Vice President of Finance

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Four Seasons Education (Cayman) Inc. on Form S-8 (File No. 333-224308) of our report dated June 28, 2023 with respect to our audits of the consolidated financial statements of Four Seasons Education (Cayman) Inc. as of February 28, 2023 and 2022 and for the years ended February 28, 2023 and 2022, which report is included in this Annual Report on Form 20-F of Four Seasons Education (Cayman) Inc. for the year ended February 28, 2023.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP
(Formerly Marcum Bernstein & Pinchuk LLP)

New York, NY

June 28, 2023

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-224308 on Form S-8 of our report dated July 2, 2021, relating to the consolidated financial statements of Four Seasons Education (Cayman) Inc. (the “Company”), appearing in this Annual Report of the Company on Form 20-F for the year ended February 28, 2023.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, the People’s Republic of China
June 28, 2023

Four Seasons Education (Cayman) Inc.
Room 1301, Zi'an Building
309 Yuyuan Road, Jing'an District
Shanghai 200040
People's Republic of China

28 June 2023

Dear Sirs

Four Seasons Education (Cayman) Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to Four Seasons Education (Cayman) Inc., an exempted company with limited liability incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 28 February 2023 ("**Form 20-F**").

We hereby consent to the reference of our firm under the heading "Item 10. Additional Information – E. Taxation – Cayman Islands Taxation" in the Form 20-F.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

June 28, 2023
Four Seasons Education (Cayman) Inc.
Room 1301, Zi'an Building
309 Yuyuan Road, Jing'an District
Shanghai 200040
People's Republic of China

Dear Sirs,

We consent to the reference to our firm under “Item 3. Key Information - Our Holding Company Structure and Contractual Arrangements with the VIEs”, “Item 3. Key Information - Permissions Required from the PRC Authorities for Our Operations and those of the VIEs”, “Item 3. Key Information - D. Risk Factors - Risks Related to Our Business” and “Item 4. Information on the Company - C. Organizational Structure” in Four Seasons Education (Cayman) Inc.’s Annual Report on Form 20-F for the year ended February 28, 2023, which will be filed with the Securities and Exchange Commission (the “SEC”) in June 2023. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended February 28, 2023.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Fangda Partners
Fangda Partners

June 28, 2023
Securities and Exchange Commission
100F Street, N.E.
Washington, D.C. 20549-7561
United States

Dear Sirs/Madams,

We have read Item 16F of Four Seasons Education (Cayman) Inc.'s Form 20-F dated June 28, 2023 and have the following comments:

1. We agree with the statements made in paragraphs 2, 3, and 4 of Item 16F for which we have a basis on which to comment on, and we agree with, the disclosures.
2. We have no basis on which to agree or disagree with the statements made in paragraph 1 or paragraph 5 of Item 16F.

Yours faithfully,

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/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the People's Republic of China
