

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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2023.

OR

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

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 \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36363

**TCTM Kids IT Education 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)

6/F, No. 1 Andingmenwai Street, Litchi Tower,  
Chaoyang District, Beijing 100011,  
People's Republic of China

(Address of principal executive offices)

Xiaobo Shao, Chief Financial Officer

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People's Republic of China

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
American Depositary Shares, each representing five Class A ordinary shares, par value US\$0.001 per share	TCTM	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)
Class A ordinary shares, par value US\$0.001 per share		The NASDAQ Stock Market LLC (The NASDAQ Capital Market)*

\* Not for trading, but only in connection with the listing on The NASDAQ Capital Market of American depositary shares, each representing five Class A ordinary shares.

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

None

(Title of Class)

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

None

(Title of Class)

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2023, there were 53,962,196 ordinary shares outstanding, par value \$0.001 per share, being the sum of 46,756,137 Class A ordinary shares (excluding 11,105,190 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for issuances upon the exercise or vesting of awards under our share incentive plan) and 7,206,059 Class B ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large 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

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

- “ADSs” refer to our American depository shares, each of which represents five Class A ordinary shares;
- “current VIE” refers to Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd., or Beijing Tongcheng;
- “China” or “PRC” refers to the People’s Republic of China, including Hong Kong, Macau and Taiwan; and “mainland China” refers to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
- “Divestiture” refers to the equity transfer transaction entered into in December 2023 to divest our professional education business. The Divestiture had been consummated at the end of March 2024. See “Item 4. Information on the Company—A. History and Development of the Company” for more details;
- “former VIE” refers to Beijing Tarena Jinqiao Technology Co., Ltd., or Beijing Tarena. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested, and the STEM education business operated by the former VIE had been transferred to the current VIE. See “Item 4. Information on the Company—A. History and Development of the Company” for more details;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” refers to the Hong Kong Special Administrative Region of the PRC;
- “IT” refers to information technology;
- “our company” refers to TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.), which is not a PRC operating company but a Cayman Islands holding company with operations primarily conducted through (i) our subsidiaries in mainland China and (ii) contractual arrangements with the VIEs based in mainland China. This structure entails unique risks to investors, see “Item 3. Key Information—D. Risk Factors—Risks Related to our Corporate Structure” for more details;
- “shares” or “ordinary shares” refer to our ordinary shares, par value US\$0.001 per share, which include both Class A ordinary shares and Class B ordinary shares;
- “STEM education” refers to science, technology, engineering, and mathematics education;
- “student enrollments” for a certain period refer to the total number of students who attended at least one paid lesson during that period or have deposit balances in their accounts at the end of that period;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States;
- “variable interest entities” or “VIEs” refer to the variable interest entities, the subsidiaries of the variable interest entities and the non-enterprise entities sponsored by the variable interest entities. The variable interest entities include but are not limited to Beijing Tarena and Beijing Tongcheng for the effective period of their respective contractual arrangements with us;
- “we,” “us,” “our” or “TCTM” refers to TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.), its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entities in mainland China. The variable interest entities are domestic companies incorporated in mainland China in which we do not have any equity ownership but whose financial results have been consolidated into our consolidated financial statements based solely on contractual arrangements in accordance with U.S. GAAP. See “Item 4. Information on the Company—C. Organizational Structure” for an illustrative diagram of our corporate structure; and
- “RMB” or “Renminbi” refers to the legal currency of mainland China; “\$,” “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

We present our financial results in RMB. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The government in mainland China imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. This annual report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at the rate of RMB7.0999 to US\$1.00, the exchange rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System in effect as of December 29, 2023 (except the cash dividend, which is translated at the rate on the exercise date).

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify 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, but are not limited to, statements about:

- our goals and growth strategies, and our ability to implement such strategies;
- our expectations regarding demand for and market acceptance of our courses;
- our ability to retain and increase our courses and student enrollments;
- our ability to maintain and increase the utilization rate of our learning centers;
- our ability to offer new courses in existing and new subject areas;
- our ability to maintain and increase the tuition fees of our courses;
- our future business development, results of operations and financial condition;
- the expected growth of, and trends in, the markets for our services in mainland China;
- government policies and regulations relating to our corporate structure, business and industry; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly 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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**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 Variable Interest Entities**

TCTM is not a PRC operating company but a Cayman Islands holding company with operations primarily conducted through (i) our subsidiaries incorporated in mainland China, or mainland China subsidiaries, and (ii) contractual arrangements with the variable interest entities based in mainland China. Laws and regulations of mainland China restrict and impose conditions on foreign investment in certain internet value-added businesses. Accordingly, we operate these businesses in mainland China through the variable interest entities in order to comply with these laws and regulations, and rely on contractual arrangements among our mainland China subsidiaries, the variable interest entities, and their nominee shareholders to control the business operations of the variable interest entities. Revenues from continuing operations contributed by the variable interest entities accounted for 1.3%, 2.9% and 6.6% of our net revenues from continuing operations for the years of 2021, 2022 and 2023, respectively. As used in this annual report, “we,” “us,” “our” or “TCTM” refers to TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.), its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entities in mainland China, including but are not limited to, Beijing Tarena and Beijing Tongcheng for the effective period of their respective contractual arrangements with us. The current VIE, Beijing Tongcheng, holds our ICP license as an internet information provider and a permit for the production and operation of radio and television programs, and operates our 6lit.cn website and Tongcheng Online App. Our variable interest entities are domestic companies incorporated in mainland China in which we do not have any equity ownership but whose financial results have been consolidated into our consolidated financial statements based solely on contractual arrangements in accordance with U.S. GAAP. Investors in our ADSs are not purchasing any equity interest in the variable interest entities in mainland China, but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

In December 2023, we entered into an equity transfer agreement to dispose of our equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd, or the Divestiture. Ms. Lijuan Han, sister of our founder and chairman Mr. Shaoyun Han, is a member of the buyer consortium and has an interest in the Divestiture. The Divestiture had been consummated at the end of March 2024. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested, and the STEM education business operated by the former VIE had been transferred to the current VIE. The Divestiture represented a strategic shift that has a major effect on our company’s operations and financial results. As a result of the Divestiture, the professional education business has been reclassified as discontinued operations and our remaining business after the Divestiture has been reclassified as continuing operations. For detailed information regarding all material financial impacts related to the Divestiture, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Impact by the Divestiture” and notes 1 and 3 to our consolidated financial statements, which are included in this annual report.

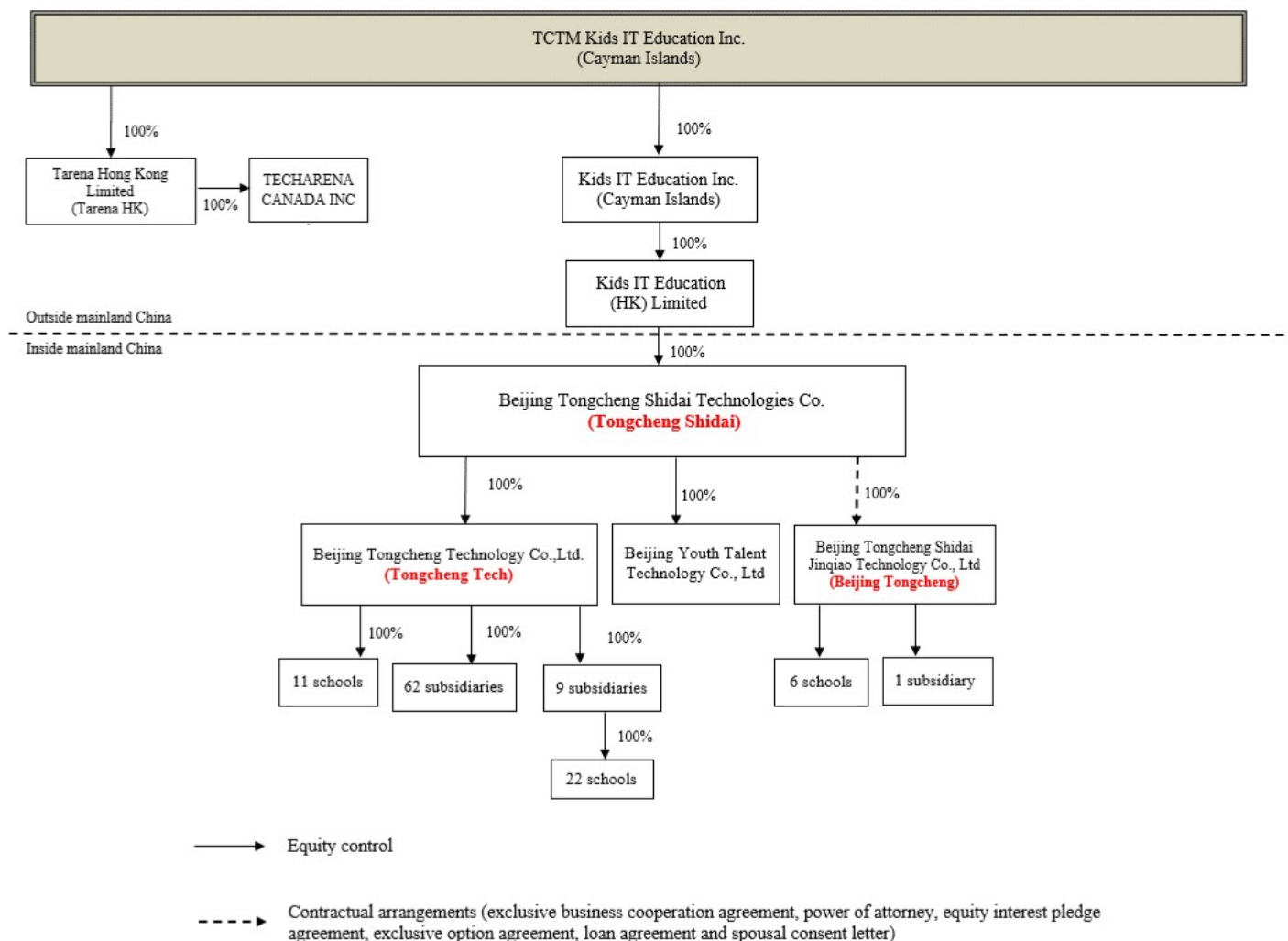
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We, through our mainland China subsidiaries, the variable interest entities, and their shareholders entered into a series of contractual agreements. These contractual arrangements, during the respective effective period:

- enable us to receive the economic benefits that could potentially be significant to the variable interest entities in consideration for the services provided by our mainland China subsidiaries;
- effectively assigned all of the voting rights underlying the nominee shareholders' equity interest in the variable interest entities to us; and
- enable us to hold an exclusive option to purchase all or part of the equity interests in the variable interest entities when and to the extent permitted by the laws of mainland China.

These contractual agreements among our mainland China subsidiaries, the variable interest entities and their shareholders include exclusive business cooperation agreements, power of attorney, equity interest pledge agreements, exclusive option agreements, and loan agreements. As a result of the contractual arrangements, the shareholders of the variable interest entities effectively assigned all of their voting rights underlying their equity interest in the variable interest entities to us, which gives our company or its subsidiaries the power to direct the activities that most significantly impact the variable interest entities' economic performance. The nominee shareholders of the variable interest entities are directors and members of our management body. We consider such people suitable to act as the nominee shareholders of the variable interest entities because of, among other considerations, their contribution to us, their competence, and their length of service with and loyalty to us. For more details of these contractual arrangements, see "Item 4. Information on the Company—A. History and Development of the Company."

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





This type of corporate structure may affect investors and the value of their investment. The contractual arrangements may not be as effective as direct ownership in providing us with control over the variable interest entities, and we may incur substantial costs to enforce the terms of the arrangements. If the variable interest entities or the nominee shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that effectively assigned us the voting rights in the variable interest entities, and these agreements have not been tested in the courts of mainland China. Furthermore, if we are unable to maintain such effective assignment, we would not be able to continue to consolidate the financial results of these entities in our financial statements. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Any failure by Beijing Tongcheng or its shareholders to perform their obligations under our contractual arrangements with them would have an adverse effect on our business” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—The shareholders of Beijing Tongcheng may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are also substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules of mainland China regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the variable interest entities and their nominee shareholders. It is uncertain whether any new laws or regulations of mainland China relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or the variable interest entities are found to be in violation of any existing or future laws or regulations of mainland China, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion in accordance with the applicable laws and regulations to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for holding our ICP license do not comply with applicable laws and regulations of mainland China, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “—If the PRC authorities determine that we can no longer own and operate certain of our learning centers through our subsidiaries in mainland China, we may need to restructure the ownership and operation of these learning centers (including possibly transferring these learning centers to the variable interest entities), our business may be disrupted and we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entities.”

Our operations are primarily conducted in mainland China through (i) our mainland China subsidiaries and (ii) contractual arrangements with the variable interest entities based in mainland China, and revenues are substantially generated from mainland China. Though the *PRC Foreign Investment Law* does not explicitly classify contractual arrangements as a form of foreign investment, the definition of “foreign investment” thereunder is relatively wide and contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities in the future. If the variable interest entities were deemed as a foreign-invested enterprise under any such future laws, administrative regulations or provisions and any of our business would be included in any negative list or other form of restrictions on foreign investment, we may need to take further actions to comply with such future laws, administrative regulations or provisions. Such actions may have a material and adverse impact on our business, financial condition, result of operations and prospects. In addition, if the PRC regulatory authorities were to find our legal structure and contractual arrangements to be in violation of any laws, administrative regulations or provisions of mainland China, we are uncertain what impact of above PRC regulatory authorities’ actions would have on us and our ability to consolidate the variable interest entities in the consolidated financial statements. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its implementation regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

Our company and the variable interest entities face various risks and uncertainties related to doing business in China. For example, we face risks associated with regulatory approvals on offshore offerings, antimonopoly regulatory actions, and oversight on cybersecurity and data privacy. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or may cause the value of such securities to significantly decline or become worthless. For a detailed description of risks related to doing business in China, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China.”

PRC government's certain administrative measures in regulating (i) our operations and (ii) offerings conducted overseas by, and foreign investment in, China-based issuers, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security or anti-monopoly related regulations, of 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 Our Business—Our business is subject to complex and evolving Chinese laws and regulations regarding cybersecurity, information security, privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in claims, changes to our business practices, negative publicity, legal proceedings, increased cost of operations, or declines in student base, or otherwise harm our business" and "—Risks Related to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing."

Risks and uncertainties arising from the PRC legal system, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in mainland China, could result in a material adverse change in our operations and cause the value of our ADSs to significantly decline or become worthless. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of laws and regulations of mainland China could limit the legal protections available to you and us."

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

We conduct our business primarily through our subsidiaries and the variable interest entities in mainland China. Our operations in mainland China are governed by laws and regulations of mainland China. As of the date of this annual report, our subsidiaries and the variable interest entities in mainland China have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, its subsidiaries, and the variable interest entities in mainland China, including, among others, an ICP license, a permit for the production and operation of radio and television programs and permits for school operation. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by the government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face risks and uncertainties with respect to the licensing requirement for value-added telecommunication services, internet audio-video programs, radio or television programs production and operation, internet publication, and filing requirements for commercial franchise."

Furthermore, in connection with our historical issuance of securities to foreign investors, we, our mainland China subsidiaries and the variable interest entities, (i) are not required to obtain permission from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through a cybersecurity review by the Cyberspace Administration of China, and (iii) have not been asked to obtain permission by any PRC government authority.

However, the PRC government has promulgated certain regulations and rules to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or, collectively, the Filing Rules, which took effect on March 31, 2023. According to the Filing Rules, domestic companies in mainland China that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC. In addition, an overseas listed company must also submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame requested under the Filing Rules. Therefore, we will be required to file with the CSRC for our overseas offering of equity and equity linked securities in the future within the applicable scope of the Filing Rules. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing" and "—Risks Related to Our Business—Our business is subject to complex and evolving Chinese laws and regulations regarding cybersecurity, information security, privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in claims, changes to our business practices, negative publicity, legal proceedings, increased cost of operations, or declines in student base, or otherwise harm our business."

## Cash and Asset Flows through Our Organization

TCTM is a holding company with no operations of its own. We conduct our operations in mainland China primarily through our subsidiaries and the variable interest entities in mainland China. As a result, although other means are available for us to obtain financing at the holding company level, TCTM's ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our subsidiaries in mainland China and service fees paid by the variable interest entities. 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 TCTM. In addition, our subsidiaries in mainland China are permitted to pay dividends to TCTM only out of their retained earnings, if any, as determined in accordance with accounting standards and regulations of mainland China. Further, our subsidiaries and the variable interest entities in mainland China are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

Under the laws of mainland China, TCTM may provide funding to our subsidiaries in mainland China only through capital contributions or loans, and to the variable interest entities only through loans or payment for intergroup transactions, subject to satisfaction of applicable government registration and approval requirements. For the years ended December 31, 2021, 2022 and 2023, there was no capital contribution from TCTM Kids IT Education Inc. to its subsidiaries or the variable interest entities, and TCTM did not extend any loans to, or receive any repayments from, its subsidiaries or the variable interest entities.

The variable interest entities may transfer cash to TCTM by paying service fees according to the exclusive business cooperation agreement. For the years ended December 31, 2021, 2022 and 2023, no such service fees were paid by the variable interest entities. If there is any amount payable to TCTM under the exclusive business cooperation agreement, we intend to settle them accordingly, but do not intend to otherwise distribute earnings.

For the years ended December 31, 2021, 2022 and 2023, no dividends or distributions were made to TCTM by its subsidiaries or the variable interest entities. Under laws and regulations of mainland China, our subsidiaries and the variable interest entities in mainland China are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise, or WFOE, out of mainland China is also subject to examination by the banks designated by State Administration of Foreign Exchange, or the SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our subsidiaries in mainland China and the net assets of the variable interest entities in which we have no legal ownership, totaling RMB1,523.2 million, RMB1,558.9 million and RMB1,228.2 million (US\$173.0 million) as of December 31, 2021, 2022 and 2023, respectively. For risks related to the fund flows of our operations in mainland China, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries in mainland China to make payments to us could have a material and adverse effect on our ability to conduct our business."

For the years ended December 31, 2021, 2022 and 2023, no assets other than cash were transferred through our organization.

TCTM has not declared or paid any cash dividends since the beginning of 2019, nor does it have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For the Cayman Islands, mainland China and United States federal income tax considerations of an investment in our ADSs, see "Item 10. Additional Information—E. Taxation."

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

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

Notes:

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- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in mainland China.
- (2) Under the terms of VIE agreements, our subsidiary in mainland China may charge the VIEs for services provided to the VIEs. These service fees shall be recognized as expenses of the VIEs, with a corresponding amount recognized as service income by our subsidiary in mainland China and eliminated in consolidation. For income tax purposes, our subsidiary and the VIEs in mainland China 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 subsidiary in mainland China and thus are tax neutral.
- (3) Certain of our mainland China subsidiaries qualify for certain preferential tax treatments. However, such preferential treatments 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 *Implementation Regulations for PRC Enterprise Income Tax Law* imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of mainland China. A lower withholding income tax rate of 5% is applied if the foreign invested enterprise's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with mainland 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.

The table above has been prepared under the assumption that all profits of the variable interest entities will be distributed as fees to our subsidiaries in mainland China under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the variable interest entities exceed the service fees paid to our subsidiaries in mainland China (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the variable interest entities could make a non-deductible transfer to our subsidiaries in mainland China for the amounts of the stranded cash in the variable interest entities. This would result in such transfer being non-deductible expenses for the variable interest entities but still taxable income for the subsidiaries in mainland China. Such a transfer and the related tax burdens would increase our after-tax loss by approximately 28% of the pre-tax profit. Our management believes that there is only a remote possibility that this scenario would happen.

### **Financial Information Related to the Variable Interest Entities**

#### ***Disposal of subsidiary***

*Gaohuiqiangxue Software (Hainan) Co., Ltd.* was a wholly-owned subsidiary of the former VIE, Beijing Tarena, through the cooperation with universities and colleges in mainland China to offer joint-major degree programs and related peripheral services to colleges and students, or the Target Business, in accordance with the higher education reform policies of each province. On April 28, 2023, we entered into agreements to dispose of our controlling interest in the Target Business to a consortium led by Beijing Weike Xinneng Education Technology Ltd, or Beijing Weike Mr. Shaoyun Han is member of the investor consortium and has an interest in the disposal of the Target Business. The Target Business accounted for an insignificant portion of our revenues and assets during the recent fiscal years before the disposal, and therefore, we do not expect the disposal to have any material impact on our business operations and financial performance.

#### ***Discontinued operations***

In December 2023, we entered into an equity transfer agreement to dispose of our equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd, or the Divestiture. The Divestiture had been consummated at the end of March 2024. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested, and the STEM education business operated by the former VIE had been transferred to the current VIE. The Divestiture represented a strategic shift that has a major effect on our company's operations and financial results. As a result of the Divestiture, the professional education business has been reclassified as discontinued operations and our remaining business after the Divestiture has been reclassified as continuing operations. The following tables present the condensed consolidating schedules for our consolidated variable interest entities and other entities for the years and as of the dates indicated.

The following tables provide financial information depicting the financial position, cash flows and results of operations of the parent, subsidiaries, the VIEs, and any eliminating adjustments and consolidated totals (in thousands of RMB) as of and for the years ended December 31, 2021, 2022 and 2023.

**Selected Condensed Consolidated Statements of Income, Balance Sheets, and Cash Flows Information**

	For the Year Ended December 31, 2023					
	Parent Company	VIEs Consolidated	Non-VIE Subsidiaries Consolidated	VIE Elimination	Other Inter-Company Elimination	Group Consolidation
	RMB (In thousands)					
Cash and cash equivalents	5,251	2,520	212,918	—	—	220,689
Inter-Group balances due from the VIEs/Non-VIE subsidiaries	380,470	104,642	406,637	(11,259)	(880,490)	—
Other current assets	225	62,550	22,344	—	(20,815)	64,304
Equity method investments	142,399	—	—	—	(142,399)	—
Investment deficit in the VIEs and Non-VIE subsidiaries	(1,702,776)	—	—	—	1,702,776	—
Other non-current assets	—	46,371	411,276	—	—	457,647
Total assets of discontinued operations held for sale	—	36,779	249,639	—	(10,815)	275,603
<b>Total Assets</b>	<b>(1,174,431)</b>	<b>252,862</b>	<b>1,302,814</b>	<b>(11,259)</b>	<b>648,257</b>	<b>1,018,243</b>
Inter-Group balances due to the VIEs/Non-VIE subsidiaries	319,197	23,676	130,159	(11,259)	(461,773)	—
Other current liabilities	4,155	152,969	1,712,121	—	(18,680)	1,850,565
Non-current liabilities	—	4,252	103,985	—	—	108,237
Total liabilities of discontinued operations held for sale	—	100,392	471,214	—	(10,815)	560,791
<b>Total liabilities</b>	<b>323,352</b>	<b>281,289</b>	<b>2,417,479</b>	<b>(11,259)</b>	<b>(491,268)</b>	<b>2,519,593</b>
<b>Equity</b>	<b>(1,497,783)</b>	<b>(28,427)</b>	<b>(1,114,665)</b>	<b>(2,060)</b>	<b>1,141,585</b>	<b>(1,501,350)</b>
Net revenues from continuing operations	—	90,661	1,284,531	—	—	1,375,192
Net income/(loss)	8,928	3,606	(6,530)	7,939	(3,589)	10,354
Net cash provided by/(used in) operating activities	4,902	(17,817)	317,788	(3,220)	(420,588)	(118,935)
Net cash provided by investing activities	—	—	72,048	—	—	72,048
Net cash (used in)/provided by financing activities	(2,201)	(7,192)	(456,123)	7,192	422,543	(35,781)

	For the Year Ended December 31, 2022					
	Parent Company	VIEs Consolidated	Non-VIE Subsidiaries Consolidated	VIE Elimination	Other Inter- Company Elimination	Group Consolidation
	RMB (In thousands)					
Cash and cash equivalents	1,844	16,031	180,654	—	—	198,529
Inter-Group balances due from the VIEs/Non-VIE subsidiaries	437,987	64,604	280,273	(50,780)	(732,084)	—
Other current assets	550	1,191	47,030	(23)	(10,000)	38,748
Equity method investments	140,025	—	—	—	(140,025)	—
Investment deficit in the VIEs and Non-VIE subsidiaries	(1,714,999)	—	—	—	1,714,999	—
Other non-current assets	—	37,704	445,457	—	—	483,161
Total assets of discontinued operations held for sale	—	66,959	654,486	(56,142)	(48,241)	617,062
<b>Total Assets</b>	<b>(1,134,593)</b>	<b>186,489</b>	<b>1,607,900</b>	<b>(106,945)</b>	<b>784,649</b>	<b>1,337,500</b>
Inter-Group balances due to the VIEs/Non-VIE subsidiaries	334,909	(48,511)	598,854	(7,631)	(877,621)	—
Other current liabilities	30,392	134,191	1,755,328	—	—	1,919,911
Non-current liabilities	—	4,176	105,685	—	—	109,861
Total liabilities of discontinued operations held for sale	—	128,666	687,940	—	(2,197)	814,409
<b>Total liabilities</b>	<b>365,301</b>	<b>218,522</b>	<b>3,147,807</b>	<b>(7,631)</b>	<b>(879,818)</b>	<b>2,844,181</b>
<b>Equity</b>	<b>(1,499,894)</b>	<b>(32,033)</b>	<b>(1,539,907)</b>	<b>7,065</b>	<b>1,558,088</b>	<b>(1,506,681)</b>
Net revenues from continuing operations	—	40,755	1,360,680	—	(1,591)	1,399,844
Net income/(loss)	83,520	1,255	482	17,064	(17,088)	85,233
Net cash provided by/(used in) operating activities	(5,699)	7,722	(29,753)	17,088	(16,886)	(27,528)
Net cash provided by/(used in) investing activities	—	19,975	(37,684)	(5,000)	—	(22,709)
Net cash (used in)/provided by financing activities	(16,996)	5,762	4,331	14,238	(9,440)	(2,105)

	For the Year Ended December 31, 2021					
	Parent Company	VIEs Consolidated	Non-VIE Subsidiaries Consolidated	VIE Elimination	Other Inter- Company Elimination	Group Consolidation
	RMB (In thousands)					
Cash and cash equivalents	23,506	1,226	98,085	—	—	122,817
Inter-Group balances due from the VIEs/Non-VIE subsidiaries	407,795	39,712	130,130	(39,712)	(537,925)	—
Other current assets	24	14,175	47,605	—	(18,421)	43,383
Equity method investments	128,185	—	—	—	(128,185)	—
Investment deficit in the VIEs and Non-VIE subsidiaries	(1,828,408)	—	—	—	1,828,408	—
Other non-current assets	—	36,700	575,062	—	—	611,762
Total assets of discontinued operations held for sale	—	129,780	1,070,594	(101,392)	(235,162)	863,820
<b>Total Assets</b>	<b>(1,268,898)</b>	<b>221,593</b>	<b>1,921,476</b>	<b>(141,104)</b>	<b>908,715</b>	<b>1,641,782</b>
Inter-Group balances due to the VIEs /Non-VIE subsidiaries	309,241	56,052	548,898	(56,051)	(858,140)	—
Other current liabilities	5,781	50,068	1,970,157	(17,961)	—	2,008,045
Non-current liabilities	—	2,126	195,111	—	—	197,237
Total liabilities of discontinued operations held for sale	—	149,897	879,023	—	—	1,028,920
<b>Total liabilities</b>	<b>315,022</b>	<b>258,143</b>	<b>3,593,189</b>	<b>(74,012)</b>	<b>(858,140)</b>	<b>3,234,202</b>
<b>Equity</b>	<b>(1,583,920)</b>	<b>(36,550)</b>	<b>(1,671,713)</b>	<b>12,960</b>	<b>1,686,803</b>	<b>(1,592,420)</b>
Net revenues from continuing operations	—	16,673	1,219,600	—	—	1,236,273
Net income/(loss)	(474,547)	(39,072)	37,839	16,559	(16,559)	(475,780)
Net cash provided by/(used in) operating activities	14,458	10,308	(16,156)	(161)	161	8,610
Net cash provided by investing activities	—	—	33,693	—	—	33,693
Net cash provided by/(used in) financing activities	3,947	(3,437)	22,727	3,437	(3,437)	23,237

**A. [Reserved]**

The following selected consolidated statements of comprehensive income data for the years ended December 31, 2021, 2022 and 2023, and the selected consolidated balance sheet data as of December 31, 2022 and 2023, have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated balance sheet data as of December 31, 2021 is based on the unaudited and unreviewed financial data derived from our management accounts, which were adjusted to retrospectively present discontinued operations. Our historical results for any period are not necessarily indicative of results to be expected for any future period. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	For the Year ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	USD
(in thousands, except for share and per share)				
<b>Selected Consolidated Statements of Comprehensive Income Data:</b>				
Net revenues	1,236,273	1,399,844	1,375,192	193,692
Cost of revenues <sup>(1)</sup>	(795,669)	(728,416)	(750,840)	(105,754)
<b>Gross profit</b>	<b>440,604</b>	<b>671,428</b>	<b>624,352</b>	<b>87,938</b>
Selling and marketing expenses <sup>(1)</sup>	(437,487)	(280,093)	(268,399)	(37,803)
General and administrative expenses <sup>(1)</sup>	(359,453)	(397,440)	(330,848)	(46,599)
Research and development expenses <sup>(1)</sup>	(40,311)	(20,248)	(11,654)	(1,641)
<b>Operating (loss) income</b>	<b>(396,647)</b>	<b>(26,353)</b>	<b>13,451</b>	<b>1,895</b>
Interest income, net	2,611	1,962	1,089	153
Other income, net	1,466	8,150	723	102
Foreign currency exchange loss	(267)	(325)	(901)	(127)
<b>(Loss) income before income taxes</b>	<b>(392,837)</b>	<b>(16,566)</b>	<b>14,362</b>	<b>2,023</b>
Net (loss) income from continuing operations	(509,288)	(2,062)	22,334	3,146
Net income (loss) from discontinued operations	33,508	87,295	(11,980)	(1,687)
<b>Net (loss) income</b>	<b>(475,780)</b>	<b>85,233</b>	<b>10,354</b>	<b>1,459</b>
<b>Net (loss) income attributable to Class A and Class B ordinary shareholders</b>	<b>(474,547)</b>	<b>83,520</b>	<b>8,926</b>	<b>1,258</b>
Weighted average number of class A and class B ordinary shares outstanding <sup>(2)</sup> :				
Basic	56,260,925	54,657,222	53,873,945	53,873,945
Diluted	57,630,365	57,730,672	55,334,574	55,334,574
Net income/(loss) per ADS <sup>(3)</sup>				
Basic (loss) income per ADS attributable to ordinary shareholder from continuing operations	(45.15)	(0.35)	1.94	0.27
Diluted (loss) income per ADS attributable to ordinary shareholder from continuing operations	(45.15)	(0.35)	1.89	0.27
Basic income (loss) per ADS attributable to ordinary shareholder from discontinued operations	2.98	7.99	(1.11)	(0.16)
Diluted income (loss) per ADS attributable to ordinary shareholder from discontinued operations	2.91	7.56	(1.11)	(0.16)

Notes:

(1) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:



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	For the Year ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	USD
	(in thousands)			
Cost of revenues	18	244	19	3
Sales and marketing expenses	206	227	24	3
General and administrative expenses	13,514	10,179	2,551	359
Research and development expenses	375	734	149	21

- (2) The weighted average number of ordinary shares represents the sum of the weighted average number of Class A and Class B ordinary shares. See Note 14 to our audited consolidated financial statements included in this annual report for additional information regarding the computation of the per share amounts and the weighted average numbers of Class A and Class B ordinary shares.
- (3) Each ADS represents five Class A ordinary shares. The weighted average number of ADS and earnings per ADS have been retrospectively adjusted to reflect the ADS ratio change from one ADS representing one Class A ordinary share to one ADS representing five Class A shares, which became effective on December 23, 2021.

The following table presents our selected consolidated balance sheet data as of the dates indicated.

	As of December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	USD
	(in thousands)			
<b>Selected Consolidated Balance Sheet Data:</b>				
Cash and cash equivalents	122,817	198,529	220,689	31,083
Time deposits, including noncurrent portion	102	104	300	42
Restricted cash	—	—	6,575	926
Current assets held for sale associated with discontinued operations	453,132	430,276	275,603	38,818
Property and equipment, net	118,005	77,996	66,064	9,305
Long-term investments	43,569	46,183	41,860	5,896
Non-current assets held for sale associated with discontinued operations	410,688	186,786	—	—
<b>Total assets</b>	<b>1,641,782</b>	<b>1,337,500</b>	<b>1,018,243</b>	<b>143,417</b>
Deferred revenue	1,424,216	1,314,877	1,210,536	170,500
<b>Total liabilities</b>	<b>3,234,202</b>	<b>2,844,181</b>	<b>2,519,593</b>	<b>354,878</b>
<b>Total deficit attributable to the shareholders of TCTM Kids IT Education Inc.</b>				
<b>Total deficit</b>	<b>(1,583,920)</b>	<b>(1,499,894)</b>	<b>(1,497,783)</b>	<b>(210,959)</b>

**B. Capitalization and Indebtedness**

Not Applicable.

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

Not Applicable.

**D. Risk Factors**

**Summary of Risk Factors**

An investment in our ADSs involves significant risks. Below is a summary of material risks we face, organized under relevant headings. With respect to the legal risks associated with being based in and having operations in mainland China, the laws, regulations and the discretion of mainland China governmental authorities discussed in this annual report are expected to apply to mainland China entities and businesses, rather than entities or businesses in Hong Kong which operate under a different set of laws from mainland China. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

### ***Risks Related to Our Business***

- Uncertainties and risks accompany our strategy to divest our professional education business. Our strategy to divest is largely based on our management's assessment of our core strengths, business objectives, resource allocation, and likelihood of success for different business models. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from the divestiture transaction.
- We incurred net losses from 2019 to 2021 and generated net income in 2022 and 2023. Upon the consummation of the Divestiture on March 31, 2024, we had divested the professional education business, which represented a strategic shift that has a major effect on our results of operations. Our remaining business after the Divestiture has been reclassified as continuing operations. Our historical financial and operating results may not be indicative of future performance, which makes it difficult to predict our future business prospects and financial performance.
- We rely on IT-focused supplementary STEM education programs for a substantial part of our net revenues upon the consummation of the Divestiture, and a decrease in the popularity of IT-focused supplementary STEM education courses, such as childhood & adolescent robotics programming and computer programming courses, would have a material adverse effect on our business and results of operations.
- If we are not able to continue to attract students to enroll in our courses, our business and prospects will be materially and adversely affected.
- We may not be able to continue to recruit, train and retain qualified instructors and teaching assistants, who are critical to the success of our business and effective delivery of our education services to students.
- If we fail to develop and introduce new courses in anticipation of market demand in a timely and cost-effective manner, our competitive position and ability to generate revenues may be materially and adversely affected. We cannot assure you that any of these new courses will match the quality or popularity of those developed by our competitors, achieve widespread market acceptance or satisfy the evolving needs and preferences of our students and their parents.
- Our business, financial condition and results of operations may be adversely affected by a downturn in the global or Chinese economy. A slowdown in China's economy or the global economy may lead to a reduction in demand for our education services, which could materially and adversely affect our financial condition and results of operations.
- If the level of performance by the students of our STEM education program deteriorates or satisfaction with our services declines, our business, financial condition, results of operations and reputation could be adversely affected.
- We face competition from other STEM education service providers and the STEM education services market in China is fragmented, rapidly evolving and highly competitive. We may lose market share and our financial results may be materially and adversely affected, if we fail to compete effectively with our present and future competitors or to adjust effectively to the changing market conditions and trends.
- Our business is subject to complex and evolving Chinese laws and regulations regarding cybersecurity, information security, privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in claims, changes to our business practices, negative publicity, legal proceedings, increased cost of operations, or declines in student base, or otherwise harm our business.

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

- *6lit.cn* is important for our business operations. If the PRC government finds that the agreements that establish the structure for holding our ICP license do not comply with applicable laws and regulations of mainland China, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, our ability to provide online education services and conduct our marketing and promotional activities through *6lit.cn* may be negatively impacted.
- If the PRC authorities determine that we can no longer own and operate certain of our learning centers through our subsidiaries in mainland China, we may need to restructure the ownership and operation of these learning centers (including possibly transferring these learning centers to the variable interest entities), our business may be disrupted and we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entities.

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

- Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCA Act, in the future if the Public Company Accounting Oversight Board (United States), or the PCAOB, is unable to inspect or investigate completely our auditors. 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.
- Uncertainties in the interpretation and enforcement of laws and regulations of mainland China could limit the legal protections available to you and us.
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.
- We conduct our business primarily in mainland China. Our operations in mainland China are governed by laws and regulations of mainland China. The PRC government has significant oversight and discretion over the conduct of our business, which could result in a material adverse change in our operation, and our ordinary shares and ADSs may decline in value or become worthless.

***Risks Related to Our ADSs***

- The trading prices of our ADSs have fluctuated and may be volatile, which could result in substantial losses to investors. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations.
- If we fail to meet Nasdaq's minimum bid price or minimum market value of publicly held shares requirements, our ADSs could be subject to delisting, which may significantly reduce the liquidity of our ADSs and cause further declines to the market price of our ADSs.

***Risks Related to Our Business***

***Uncertainties and risks accompany our strategy to divest our professional education business.***

Professional education business has long been a driver of our growth. In 2021, 2022 and 2023, revenues generated from our professional education business represented a significant portion of our total revenues. Upon the Divestiture, we have been primarily focused on providing IT-focused supplementary STEM courses for young children aged between three and eighteen. Our results of operations and financial position will be substantially dependent on the performance of our STEM courses offerings to young children in the foreseeable future. In addition, our strategy to divest is largely based on our management's assessment of our core strengths, business objectives, resource allocation, and likelihood of success for different business models. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from the divestiture transaction.

***We incurred net losses from 2019 to 2021 and generated net income in 2022 and 2023. Our historical financial and operating results may not be indicative of future performance, which makes it difficult to predict our future business prospects and financial performance.***

We incurred net losses of RMB1,038.9 million, RMB771.2 million, and RMB475.8 million in 2019, 2020 and 2021, respectively. We generated net income of RMB85.2 million and RMB10.4 million (US\$1.5 million) in 2022 and 2023. In particular, upon the consummation of the Divestiture on March 31, 2024, we had divested the professional education business, which represented a strategic shift that has a major effect on our results of operations. Our remaining business after the Divestiture has been reclassified as continuing operations. For our continuing operations, we incurred net loss of RMB509.3 million and RMB2.1 million in 2021 and 2022, respectively, and generated net income of RMB22.3 million (US\$3.1 million) in 2023. We cannot assure you that we will be able to continue to generate positive net income in the future. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the strategic shift we took and the risks and difficulties we may encounter in this evolving industry. We may not achieve the desired benefits from the strategic shift and we may not be able to successfully address these risks and difficulties, which could significantly harm our business, results of operations and financial condition. Our ability to achieve profitability will depend in large part on our ability to increase our operating margin, either by growing our revenues at a rate faster than our operating expenses increase, or by reducing our operating expenses, especially our selling and marketing expenses, as a percentage of our net revenues. We intend to continue to invest in our branding and marketing activities to attract new students, and improve our online learning modules to enhance student experience. We cannot assure you that we will be successful in these efforts, and we may incur net losses for a period of time in the future.

***We rely on IT-focused supplementary STEM education programs for a substantial part of our net revenues, and a decrease in the popularity of IT-focused supplementary STEM education would have a material adverse effect on our business and results of operations.***

A substantial part of our net revenues is generated from the IT-focused supplementary STEM education. In 2023, childhood & adolescent robotics programming and childhood & adolescent computer programming courses contributed to 46.4% and 24.1% of our net revenues from continuing operations, respectively. Any factor that materially and adversely affects student enrollment in our IT-focused supplementary STEM education, such as a decrease in the popularity and usage of robotics and computer programming, would have a material adverse effect on business and our results of operations.

***If we are not able to continue to attract students to enroll in our courses, our business and prospects will be materially and adversely affected.***

The success of our business depends primarily on the number of students enrolled in our courses. Therefore, our ability to continue to attract students to enroll in our courses is critical to the continued success and growth of our business. This in turn will depend on several factors, including our ability to develop new courses and enhance existing courses to respond to changes in market trends and student demands, expand our learning center network and geographic footprint while keeping a high utilization rate of our facilities, manage our growth while maintaining consistent and high education quality, and market our courses effectively to a broader base of prospective students, including young children as well as their parents. If we are unable to continue to attract students to enroll in our courses, our net revenues may decline, which may have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to continue to recruit, train and retain qualified instructors and teaching assistants, who are critical to the success of our business and effective delivery of our education services to students.***

Our instructors and teaching assistants are critical to maintaining the quality of our educational services and our reputation. We seek to hire highly qualified instructors with rich industry experience and strong teaching skills. As our STEM education program continues to develop, we may need to recruit more instructors and teaching assistants. We recruit dedicated instructors and teaching assistants primarily from experienced teachers or undergraduates with good academic backgrounds and/or relevant industry experience. There is a limited pool of instructors and teaching assistants with these attributes, and we must provide competitive compensation packages to attract and retain them. We must also provide ongoing training to our instructors and teaching assistants to ensure that they stay abreast of changes in curriculum, student demands, and other trends necessary to teach and tutor effectively. We have not experienced major difficulties in recruiting, training or retaining qualified instructors and teaching assistants in the past. However, we may not always be able to recruit, train and retain enough qualified instructors and teaching assistants in the future to keep pace with our growth and maintain consistent education quality. A shortage of qualified teaching staff, a decrease in the quality of our teaching staff's classroom performance, whether actual or perceived, or a significant increase in compensation to retain qualified instructors and teaching assistants would have a material adverse effect on our business, financial condition and results of operations.

***If we fail to develop and introduce new courses in anticipation of market demand in a timely and cost-effective manner, our competitive position and ability to generate revenues may be materially and adversely affected.***

Our primary focus was on providing IT professional education services at the inception of our business. We have since then expanded our course offerings to include non-IT training courses, such as digital art, online sales and marketing and accounting. In December 2015, we launched IT and non-IT training courses customized for young children, which primarily include computer programming and robotics programming. As of the date of this annual report, we are primarily focused on providing IT-focused supplementary STEM courses for young children aged between three and eighteen in anticipation of the growing market demand. As the market demand evolves, our offerings may change and we may introduce new courses to meet the evolving demand. The introduction of new courses is subject to risks and uncertainties. Unexpected technical, operational, logistical, regulatory or other problems could delay or prevent the introduction of one or more new courses. Moreover, we cannot assure you that any of these new courses will match the quality or popularity of those developed by our competitors, achieve widespread market acceptance or satisfy the evolving needs and preferences of our students and their parents.

Offering new courses requires us to make investments in content development, recruit and train additional qualified instructors and teaching assistants, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the content of new courses and may need to modify our systems and strategies to incorporate new courses into our existing course offerings. In offering courses in new subject areas, we may face new risks and challenges that we are not familiar with. Furthermore, we may experience difficulties in recruiting or otherwise identifying qualified instructors to develop the content for these new courses. If we are unable to offer new courses in a timely and cost-effective manner, our results of operations and financial condition could be adversely affected.

***Our business, financial condition and results of operations may be adversely affected by a downturn in the global or Chinese economy.***

Our student enrollment for IT-focused supplementary STEM education services may depend on the parents' disposable income and willingness to spend. COVID-19 had a severe and negative impact on the Chinese and the global economy from 2020 through 2022, and the global macroeconomic environment still faces numerous challenges. The growth rate of the Chinese economy has been slowing since 2010 and the Chinese population began to decline in 2022. The Federal Reserve and other central banks outside of China have raised interest rates. The Russia-Ukraine conflict, the Hamas-Israel conflict and the attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. There have also been concerns about the relationship between China and other countries which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a wide range of issues including trade policies, treaties, government regulations and tariffs. 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. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. A decline in the economic prospects of IT and other professionals could alter the spending priorities of the parents of our current and prospective students. We cannot assure you that if the macroeconomic environment deteriorates, parents will continue to spend on STEM education for their children. Therefore, a slowdown in China's economy or the global economy may lead to a reduction in demand for our education services, which could materially and adversely affect our financial condition and results of operations.

***Our business depends on the market recognition of our brands, and if we are unable to maintain or enhance our brand recognition, our business, financial condition and results of operations may be materially and adversely affected***

We believe that the market recognition of our “TongchengTongmei” brand has significantly contributed to the success of our business and believe that maintaining and enhancing the reputation of our brand is critical to sustaining our competitive advantage. Our ability to maintain and enhance our brand recognition and reputation depends primarily on the perceived effectiveness and quality of our courses as well as the success of our marketing and promotion efforts. As we continue to grow and expand into new course areas, we may not be able to maintain the quality and consistency of our educational services as we did in the past. We have devoted significant resources to promoting our courses and brands, including internet-based marketing and advertising, traditional media advertising, press conferences and program launch events. However, our marketing and promotion efforts may not be successful or may inadvertently negatively impact our brand recognition and reputation. For example, if any governmental authority or competitor publicly alleges that any of our advertisements are misleading, our brand reputation may be adversely impacted. If we are unable to maintain and further enhance our brand recognition and reputation and increase awareness of our courses, or if we incur excessive marketing and promotion expenses, our results of operations may be materially and adversely affected. If we are unable to sustain our brand image, we may not be able to maintain premium tuition fees over our competitors, which may further exacerbate the extent of any adverse effect on our results of operations. Furthermore, any negative publicity relating to our company or our courses and services, regardless of its veracity, could harm our brand image and in turn materially and adversely affect our business and operating results.

***If the level of performance by the students of our STEM education program deteriorates or satisfaction with our services declines, our business, financial condition, results of operations and reputation could be adversely affected.***

The success of our business depends on our ability to deliver a satisfactory learning experience and improved educational results. Although the courses provided under our STEM education programs do not directly link to the academic performance of our students, their effectiveness could be evaluated by our students and their parents in an intuitive way by referring to the improvements in programming skills or performances in robotics competitions. The performance of our students in the STEM robotics programming and coding courses and IT training courses will impact the acceptance of, and the student and parent satisfaction with, our courses.

***Accidents or injuries suffered by our students, their parents or other people caused by us, or perceived to be caused by us, may adversely affect our reputation, subject us to liability and cause us to incur substantial costs.***

We have a large number of students and their parents on our premises to attend classes and/or use our facilities, and they may suffer accidents or injuries or other harm on our premises, including those caused by or otherwise arising from the actions of our employees. Although we have enhanced preventive measures to avoid such incidents, we cannot assure you that there will be no incidents in the future.

Other than the travel insurance, accident insurance, and medical insurance for our students aged between three and eighteen participating in our camp or event-related activities, we do not carry liability insurance for most of our students at our learning centers. In the event of accidents or injuries or other harm caused or perceived to be caused by us, our facilities and/or services may be perceived to be unsafe, which may discourage prospective students from attending our classes and participating in our activities. We could also face claims alleging that we should be liable for the accidents or injuries, or we were negligent, or provided inadequate supervision to our employees and therefore should be held jointly liable for harm caused by them. A material liability claim against us or any of our teachers or other employees could adversely affect our reputation, enrollment and revenues. 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 successfully execute our growth strategies, our business and prospects may be materially and adversely affected.***

Our growth strategies include growing our student enrollments for existing courses, expanding our course offerings, and further enhancing the quality of our education services. We may not succeed in executing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to market our courses in new markets or promote new courses in existing markets effectively;
- we may not be able to replicate our successful business model in other geographic markets or in new course subject areas;
- we may fail to identify new cities with sufficient growth potential to expand our network;
- we may not be able to recruit and retain learning center managers, teaching assistants and other key personnel;

- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits necessary to open learning centers at our desired locations from local authorities;
- we may not be able to continue our existing businesses or expand our operations due to governmental regulations and policy restrictions;
- we may not be able to continue to update our existing courses or offer new courses to adapt to changing market demand and technological advances; and
- we may fail to achieve the benefits we expect from our expansion.

If we fail to execute our growth strategies successfully, 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 manage our business expansion effectively, which could harm our financial condition and results of operations.***

While we closed certain non-performing learning centers in some areas of mainland China in recent years, we plan to expand our operations in different geographic areas as we address the growth of our customer base and market opportunities. For our continuing operations, we closed 12 non-performing learning centers and opened 14 new centers in 2021; we closed 22 non-performing learning centers and opened 1 new center in 2022; and we closed 4 non-performing learning centers and opened 7 new centers in 2023. We decreased the number of our learning centers for STEM education programs from 238 as of December 31, 2021 to 217 as of December 31, 2022, and increased to 220 as of December 31, 2023. Any business expansion will result in substantial demands on our management, personnel and operational, technological and other resources. To manage the expected growth of our operations, we will be required to expand our existing operational, administrative and technological systems and our financial systems, procedures and controls and to expand training and management of our growing employee base. In addition, the geographic dispersion of our operations requires significant management resources. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations, or that we will be able to effectively and efficiently manage the growth of our operations or recruit and retain qualified personnel to support our expansion. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our financial condition and results of operations.

***Our success depends on the continuing efforts of our senior management team and other key personnel, and our business may be adversely affected if we lose their services.***

Our future success depends heavily upon the continuing services of our senior management team. If any member of our senior management team leaves us and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain experienced and passionate instructors, regional managers and other key personnel on acceptable terms, our business, financial conditions and results of operations could be adversely affected. We will need to continue to hire additional personnel, especially qualified instructors and regional managers, as our business grows. A shortage in the supply of personnel with requisite skills or our failure to attract and retain high-quality executives or key personnel could impede our ability to increase revenues from our existing courses, to launch new course offerings and to expand our operations and would have an adverse effect on our business and financial results.

***The operations of certain learning centers providing STEM education programs are, or may be deemed by the PRC government authorities to be, beyond their authorized business scope or without proper license or registration. If the PRC government authorities take actions against such learning centers, our business and operations could be materially and adversely affected.***

The General Office of the State Council promulgated the *Opinions of the General Office of the State Council on Regulating the Development of After-school Tutoring Institutions*, or Circular 80, on August 6, 2018. Circular 80 provides that after-school tutoring institutions shall obtain school operation permits and business licenses. Circular 80 further provides that after-school tutoring institutions shall obtain approvals from local education authorities for opening new branches or learning centers. In addition, the Ministry of Education and other government authorities promulgated a series of notices in 2018 and 2019 to regulate the operation of the after-school tutoring institutions, which emphasize and strengthen the same principle as provided in Circular 80.

The *Implementation Opinions on Regulating Online After-School Tutoring*, or the Online After-School Tutoring Opinions, was promulgated by the Ministry of Education jointly with certain other PRC government authorities, effective on July 12, 2019. Although the Online After-School Tutoring Opinions remains effective as of the date of this annual report, such filing requirements may be superseded by an approval scheme pursuant to *Amendment to the Private Education Law Implementation Rules* and the *Opinions on Further Alleviating the Burden of Homework and After-school Tutoring on Students in Compulsory Education Stage*, or the Alleviating Burden Opinions, according to which private online tutoring institutions are mandated to obtain school operation permits. According to the *Amendment to the Private Education Law Implementation Rules*, private tutoring institutions utilizing internet technology to conduct training and educational activities shall obtain corresponding school operation permits and comply with the requirements of laws and regulations related to internet management. In addition, the Alleviating Burden Opinions, issued by the General Office of the CPC Central Committee and the General Office of the State Council on July 24, 2021, proposes certain measures intended to ease the workload of students in compulsory education and regulate the after-school tutoring services that aim at students in compulsory education in mainland China. For non-academic tutoring institutions, the Alleviating Burden Opinions requires that the local governmental authorities shall administer the non-academic after-school tutoring institutions by classifying sports, culture and art, science and technology and other non-academic subjects, formulating standards among different classification of non-academic tutoring and conducting strict examination before granting permission. On November 30, 2022, the Ministry of Education, jointly with twelve other departments, published the *Opinions on Regulating Non-academic After-school Tutoring for Primary and Secondary School Students*, providing further principles and requirements on non-academic after-school tutoring institutions. For example, the non-academic tutoring institutions must obtain administrative licenses from the competent authorities prior to registering as legal persons, and online non-academic tutoring institutions shall be approved to engage in internet information services by the telecommunications authorities. See “Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Private Education—Regulations on After-school Tutoring for Students Aged Between Three and Eighteen” for more details.

On August 23, 2023, the Ministry of Education issued *Interim Measures for Administrative Penalties on After-school Tutoring*, or the Interim Measures on After-school Tutoring, which became effective on October 15, 2023. The Interim Measures on After-school Tutoring sets out the general requirements for administrative penalties for illegal after-school tutoring operated by any natural person, legal person or other organization that is offered to preschool children over 3 years of age, and primary and secondary school students. The Interim Measures on After-school Tutoring provides that the following circumstances shall constitute illegal after-school tutoring, and relevant natural person, legal person or other organization conducting such illegal after-school tutoring may be subject to various administrative penalties, such as orders to rectify or cease tutoring activities, returning fees charged, revocation of operation approval, warning, criticism and fines: (i) carrying out after-school tutoring without a requisite private school operating permit and meets certain conditions, including having a specific tutoring facility for offline tutoring activities or a specific website or application for online tutoring activities, two or more tutoring personnel and corresponding organizational structure and division of work; (ii) carrying out certain after-school academic tutoring activities in a disguised form without meeting the conditions as prescribed above but also without a private school operating permit; (iii) carrying out after-school tutoring beyond the scope of its private school operating permit; (iv) carrying out after-school tutoring in violation of applicable laws and regulations; (v) having the problem of disorganized management; and (vi) organizing or participating in the organization of competitions outside campus without approval for preschool children over 3 years of age, and primary and secondary school students.



Our STEM education programs, which currently provide IT training courses to students aged between three and eighteen, were operated through our 220 learning centers in 53 cities in mainland China as of December 31, 2023, as well as through the internet. According to the rules mentioned above, our learning centers providing STEM education programs may be deemed as after-school tutoring institutions which are required to obtain school operation permits and business licenses. As of December 31, 2023, 40 of our learning centers have obtained school operation permits from the local education authorities for our STEM education programs. However, there remain uncertainties about the application and approval process for school operation permits with respect to STEM education programs. Since the promulgations of the Circular 80, the *Amendment to the Private Education Law Implementation Rules* and the Alleviating Burden Opinions, some local authorities have promulgated rules and regulations related to the establishment, approval and operation of non-academic after-school tutoring institutions, most of which provide guidance in how non-academic after-school tutoring institutions may obtain school operation permits. For example, Shanghai has published the *Setting Standards of Science and Technology After-school Tutoring*, which sets a series of entry conditions for science and technology after-school tutoring institutions that intend to apply for school operation permits in Shanghai. However, some rules and regulations may still have not been put into practice yet, and further implementing rules are still to be promulgated in some provinces and cities. We have been communicating, and will continue to communicate, with the competent provincial education regulatory authorities to obtain school operation permits. We also participate in organizing or attending certain extracurricular challenges or competitions facing preschool children over 3 years of age, and primary and secondary school students, but some of these challenges or competitions that we participated have not been filed with or approved by competent authorities. Although we have not been subject to any material fines or other penalties in relation to any non-compliance with licensing and filing requirements in the past with respect to our learning centers providing STEM education programs or organization of competitions outside campus, if we fail to cure any non-compliance in a timely manner, we may be subject to mandatory rectifications, order to cease tutoring activities, returning fees charged, revocation of operation approval, warning, criticism, fines, confiscation of the gains derived from our noncompliant operations or the suspension of our noncompliant learning centers, which may materially and adversely affect our business and results of operation. In addition, our online programming courses provided to pre-school children may be materially and adversely affected by the Alleviating Burden Opinions.

The Alleviating Burden Opinions sets out a series of operating requirements for academic after-school tutoring institutions, or Academic AST Institutions, including, among other things, that (i) the local government authorities shall no longer approve any new after-school tutoring institutions which provide tutoring services pertaining to academic subjects for students in compulsory education, and all existing Academic AST Institutions shall be registered as non-profit organizations, and the local government authorities shall no longer approve any new after-school tutoring institutions which provide tutoring services pertaining to academic subjects for preschool-aged children and students in grades ten to twelve; (ii) Academic AST Institutions are prohibited from raising funds by listing on any stock markets or conducting any capital market activities, and listed companies are prohibited from investing in any Academic AST Institutions through fund-raising activities in the capital markets, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; and (iii) foreign capital is prohibited from controlling or investing in any Academic AST Institutions through mergers and acquisitions, entrusted operations, joining franchises or variable interest entities. The Alleviating Burden Opinions further prohibits online tutoring and offline academic tutoring for preschoolers aged between three and six years old (including foreign language tutoring and academic tutoring classes carried out in the name of preschool classes, primary school transitioning or preparation classes or thought training classes). Administration and supervision over Academic AST institutions for students in grades ten to twelve shall be implemented by reference to the Alleviating Burden Opinions.

The Ministry of Education issued the *Notice on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-school Tutoring in the Compulsory Education* in July, 2021, according to which IT education after-school tutoring is classified as a non-academic subject. The *Guidelines for Classification and Identification of After-school Tutoring Programs in Compulsory Education* issued in November 2021 further sets forth specific criteria to differentiate academic and non-academic tutoring courses. Although we believe that our STEM education programs are not classified as academic tutoring courses under the current regulatory schemes, we cannot guarantee they will not be deemed as academic tutoring courses or that the regulatory authorities will not impose similar restrictions on non-academic tutoring courses, in which case our business may be materially and adversely affected. Moreover, our services to preschool-aged children may be materially and adversely affected under the Alleviating Burden Opinions.

***We may lose market share and our financial results may be materially and adversely affected, if we fail to compete effectively with our present and future competitors or to adjust effectively to the changing market conditions and trends.***

The STEM education services market in China is fragmented, rapidly evolving and highly competitive. We face competition in our offered courses and in many of the geographic markets in which we operate. As the STEM education market in China matures, there is increased demand for highly specialized IT labor, and we may face competition from other STEM education providers. In the future, we may also face competition from new entrants into the Chinese STEM education market. Furthermore, as we expand into new fields within or beyond the STEM education services market, we may face competition for student enrollment from existing online and offline providers of similar services.

Some of our competitors may be able to devote more resources than we can to the development, promotion and provision of their education services and respond more quickly than we can to changes in student needs, market trends or new technologies. In addition, some of our competitors may be able to respond faster to changes in student preferences in some of our geographic markets and engage in price-cutting strategies. For our STEM education programs, some of our competitors may have more experience in designing courses based on minors' preferences, mentality and learning curve. 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 be forced to reduce our tuition fees and lose our market share, which will adversely impact our financial results.

***Our business is subject to complex and evolving Chinese laws and regulations regarding cybersecurity, information security, privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in claims, changes to our business practices, negative publicity, legal proceedings, increased cost of operations, or declines in student base, or otherwise harm our business.***

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

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to these data.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, improper use or sharing of data, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our websites. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by business partners, including strategic partners or third-party providers of online payment services through which some of our customers may choose to make payment for purchases. Any negative publicity on our websites' safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We have not experienced breaches of our information security measures in the past. We cannot assure you that such events will not occur in the future. If we give third parties greater access to our technology platform in the future, it may become more challenging for us to ensure the security of our systems. Any compromise of our information security or the information security measures of third-party online payment service providers or other business partners could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms are under increased public scrutiny.

We expect that data security and data protection compliance will receive greater attention and focus from regulators, 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 National People's Congress, the Ministry of Industry and Information Technology, the Cyberspace Administration of China, the Ministry of Public Security, and the State Administration for Market Regulation have enforced data privacy and protections laws and regulations with varying standards and applications. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Internet Information Security and Privacy Protection." The following are examples of certain PRC regulatory activities in this area:

Data Security

In November 2016, the Standing Committee of the National People's Congress promulgated the *PRC Cybersecurity Law*, which requires, among others, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. Significant capital, managerial and human resources are required to comply with legal requirements, enhance information security and to address any issues caused by security failures.

In June 2021, the Standing Committee of the National People's Congress promulgated the *Data Security Law*, which took effect in September 2021. The *Data Security Law*, among other things, provides for security review procedures for data-related activities that may affect national security. In December 2021, the Cyberspace Administration of China, 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 must be subject to the cybersecurity review if their activities affect or may affect national security. The *Cybersecurity Review Measures* further stipulates that critical information infrastructure operators or 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 initial public offering at a foreign stock exchange. On July 30, 2021, the State Council promulgated the *Regulations on Protection of Critical Information Infrastructure*, which became effective on September 1, 2021. Pursuant to the *Regulations on Protection of Critical Information Infrastructure*, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, transportation, 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, the administration departments of each critical industry and sector shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or sector. The operators shall 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 laws of mainland China. If we are deemed to be a critical information infrastructure operator under the cybersecurity laws and regulations of mainland China, we may be subject to obligations in addition to what we have fulfilled under the cybersecurity laws and regulations of mainland China, and we may be subject to cybersecurity review when purchasing internet products and services or engaging in data processing activities.

In November 2021, the Cyberspace Administration of China released the *Regulations on the Network Data Security (Draft for Comments)*, or the Draft Data Security Regulations. The Draft Data Security Regulations 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 overseas listing of data processors that process the personal information of more than one million users and (ii) any data processing activity that affects or may affect national security. However, there have been no clarifications from the government 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.

Personal Information and Privacy

The *Civil Code* promulgated in 2020 provides specific provisions regarding the protection of personal information. 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 National People’s Congress promulgated the *Personal Information Protection Law*, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We update our privacy policies from time to time to meet the latest regulatory requirements of PRC government authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the *Personal Information Protection Law* elevates the protection requirements for personal information processing, and many specific requirements of this law remain to be clarified by the Cyberspace Administration of China, 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.

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 requirements will be applicable to companies that are already listed in the United States, such as us, if we were to pursue another listing outside mainland China. 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 delay or disallow our future listings (should we decide to pursue them), subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, 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 Cyberspace Administration of China on such basis. In addition to the cybersecurity review, the Draft Data Security Regulations requires that data processors processing “important data” or listed overseas shall conduct an annual data security assessment by themselves 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. If a final version of the Draft Data Security Regulations is adopted, we may be subject to review when conducting data processing activities and annual data security assessment and may face challenges in meeting its requirements or making necessary changes to our internal policies and practices in data processing.

In general, compliance with the existing laws and regulations of mainland China, 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. It may place restrictions on the conduct of our business and the manner in which we interact with our students and/or their parents. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental authorities or other authorities or damage to our reputation and credibility and could have a negative impact on revenues and profits. Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other data, could cause our students and/or their parents to lose trust in us and could expose us to legal claims. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

***If we fail to protect our intellectual property rights, we may lose our competitive advantage and our brands and operations may suffer.***

We consider our copyrights, trademarks, trade names and 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 brands. Our major brand names and logos are registered trademarks in mainland China. Our proprietary curricula and course materials are protected by copyrights. However, preventing copyright, trademark and trade name infringement or misuse could be difficult, costly and time-consuming, particularly in mainland China. The measures we take to protect our copyrights, trademarks and other intellectual property rights are currently based upon a combination of trademark and copyright laws in mainland China and may not be adequate to prevent unauthorized uses. Furthermore, application of laws governing intellectual property rights in mainland China is uncertain and evolving, and could involve substantial uncertainties to us. There have been several incidents in the past where third parties used our “TCTM”, “TongchengTongmei” and former “Tarena” brands without our authorization, and we had to resort to litigation to protect our intellectual property rights. These proceedings were all resolved in our favor and our brand and business were not materially harmed. However, if we are unable to adequately protect our trademarks, copyrights and other intellectual property rights in the future, we may lose our competitive advantage, our brand name may be harmed and our business may suffer materially. Furthermore, our management’s attention may be diverted by violations of our intellectual property rights, and we may be required to enter into costly litigation to protect our proprietary rights against any infringement or violation.

***We may be subject to intellectual property rights claims or other claims, which could result in substantial costs and diversion of our financial and management resources away from our business.***

We cannot assure you that our course materials, other educational contents or other intellectual properties developed or used by us do not or will not infringe upon patents, valid copyrights or other intellectual property rights held by third parties. We have, and may from time to time be subject to legal proceedings and claims relating to the intellectual property of others. In addition, some of our employees were previously employed at other companies, including our current and potential competitors. To the extent these employees are involved in content development at our company similar to content development in which they have been involved at their former employers, we may become subject to claims that such employees or we may have used or disclosed trade secrets or other proprietary information of the former employers of our employees. In addition, our competitors may file lawsuits against us. If any such claim arises in the future, litigation or other dispute resolution proceedings may be necessary to retain our ability to offer our current and future course materials or other content, which could result in substantial costs and diversion of our financial and management resources. Furthermore, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property rights, incur additional costs to license or develop alternative intellectual property rights and be forced to pay fines and damages, any of which may materially and adversely affect our business.

***Failure to control rental costs, obtain leases at desired locations at reasonable prices or protect our leasehold interests could materially and adversely affect our business.***

A majority of our offices and learning centers are located on leased premises. At the end of each lease term we must negotiate an extension of the lease. If we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly. This could disrupt our operations and adversely affect our profitability. All of our leases are subject to renewal at market prices, which could result in a substantial rent increase each renewal period. We compete with many other businesses for sites in certain highly desirable locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. As of December 31, 2023, we had received from our lessors’ copies of title certificates or proof of authorization to lease the properties to us for all leased properties. However, we cannot assure you that we will be able to obtain copies of title certificates or proof of authorization to lease any properties that we may lease in the future or the title to these properties we currently lease or any properties that we may lease in the future will not be otherwise challenged. Furthermore, several of our leased properties are built on allocated land in mainland China. Such properties may not be legally leased to us under laws of mainland China. Our leasehold interest in these properties may be challenged by the PRC governmental authorities to be invalid, and we may be forced to move out of such premises. In addition, we have not registered most of our lease agreements with the PRC governmental authorities as required by laws of mainland China, and although failure to do so does not in itself invalidate the leases, we may not be able to defend these leases against bona fide third parties. As of the date of this annual report, we are not aware of any actions, claims or investigations being contemplated by governmental authorities against us or our lessors with respect to the defects in our leased real properties or any challenges by third parties to our use of these properties. However, if any of our leases are terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we may not be able to protect our leasehold interest and may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

***Capacity constraints of our learning centers could cause us to lose students to our competitors.***

Our learning centers are limited in size and number of classrooms. We may not be able to admit all students who would like to enroll in our courses due to the capacity constraints of our learning centers. If we fail to expand our physical capacity as quickly as the demand for our classroom-based services grows, we could lose potential students to our competitors, which could adversely affect our results of operations and business prospects. As we further expand our STEM education programs, we may face more intense capacity challenges. Furthermore, the investment in the expansion of learning centers can be costly, which may have adverse impact on our gross margin, if we can manage to make such investments at all.

***We may not be able to recoup the capital expenditures or investments we make to expand and upgrade our teaching, administrative, research and other capabilities.***

We purchased two office buildings in Beijing for an aggregate price of RMB231.9 million in 2016. The office buildings were mainly for teaching purposes, and to a lesser extent for administrative functions. We sold one of them in 2021 and incurred a loss on disposal amounting to RMB22.3 million. We sold the other in March 2023 and recognized an impairment loss of RMB11.6 million in 2022. We also purchased a building in Qingdao and another one in Haikou for an aggregate price of RMB49.6 million in 2016. The purpose of these two buildings was for teaching purposes as learning centers to accommodate the growing demand in the local market and to take advantage of favorable local policies. We sold the Qingdao building with a total consideration of RMB26.1 million and incurred a gain on disposal amounting to RMB1.1 million in 2023.

We may continue to invest in our teaching, administrative, research and other capabilities as our business further develops. Although we will evaluate the feasibility of each property purchase for the good of our business operations, we are likely to incur costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect. We may not be able to recover our capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which could adversely affect our profitability.

***Our strategy of investments and acquiring complementary businesses and assets may fail.***

As part of our business strategy, we have pursued, and may continue to pursue, selective strategic investments and acquisitions of businesses and assets that complement our existing business. Investments and acquisitions involve uncertainties and risks, including:

- potential ongoing financial obligations and unforeseen or hidden liabilities, including liability for infringement of third-party copyrights or other intellectual property;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities;
- costs and difficulties of integrating acquired businesses and managing a larger business;
- potentially significant goodwill impairment charges;
- high acquisition and financing costs;
- possible loss of key employees of a target business;
- potential claims or litigation regarding our board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board;
- diversion of resources and management attention; and
- in the case of acquisitions of businesses or assets outside mainland China, the need to integrate operations across different business cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries.

Any failure to address these risks successfully may have a material and adverse effect on our financial condition and results of operations. Investments and acquisitions may require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, if we use our equity securities to pay for investments and acquisitions, we may dilute the value of our ADSs and the underlying ordinary shares. If we borrow funds to finance investments and acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Moreover, acquisitions may also generate significant amortization expenses related to intangible assets. We may also incur impairment charges to earnings for investments and acquired businesses and assets which are determined to be impaired, and recognize the proportional share of the net losses of the investees to the extent of the amount of the investments for the equity method investments.

***Our historical financial and operating results may not be indicative of future performance.***

Although we commenced operations in 2002, our significant business growth and expansion began in 2009. Our previous focus had been providing professional education services since the inception of our business. In 2015, we launched STEM education courses targeting young children aged between three and eighteen to supplement our offerings. In December 2023, we entered into an equity transfer agreement to dispose of our professional education business. The Divestiture had been closed as of the date of this annual report, and our primary focus has shifted to providing IT-focused supplementary STEM education services. See “Item 4. Information on the Company—A. History and Development of the Company” for more details on the disposal of the professional education business.

Our business and our prospects must be evaluated in light of the risks and uncertainties encountered by companies at a comparable stage of development. Furthermore, our results of operations may vary from period to period in response to a variety of other factors, including general economic conditions and regulations, government actions pertaining to the education services sector in China, changes in spending on education services, our ability to control cost of revenues 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, some of which are beyond our control, our historical financial and operating results may not be indicative of our future performance, and you should not rely on our past results or our historic growth rates as indicators of our future performance.

***Our ability to broadcast our lectures live and to offer online learning modules on 6lit.cn and depends upon the performance and reliability of our systems and the internet infrastructure and telecommunications networks in China.***

We deliver live broadcasts of our lectures via a dedicated network of China Telecom and China Unicom on third-party live broadcasting platforms to terminals located in selected learning centers with high student enrollment and via public internet infrastructure to other learning centers. Any unscheduled service interruption of the internet infrastructure and telecommunications networks in China could cause us to be unable to deliver these live broadcasts, forcing us to resort to using pre-recorded lectures in the event of such service interruptions. Our inability to broadcast live lectures during service interruptions may damage the quality of our education and student experience, which may hurt our reputation and negatively impact our financial condition and results of operations. Furthermore, our gross profit and net income could be adversely affected if the prices that we pay for telecommunications and internet services rise significantly.

Our ability to offer online learning modules also depends on the performance and reliability of the internet infrastructure in China. Disruptions to the internet infrastructure of China may deny our students access to the learning functionalities on our 6lit.cn, which may hinder students from effectively learning our education contents. Furthermore, increases in the traffic on 6lit.cn could also strain the capacity of our existing computer systems, which could lead to slower response times or system failures. This would cause a disruption or suspension in our course offerings, which would hurt our brands and reputation and negatively affect our revenue growth. We may need to incur additional costs to improve our systems in order to accommodate increased demand if we anticipate that our systems cannot handle higher traffic volume in the future.

***We have limited insurance coverage for our operations in China.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We have determined that the risks of disruption or liability from our business, the loss or damage to our fixed assets, including our equipment and office furniture, the cost of insuring for these risks, and the difficulties associated with acquiring such insurance on commercially reasonable terms render it commercially impractical for us to have such insurance. We do not have any business interruption, litigation or property insurance coverage for our operations in mainland China. Any uninsured occurrence of personal injury, loss or damage to fixed assets, or litigation or business disruption may result in the incurrence of substantial costs and the diversion of resources, which could have an adverse effect on our operating results.

***Our business is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility and adversely affect the price of our ADSs.***

We have experienced, and expect to continue to experience, seasonal fluctuations in our net revenues and results of operations, primarily due to seasonal changes in student enrollment. Historically, our courses tend to have the largest student enrollment, cash collection and net revenues in the third and fourth quarters. We generally generate less tuition fees in the first quarter of each year due to the Chinese New Year holiday. Our expenses, however, do not necessarily correspond to changes in our student enrollment and net revenues. We make investments in marketing and promotion, instructor recruitment and training and course development throughout the year. We expect quarterly fluctuations in our net revenues and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our ADSs. As our net revenues grow, these seasonal fluctuations may become more pronounced.

***Higher labor costs and inflation in China may adversely affect our business and our profitability.***

Labor costs in China have risen in recent years. We employed 7,022 employees in mainland China as of December 31, 2023, of which 5,385 employees were associated with our continuing operations. The increases in labor cost may erode our profitability and materially harm our business, financial condition and results of operations. In addition, the PRC government has promulgated laws and regulations to enhance labor protection, such as the *Labor Contract Law* and the *Social Insurance Law*, which are also expected to cause our labor costs to increase. As the interpretation and implementation of these new laws and regulations are still evolving, our employment practices may not be at all times be deemed in compliance with the new laws and regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigation, our business and profitability may be adversely affected.

Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

***We have granted share-based awards and may grant more share-based awards in the future, which may reduce our net income.***

In February 2014, we adopted a 2014 share incentive plan with a term of ten years. In February 2024, we adopted a 2024 share incentive plan, or the 2024 Plan. Pursuant to the share incentive plans, we issued, and may continue to issue, options, restricted shares and restricted share units to our qualified employees, directors and consultants on a regular basis. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2024 Plan, or the Award Pool, is 3,500,000, provided that the shares reserved in the Award Pool shall be increased on the first day of each calendar year, commencing on January 1, 2025, if the unissued shares reserved in the Award Pool on such day account for less than 2% of the total number of shares issued and outstanding on a fully diluted basis on December 31 of the immediately preceding calendar year, as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal 2% of the total number of shares issued and outstanding on a fully diluted basis on December 31 of the immediately preceding calendar year. As a result of grants and potential future grants under the share incentive plans, we have incurred and will continue to incur share-based compensation expenses. As of December 31, 2023, the unrecognized compensation cost related to unvested options and non-vested shares amounted to RMB0.7 million (US\$0.1 million) and RMB1.1 million (US\$0.1 million), respectively, which will be recognized over a weighted average period of 1.32 years and 0.45 years, respectively. Expenses associated with share-based compensation awards granted under our share plan may reduce our future net income. However, if we limit the size of grants under our share plan to minimize share-based compensation expenses, we may not be able to attract or retain key personnel.

***Any natural catastrophes, severe weather conditions, health epidemics and other extraordinary events could severely disrupt our business operations.***

The occurrence of natural catastrophes such as earthquakes, floods, typhoons, tsunamis or any acts of terrorism may result in significant property damages as well as loss of revenues due to interruptions in our business operations. In addition to COVID-19, health epidemics such as outbreaks, Zika, Ebola, avian influenza, severe acute respiratory syndrome (SARS) or the influenza A (H1N1), and severe weather conditions such as snow storm and hazardous air pollution, as well as the government measures adopted in response to these events, could require the temporary closure of our offices and learning centers and quarantines of our employees.

Furthermore, our ability to broadcast live lectures and provide our education services through *6lit.cn* depends on the continuing operation of our technology system, which is vulnerable to damage or interruption from natural catastrophes and other extraordinary events. Our disaster recovery planning cannot account for every conceivable possibility. Any damage to or failure of our technology system could result in interruptions in our services, and our brands could be damaged if students believe our systems are unreliable. Such disruptions could severely interfere with our business operations and adversely affect our results of operations.



## Risks Related to Our Corporate Structure

***If the PRC government finds that the agreements that establish the structure for holding our ICP license do not comply with applicable laws and regulations of mainland China, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.***

Pursuant to the *Provisions on Administration of Foreign Invested Telecommunications Enterprises* promulgated by the State Council on December 11, 2001, as amended on September 10, 2008, February 6, 2016 and March 29, 2022, the ultimate foreign equity ownership in a value-added telecommunications services provider may not exceed 50%. The latest amended version cancelled the previous requirements on the primary foreign investor's performance and operational experience and requirements on approvals from the Ministry of Industry and Information Technology, and the Ministry of Commerce, or their authorized local counterparts. However, this modification is relatively new, uncertainties still exist in relation to its interpretation and implementation. Although the *Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)*, or the 2021 Negative List, jointly issued by the NDRC and the Ministry of Commerce on December 27, 2021, and effective from January 1, 2022, and *Circular of the Ministry of Industry and Information Technology on Liberalizing the Restrictions on Foreign Shareholding Percentages in Online Data Processing and Transaction Processing Business (For-profit E-commerce Business)*, promulgated by the Ministry of Industry and Information Technology in June 2015, allow a foreign investor to own up to 100% of the total equity interest in e-commerce business, domestic multi-party communication, storage and forwarding classes and call centers, we have not engaged in any of such business. Due to the foreign ownership restriction on internet content and other value-added telecommunication services, we operate our *6lit.cn* website and Tongcheng Online App through Beijing Tongcheng, and such website and application have been included in the permitted operation scope under the ICP license held by Beijing Tongcheng. Beijing Tongcheng is 70% owned by Mr. Shaoyun Han, our founder and chairman, and 30% owned by Mr. Jin Li, a member of our management body. Mr. Han and Mr. Li are both citizens of mainland China. Our mainland China subsidiary, Tongcheng Shidai, entered into a series of contractual arrangements with Beijing Tongcheng and its shareholders, which enable us to:

- exercise effective financial control over Beijing Tongcheng;
- receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of Beijing Tongcheng; and
- have an exclusive option to purchase all or part of the equity interests in Beijing Tongcheng when and to the extent permitted by laws of mainland China.

Because of these contractual arrangements, we are the primary beneficiary of Beijing Tongcheng and consolidate its financial results in our consolidated financial statements in accordance with U.S. GAAP. For a detailed discussion of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure." Investors in our ADSs thus are not purchasing equity interest in the variable interest entities in mainland China but instead are purchasing equity interest in a Cayman Islands holding company with no equity ownership in the variable interest entities.

Han Kun Law Offices, our PRC legal counsel, is of the opinion that (i) the ownership structure of Beijing Tongcheng and Tongcheng Shidai will not result in any violation of laws or regulations of mainland China currently in effect; and (ii) the contractual arrangements among Tongcheng Shidai, Beijing Tongcheng and its shareholders governed by laws of mainland China are valid, binding and enforceable, and will not result in any violation of laws or regulations of mainland China currently in effect.

There are, however, substantial uncertainties regarding the interpretation and application of current or future laws and regulations of mainland China concerning foreign investment in mainland China, and their application to and effect on the legality, binding effect and enforceability of the contractual arrangements. In particular, we cannot rule out the possibility that PRC regulatory authorities, courts or arbitral tribunals may in the future adopt a different or contrary interpretation or take a view that is inconsistent with the opinion of our PRC legal counsel. It is uncertain whether any new laws or regulations of mainland China relating to VIEs will be adopted or if adopted, what they would provide. For example, on February 17, 2023, the CSRC issued the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, or the Overseas Listing Regulations, and five supporting guidelines, all of which were aimed to regulate both direct and indirect overseas offering and listing of mainland China domestic companies' securities by adopting a filing-based regulatory regime. Companies in mainland China that seek to offer and list securities in overseas markets, in direct or indirect means, are required to fulfill the filing procedures with the CSRC and submit relevant information. At the press conference in relation to the promulgation of the Overseas Listing Regulations on February 17, 2023, the CSRC officials clarified that, as for companies seeking overseas offering, listing with VIE structures and applying to file with the CSRC, the CSRC will solicit opinions from the PRC regulatory authorities and proceed with the filing of the overseas listing of such companies if such companies duly meet the compliance requirements. If we fail to complete the filing with the CSRC in a timely manner, or at all, for our further capital raising activities, which are subject to filing requirements under the Overseas Listing Regulations, due to our VIE structure, we may be required to unwind the VIEs or adjust our business operations to meet the filing requirements and our ability to raise or utilize funds could be materially and adversely affected. However, as the Overseas Listing Regulations was recently promulgated, it remains uncertain as to its interpretation, implementation and enforcement, in particular, for companies with VIE structures, and there also remain uncertainties how they will affect our operations in mainland China and our future capital-raising activities. On March 15, 2019, the National People's Congress approved the *PRC Foreign Investment Law*, which came into effect on January 1, 2020. Under the *PRC Foreign Investment Law*, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in mainland China. Although the *PRC Foreign Investment Law* does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the definition of "foreign investment" in the future. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Value-Added Telecommunications Services—The Foreign Investment Law" and "Item. 3 Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its implementation regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Our holding company in the Cayman Islands, the variable interest entities, and investments in 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, the business, financial condition, and results of operations of the variable interest entities and our company as a group. In addition, our ADSs 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 contributed 6.6% of our revenues from continuing operations in 2023. If we or Beijing Tongcheng is found to be in violation of any existing or future laws or regulations of mainland China, or such arrangement is determined as illegal and invalid by the PRC court, arbitral tribunal or regulatory authorities, or if we fail to obtain, maintain or renew any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business and operating licenses of our subsidiaries in mainland China and Beijing Tongcheng;
- discontinuing or restricting the conduct of any transactions between our subsidiaries in mainland China and Beijing Tongcheng;
- imposing fines, confiscating the income from Beijing Tongcheng, or imposing other requirements with which we or Beijing Tongcheng may not be able to comply; or
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with Beijing Tongcheng and deregistering the equity pledges of Beijing Tongcheng.

We launched our *6lit.cn* online learning platform in July 2018 to deliver online live instruction of our IT-focused supplementary STEM education courses to students aged between three and eighteen. *6lit.cn* features an OMO-based interactive classroom and leveled class materials covering multiple programming languages such as Scratch, Python, Javascript, HTML, CSS and C++. *6lit.cn* is also important for our marketing efforts. Therefore, the imposition of any of these penalties could result in a material and adverse effect on our ability to provide online education services and conduct our marketing and promotional activities through *6lit.cn*. Beijing Tongcheng has added our *6lit.cn* website under its ICP license.

***If the PRC authorities determine that we can no longer own and operate certain of our learning centers through our subsidiaries in mainland China, we may need to restructure the ownership and operation of these learning centers (including possibly transferring these learning centers to the variable interest entities), our business may be disrupted and we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entities.***

There are still uncertainties under the current laws of mainland China as to whether a wholly foreign-owned enterprise is allowed to indirectly invest in and own private schools through its subsidiaries in mainland China. On the one hand, the *Private Education Law* does not expressly prohibit a subsidiary of a foreign-invested enterprise from investing in private schools. The *Amendment to the Private Education Law Implementation Rules* provides that foreign-invested enterprises established in mainland China and social organizations controlled by any foreign entity are prohibited from establishing or participating in establishing private schools to provide compulsory education; and the establishment of any other type of private school is subject to the provisions of the State on foreign investment. Moreover, the *Alleviating Burden Opinions* specifies that foreign capital is prohibited from controlling or investing in any academic after-school tutoring institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entity, but has not expressly imposed restriction on non-academic after-school tutoring institutions. On the other hand, according to the *Private Education Law*, Chinese-foreign cooperation in operating schools is specifically governed by the *Regulations on Operating Chinese-foreign Schools* and its implementing rules, which require specific approvals from those governmental authorities in charge of either human resources and social security or education, and that any foreign party to such Chinese-foreign cooperation in operating schools be an educational institution with relevant experience in providing educational services outside mainland China. In addition, the *Regulations on Operating Chinese-foreign Schools* prohibits foreign institutions or individuals from independently establishing schools which provide educational services mainly for Chinese citizens in mainland China. It remains uncertain as to how and to what extent the *Alleviating Burden Opinions* may affect the regulation and administration on non-academic after-school tutoring institutions. In addition, there are substantial uncertainties regarding the interpretation and application of current and future laws and regulations of mainland China. In practice, different local authorities have different views and administrative policies on whether foreign institutions or individuals are permitted to use their direct or indirect wholly owned subsidiaries incorporated in mainland China to establish a school under the *Private Education Law* without violating the *Regulations on Operating Chinese-foreign Schools*. For example, Beijing published the *Setting Standards of Science and Technology After-school Tutoring (Trial) (Draft for comment)* on December 19, 2023, which emphasizes that if the organizer of a science and technology after-school tutoring institution is a foreign invested enterprise or a social organization controlled by a foreign party, the organizer should comply with relevant regulations in mainland China. As of the date of this annual report, the draft was released for public comment only, and its respective provisions may be subject to change with substantial uncertainty.

As of March 31, 2024, 33 private schools sponsored by our wholly owned subsidiaries in mainland China have obtained private school operating permits, and based on the results of verbal inquiries with the governmental authorities of education, we believe that the ownership structure of our schools has not been challenged by the government authorities. However, certain local government authorities hold that a wholly foreign-owned enterprise is prohibited or restricted from indirectly investing in or owning private schools through its subsidiaries. As a result, we may have to apply for private school operating permits through a subsidiary of the current VIE, Beijing Tongcheng, in certain regions to satisfy the requirement of such local governmental authorities to the extent necessary. If the PRC government authorities determine in the future that we can no longer own and operate our schools and their related learning centers through our subsidiaries in mainland China, which are considered ineligible to act as sponsors of private schools, we may need to transfer these schools and related learning centers to the variable interest entities, which may severely disrupt our business and expose us to increased risks associated with the contractual arrangements relating to the variable interest entities.

***Any failure by Beijing Tongcheng or its shareholders to perform their obligations under our contractual arrangements with them would have an adverse effect on our business.***

If Beijing Tongcheng or its shareholders fail to perform their obligations under their contractual arrangements with us, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under the laws of mainland China, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if the shareholders of Beijing Tongcheng were to refuse to transfer their equity interest in Beijing Tongcheng to us or our designee if we exercise the exclusive option agreements pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by laws of mainland China and provide for the resolution of disputes through arbitration in mainland China. Accordingly, these contracts would be interpreted in accordance with laws of mainland China and any disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under laws of mainland China, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in mainland China courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective financial control over Beijing Tongcheng, and our ability to conduct our business may be negatively affected.

If we had direct ownership of Beijing Tongcheng, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Beijing Tongcheng, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by Beijing Tongcheng and its shareholders of their obligations under the contracts to exercise control over Beijing Tongcheng. Meanwhile, there are very few precedents as to whether contractual arrangements would be judged to form effective control over variable interest entity through the contractual arrangements, or how contractual arrangements in the context of a variable interest entity should be interpreted or enforced by the mainland China courts. Should legal actions become necessary, we cannot guarantee that the court will rule in favor of the enforceability of the variable interest entity contractual arrangements. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the variable interest entities, and our ability to conduct our business may be materially adversely affected. Therefore, our contractual arrangements with Beijing Tongcheng may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

***The shareholders of Beijing Tongcheng may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

We have designated individuals who are PRC nationals to be the shareholders of Beijing Tongcheng. The equity interests of Beijing Tongcheng are held by Mr. Shaoyun Han and Mr. Jin Li. The interests of these individuals as the shareholders of Beijing Tongcheng may differ from the interests of our company as a whole. These shareholders may breach, or cause Beijing Tongcheng to breach, or refuse to renew, the existing contractual arrangements we have with them and Beijing Tongcheng, which would have a material and adverse effect on our ability to effectively control Beijing Tongcheng. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the purchase option agreement with these shareholders to request them to transfer all of their equity ownership in Beijing Tongcheng to a mainland China entity or individual designated by us. We rely on Mr. Shaoyun Han, who is our director and who owe a fiduciary duty to our company, and Mr. Jin Li, who is a member of our management body, to comply with the terms and conditions of the contractual arrangements. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Beijing Tongcheng, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***Our contractual arrangements with the variable interest entities may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.***

Under laws and regulations of mainland China, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between Tongcheng Shidai and the variable interest entities did not represent an arms-length price and adjust the variable interest entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the variable interest entities, which could in turn increase their tax liabilities without reducing our tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on the variable interest entities for under-paid taxes. Our consolidated net income may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If these subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require any of our subsidiaries in mainland China to adjust its taxable income under the contractual arrangements it currently has in place with the variable interest entities in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See “—Our contractual arrangements with the variable interest entities may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.”

Under laws and regulations of mainland China, our wholly foreign-owned subsidiaries in mainland China may pay dividends only out of their respective accumulated profits as determined in accordance with accounting standards and regulations of mainland China. In addition, a mainland China enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital.

Any limitation on the ability of our subsidiaries in mainland China to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also “—Risks Related to Doing Business in China—We are affected by the PRC Enterprise Income Tax Law, and we may be classified as a mainland China ‘resident enterprise’ for mainland China enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-mainland China shareholders and have a material adverse effect on our results of operations and the value of your investment.”

***If Beijing Tongcheng becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy its assets, which could materially and adversely affect our business.***

Due to foreign ownership restrictions in the online value-added telecommunications business, we hold our ICP license through contractual arrangements with Beijing Tongcheng as well as its shareholders. As part of these arrangements, Beijing Tongcheng holds assets that are important to the operation of our business, including the domain names and ICP license for our *61it.cn* website.

We do not have priority pledges and liens against Beijing Tongcheng’s assets. As a contractual and property right matter, this lack of priority pledges and liens has remote risks. If Beijing Tongcheng undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on Beijing Tongcheng’s assets. If Beijing Tongcheng liquidates, we may take part in the liquidation procedures as a general creditor under the *PRC Enterprise Bankruptcy Law* and recover any outstanding liabilities owed by Beijing Tongcheng by Tongcheng Shidai under the applicable service agreements. To ameliorate the risks of an involuntary liquidation proceeding initiated by a third-party creditor, we closely monitor the operations and finances of Beijing Tongcheng through carefully designed budgetary and internal controls to ensure that Beijing Tongcheng is well capitalized and is highly unlikely to trigger any third-party monetary claims in excess of its assets and cash resources. Furthermore, Tongcheng Shidai has the ability, if necessary, to provide financial support to Beijing Tongcheng to prevent such an involuntary liquidation.

If the shareholders of Beijing Tongcheng were to attempt to voluntarily dissolve or liquidate Beijing Tongcheng without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request Beijing Tongcheng’s shareholders to transfer all of their equity ownership interest to a mainland China entity or individual designated by us in accordance with the exclusive option agreements with the shareholders of Beijing Tongcheng. In the event that the shareholders of Beijing Tongcheng initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of Beijing Tongcheng without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual agreements. Any such legal proceeding may be costly and may divert our management’s time and attention away from the operation of our business, and the outcome of such legal proceeding would be uncertain. The uncertainties in legal proceedings to enforce the terms of the contractual agreements are mainly caused by the laws of mainland China that prohibit domestic companies holding ICP licenses from assisting foreign investors in conducting value-added telecommunications business in mainland China. Under the *Ministry of Industry and Information Technology Circular*, a domestic company that holds an ICP license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in mainland China.

***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.***

In mainland China, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are typically 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 local branch of the State Administration for Market Regulation. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops—corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial contracts. We use finance chops generally for making and collecting payments, including, but not limited to, issuing invoices. Use of corporate chops and contract chops must be approved by our legal department and administrative department, and use of finance chops must be approved by our finance department. The chops of our subsidiaries and the variable interest entities are generally held by the respective entity so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiaries and the variable interest entities in mainland China have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise. All designated legal representatives of our subsidiaries and the variable interest entities in mainland China have signed employment agreements with us under which they agree to abide by duties they owe to us.

In order to maintain the physical security of our chops, we generally store them in secured locations accessible only to the department heads of the legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we monitor our employees, including the designated legal representatives of our subsidiaries and the variable interest entities in mainland China, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees or designated legal representatives could abuse their authority, for example, by binding the relevant subsidiary or variable interest entity with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over a subsidiary or variable interest entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the PRC authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and 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 while distracting management from our operations.

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

***Uncertainties in the interpretation and enforcement of laws and regulations of mainland China could limit the legal protections available to you and us.***

The legal system of mainland China is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the government of mainland China began to promulgate a comprehensive system of laws and regulations governing economic matters. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in mainland China. Our subsidiaries and the VIEs in mainland China are subject to various laws and regulations of mainland China generally applicable to companies in mainland China. However, since these laws and regulations are relatively new and the legal system of mainland China continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the legal system of mainland China is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) some of which may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in mainland China could materially and adversely affect our business and impede our ability to continue our operations.

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

Substantially all of our business operations are conducted in mainland China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

China's economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the government of mainland China has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in mainland China is still owned by the government. In addition, the government of mainland China continues to play a significant role in regulating industry development by imposing industrial policies, and has significant authority to exert influence on the ability of a China-based company, such as us, to conduct its business. Therefore, investors of our company and our business face potential uncertainty from China. The government of mainland China also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While China's economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. Some of the government measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition.

COVID-19 had a severe and negative impact on the Chinese and the global economy from 2020 through 2022, and the global macroeconomic environment still faces numerous challenges. The growth rate of the Chinese economy has been slowing since 2010 and the Chinese population began to decline in 2022. The Federal Reserve and other central banks outside of China have raised interest rates. The Russia-Ukraine conflict, the Hamas-Israel conflict and the attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. There have also been concerns about the relationship between China and other countries which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a wide range of issues including trade policies, treaties, government regulations and tariffs. 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. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. A decline in the economic prospects of IT and other professionals could alter the spending priorities of the parents of our current and prospective students. We cannot assure you that if the macroeconomic environment deteriorates, parents will continue to spend on STEM education for their children. Therefore, a slowdown in China's economy or the global economy may lead to a reduction in demand for our education services, which could materially and adversely affect our financial condition and results of operations.

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

We conduct our business primarily in mainland China. Our operations in mainland China are governed by laws and regulations of mainland China. The PRC government has significant oversight and discretion over the conduct of our business, and may intervene or influence our operations. The PRC government has published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation, and our ordinary shares and ADSs may decline in value or become worthless.

***Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCA Act, in the future if the PCAOB is unable to inspect or investigate completely our auditors. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.***

Pursuant to the *Holding Foreign Companies Accountable Act*, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms.

Our current auditor, Marcum Asia CPAs LLP, or Marcum Asia, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Marcum Asia, whose audit report is included in this annual report on Form 20-F, is headquartered in New York, New York, and was not included in the list of PCAOB Identified Firms in the PCAOB Determination Report issued in December 2021.

Our ability to retain an auditor subject to PCAOB inspection and investigation, including but not limited to inspection of the audit working papers related to us, may depend on the relevant positions of U.S. and Chinese regulators. Marcum Asia's audit working papers related to us are located in mainland China. With respect to audits of companies with operations in mainland China, such as us, there are uncertainties about the ability of our auditor to fully cooperate with a request by the PCAOB for audit working papers in mainland China without the approval of Chinese authorities. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. Whether the PCAOB will be able to conduct inspections of our auditor, including but not limited to inspection of the audit working papers related to us, in the future is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor's, control. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely the auditors we retain to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.



***We are affected by the PRC Enterprise Income Tax Law, and we may be classified as a mainland China “resident enterprise” for mainland China enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-mainland China shareholders and have a material adverse effect on our results of operations and the value of your investment.***

Under the *PRC Enterprise Income Tax Law*, or the EIT Law, that became effective on January 1, 2008, as amended on February 24, 2017 and December 29, 2018, an enterprise established outside mainland China with “de facto management bodies” within mainland China is considered a mainland China “resident enterprise” for mainland China enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the *Implementation Rules to the EIT 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, a circular, known as *Circular 82*, issued in April 2009, as amended in January 2014 and December 2017, by the State Administration of Taxation, or the SAT, specifies that certain offshore incorporated enterprises controlled by mainland China enterprises or mainland China enterprise groups will be classified as mainland China resident enterprises if the following are located or resident in mainland China: 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 seals, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. *Circular 82* also clarified that dividends and other income paid by such “resident enterprises” will be considered to be mainland China source income, subject to mainland China withholding tax, currently at a rate of 10%, when recognized by shareholders that are non-mainland China resident enterprises. Further to *Circular 82*, the State Administration of Taxation issued a bulletin, known as *Bulletin 45*, which took effect on September 1, 2011, to provide more guidance on the implementation of *Circular 82* and clarify the reporting and filing obligations of such “Chinese-controlled offshore-incorporated resident enterprises.” *Bulletin 45* provides procedures and administrative details for the determination of mainland China resident enterprise status and administration on post-determination matters. Although both *Circular 82* and *Bulletin 45* only apply to offshore enterprises controlled by mainland China enterprises and there are currently no further rules or precedents governing the procedures and specific criteria for determining the “de facto management body” for a company like ours, or controlled by mainland China enterprise groups, not those controlled by mainland China individuals or foreign individuals like us, the determining criteria set forth in *Circular 82* and *Bulletin 45* may reflect the general position of State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident enterprise status of offshore enterprises, regardless of whether they are controlled by mainland China enterprises, mainland China enterprise groups or by mainland China or foreign individuals.

We do not believe that TCTM meets all of the conditions above and thus we do not believe that TCTM a mainland China resident enterprise, despite the fact that all of the members of our management team as well as the management team of our offshore holding company are located in mainland China. However, if the PRC tax authorities determine that TCTM Kids IT Education Inc. is a mainland China resident enterprise for mainland China enterprise income tax purposes, a number of unfavorable mainland China tax consequences could follow. First, we will be subject to the uniform 25% enterprise income tax on our worldwide income, which could materially reduce our net income. In addition, we will also be subject to mainland China enterprise income tax reporting obligations. Second, although dividends paid by one mainland China tax resident to another mainland China tax resident should qualify as “tax-exempt income” under the EIT Law, we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities, have not yet issued guidance with respect to the processing of outbound remittances to entities that are not controlled by any mainland China enterprise or enterprise group and treated as resident enterprises for mainland China enterprise income tax purposes.

Finally, dividends we pay to our non-mainland China enterprise shareholders and gains derived by our non-mainland China shareholders from the sale of our shares may become subject to a 10% mainland China withholding tax. In addition, future guidance may extend the withholding tax to dividends we pay to our non-mainland China individual shareholders and gains derived by such shareholders from transferring our shares. In addition to the uncertainty in how the new “resident enterprise” classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If mainland China income tax were imposed on gains realized through the transfer of our ADSs or ordinary shares or on dividends paid to our non-resident investors, the value of the investment in our ADSs or ordinary shares may be materially and adversely affected. Furthermore, our ADS holders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

***We face uncertainty regarding the mainland China tax reporting obligations and consequences for certain indirect transfers of our operating company's equity interests. Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.***

In connection with the EIT Law, the Ministry of Finance and the State Administration of Taxation jointly issued *Circular 59* in April 2009, which became effective retroactively on January 1, 2008. On February 3, 2015, the State Administration of Taxation issued *Public Notice 2015 No.7*, or Public Notice 7. Under Public Notice 7, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests in a mainland China “resident enterprise” or other taxable assets indirectly by disposing of the equity interests in an overseas holding company, the non-resident enterprise, being the transferor, may be subject to mainland China enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. In addition, Public Notice 7 provides clear criteria 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 a self-assessment as to whether the transaction should be subject to mainland China taxes and to file or withhold the mainland China taxes accordingly. Where non-resident investors were involved in our private equity financing, if such transactions were determined by the tax authorities to lack reasonable commercial purpose, we and our non-resident investors may become at risk of being taxed under Public Notice 7 and may be required to expend valuable resources to comply with Public Notice 7 or to establish that we should not be taxed under Public Notice 7, which may have a material adverse effect on our financial condition and results of operations or the non-resident investors’ investments in us.

In October 2017, the State Administration of Taxation promulgated the *Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source*, or Circular 37, which provides certain changes to the current withholding regime, amends certain provisions in Public Notice 7. For example, Circular 37 requires that the transferor shall declare to the competent tax authority for payment of tax within seven (7) days after the tax payment obligation comes into being if the withholding agent fails to withhold the tax due or withhold the tax due in full. However, according to Circular 37, if the withholding agent fails to withhold and remit the income tax payable, or is unable to perform its obligation in this regard, as long as the non-resident enterprise that earns the income voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a mainland China resident enterprise by a non-resident enterprise. The PRC tax authorities have the discretion under *Circular 59*, Public Notice 7 and Circular 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments under *Circular 59*, Public Notice 7 or Circular 37, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

In addition, the State Administration of Taxation promulgated *Administrative Measures on the General Anti-Avoidance Rule (Trial)* on December 12, 2014, which shows the authority’s intention to fight against any tax avoidance scheme that is adopted to obtain unwarranted tax benefit without reasonable commercial purpose. A press release, made by the State Administration of Taxation to clarify certain issues relating to the application of this set of measures, stated that the measures may be applicable if any general tax-avoidance scheme exists in the offshore indirect transfer of equity interests. Since it is unclear how this set of measures, and any future implementation rules thereof, will be interpreted, amended and implemented by the governmental authorities, we cannot predict how these regulations will affect our business operations, future acquisitions or strategy.

***We face risks and uncertainties with respect to the licensing requirement for value-added telecommunication services, internet audio-video programs, radio or television programs production and operation, internet publication, and filing requirements for commercial franchise.***

On September 25, 2000, the *Telecommunications Regulations of the People's Republic of China*, or the Telecom Regulations, were issued by the State Council, which were subsequently amended in 2014 and 2016. Under the Telecom Regulations, it is a requirement that telecommunications service providers procure operating licenses prior to their commencement of operations. *A Catalog of Telecommunications Business* was issued as an attachment to the Telecom Regulations to categorize telecommunications services as basic or value-added. This catalog was most recently updated in June 2019, and the information services are classified as value-added telecommunications services.

On September 25, 2000, the State Council promulgated the *Administrative Measures on Internet Information Services*, or the Internet Measures, which were amended in January 2011. Under the Internet Measures, commercial internet information services operators shall obtain an ICP license from the government authorities before engaging in any commercial internet information services operations within mainland China. We offer online learning courses through *6lit.cn* website, which may be deemed as providing commercial internet information services and required to obtain an ICP license. Conducting value-added telecommunication services without obtaining an ICP license may result in fines or even order to suspend operation of our website. Beijing Toncheng obtained an ICP license for *6lit.cn*.

In December 2007, the State Administration of Press Publication Radio Film and Television, or SAPPRFT, the predecessor of Administration of Radio and Television newly established in April 2018, and the Ministry of Industry and Information Technology, issued the *Administrative Measures Regarding Internet Audio-Video Program Services*, or the Internet Audio-Video Program Measures, which became effective on January 31, 2008, and amended on August 28, 2015. Among other things, the Internet Audio-Video Program Measures stipulates that no entities or individuals may provide internet audio-video program services without a “License for Disseminating Audio-Video Programs through Information Network” issued by SAPPRFT or its local bureaus or completing the required registration with SAPPRFT or its local bureaus, and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the internet of audio-video programs, or the provision of audio-video program uploading and transmission services. After the conference, the two authorities published a press release that confirmed the above guidelines. There are still significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of “Internet Audio-Video Programs.”

Furthermore, on April 1, 2010, SAPPRFT promulgated the *Test Implementation of the Tentative Categories of Internet Audio-Visual Program Services*, amended on March 10, 2017, which clarified the scope of internet audio-video programs services. According to the tentative 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-video programs concerning, among other things, educational content, and broadcasting such content to the general public online.

We transmit our recorded audio-video quality education programs through our *6lit.cn* to enrolled course participants. In addition, we provide live teaching services so that students can choose different learning modes. As a result, we may be subject to the Internet Audio-Video Program Measures. If the governmental authorities determine that our provision of lecture videos on *6lit.cn* falls within the Internet Audio-Video Program Measures, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, a producer or operator of radio or television programs is required to obtain a License for Radio and Television Program Production and Operation under laws and regulations of mainland China.

Furthermore, we offer videos of lectures on our website of *6lit.cn*. Governmental authorities may determine that our online content services fall within the scope of “internet publishing,” and therefore require us to apply for an Internet Publishing License, which we have not obtained from SAPPRFT. We may not be able to obtain such a license if we are requested to obtain one in the future, and we may therefore become subject to penalties, fines, legal sanctions or be ordered to suspend the video content on the website, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the State Council promulgated *The Administrative Regulations on Commercial Franchise* on February 6, 2007. The Ministry of Commerce promulgated the *Administrative Measures on Filing of Commercial Franchise* on April 30, 2007, which was recently amended on December 29, 2023. Under these regulations, “franchise operations” involves granting of a license by an enterprise owner of registered trademarks, enterprise logos, patents, proprietary technologies or other business resources, or franchisor, to another business operator, the franchisee, to use such business resources owned by the franchisor through a contractual arrangement, where the franchisee operates the business according to a uniform business model stipulated under the contract and pays the franchisor franchising fees. A franchisor shall file with the Ministry of Commerce or its local office within 15 days from the date of entering into a franchise contract with a franchisee for the first time. If we fail to complete any filing for franchise operations, the competent authorities may order us to complete such filing within a stipulated period and we may be subject to a fine between RMB10,000 and RMB50,000. If we still fail to complete such filing within a stipulated period, we may be subject to a fine between RMB50,000 and RMB100,000, and a public announcement may be issued against us. Wuhan Haoxiaozhi Robot Technology Co., Ltd., the wholly owned subsidiary of Tongcheng Shidai, completed the filling with Ministry of Commerce for the franchise operations.

***The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, 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, require an overseas special purpose vehicle formed for listing purposes through acquisitions of mainland China domestic companies and controlled by mainland China 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 mainland China, restrictions or limitations on our ability to pay dividends outside mainland China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the PRC government authorities issued *Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law*. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on February 17, 2023, CSRC released the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, or the Overseas Listing Regulations, and five relevant guidelines, which became effective on March 31, 2023.

Pursuant to the Overseas Listing Regulations, companies in mainland China that directly or indirectly offer or list their securities in an overseas market must file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of the intended listing. The Overseas Listing Regulations also provides that a company in mainland China must file with the CSRC within three business days after completion of its follow-on offering of securities after it is listed in an overseas market. If the company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, it 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. According to the *Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies* issued by the CSRC on February 17, 2023, the companies in mainland China that have been listed overseas before March 31, 2023 are not required to file with the CSRC in connection with the historical offerings, but these companies are required to fulfill filing obligations with the CSRC in connection with their additional capital raising activities in accordance with the Overseas Listing Regulations. Based on the foregoing, we are not required to complete filing with the CSRC for our historical offerings, but may be subject to the filing requirements for our future capital raising activities, if any, under the Overseas Listing Regulations. As the Overseas Listing Regulations was newly promulgated, the interpretation, application and enforcement of the Overseas Listing Regulations remain uncertain, and this is particularly true for companies conducting their operations in mainland China through variable interest entities. There remain substantial uncertainties with respect to how the CSRC filing procedures under the Overseas Listing Regulations would be applied to, and implicate, the procedures, timetables and outcomes of our future offerings or other capital raising activities. For more details of the Overseas Listing Regulations, please refer to "Item 4. Information on the Company— B. Business Overview— Government Regulations—Regulations Relating to Overseas Listing and M&A."

On February 24, 2023, the CSRC, jointly with some other governmental authorities, published the *Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises*, which became effective on March 31, 2023. Pursuant to the provisions, China-based companies that offer and list securities in overseas markets shall establish a confidentiality and archives system. These China-based companies shall obtain approval from the authorities and file with the confidential administration authorities, either by itself or its offshore listing entity, when providing or publicly filing documents and materials related to state secrets or secrets of the governmental authorities to the relevant securities companies, securities service institutions or offshore regulatory authorities. In addition, these companies shall complete relevant procedures if the documents or materials filed may adversely affect national security or public interests once publicly disclosed, or if these companies provide accounting files or copies to relevant securities companies, securities service institutions, overseas regulators and individuals.

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. Moreover, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the regulations on the domestic securities investments by foreign investors. There remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operations, financial condition and business prospects may be adversely and materially affected.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the *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 mainland China, limit our ability to pay dividends outside mainland China, limit our operating privileges in mainland China, delay or restrict the repatriation of the proceeds from our offshore offerings into mainland China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

***Regulations establish complex approval procedures for some acquisitions of mainland China companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China. The transfers of our learning centers from the variable interest entities to our former wholly owned subsidiaries in China may be subject to such approval procedures, in which case we may need to restructure the ownership and operation of the affected learning centers, and as a result we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entities.***

Six PRC regulatory agencies promulgated regulations effective in September 2006 and amended in June 2009 that are commonly referred to as the M&A Rules. The M&A Rules establish procedures and requirements that could make some acquisitions of mainland China companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a mainland China domestic enterprise. In addition, national security review rules issued by the PRC governmental authorities in 2011 require acquisitions by foreign investors of domestic companies engaged in military-related or certain other industries that are crucial to national security to be subject to prior security review. Moreover, the *Anti-Monopoly Law* requires that the Ministry of Commerce be notified in advance of any concentration of undertaking if certain thresholds are triggered. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules, security review rules and other regulations of mainland China to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

In addition, in accordance with the M&A Rules, approval of the Ministry of Commerce is required for acquisitions of mainland China domestic enterprises by foreign companies that are established or controlled by mainland China domestic companies, enterprises or individuals related to the target mainland China domestic enterprises, or “Related Party Acquisitions,” and the parties are not allowed to evade such requirements through investment by foreign investment enterprises in mainland China or in other ways. Although M&A Rules have been effective since September 2006, we are not aware of any precedent of approval by the Ministry of Commerce of any Related Party Acquisition conducted by mainland China domestic individuals. Starting from the second half of 2012, we began to transfer the operations, including related assets and liabilities, of the variable interest entity to our former wholly owned subsidiary, Tarena Technologies Inc., or Tarena Tech, and its subsidiaries, either through transferring the companies that operate learning centers or that sponsor the schools, or through changing the schools’ sponsors. All of our learning center operations of the variable interest entity had been transferred to Tarena Tech and its subsidiaries and schools before 2018, while one of our learning centers was transferred back to Beijing Tarena for business operation purpose in 2018. In 2019, three of our learning centers which provide online education services were transferred back to Beijing Tarena for business operation purpose and one school was newly set up through Beijing Tarena. In 2021, two schools were newly set up through Beijing Tarena. In February 2023, one school was transferred to a subsidiary of Beijing Tarena. As Mr. Shaoyun Han is a shareholder of both TCTM (formerly known as “Tarena”) and the VIEs, even though the transfers of the companies from the variable interest entity to our former wholly owned subsidiaries in mainland China are not “acquisitions by foreign investors of mainland China domestic enterprises” under the M&A Rules, and our wholly foreign invested enterprises in mainland China were converted into a wholly foreign invested enterprise before the effective date of the M&A Rules, the requirement for an approval from the Ministry of Commerce may still be required for such transfers because of the above anti-evasion clause. Furthermore, it is unclear whether our transfers of the schools, which are not enterprises, from subsidiaries of the variable interest entity to our former wholly owned subsidiaries, could be regarded as Related Party Transactions under the M&A Rules. If the Ministry of Commerce determines that our previous transfers of learning centers from the variable interest entity to our former wholly owned subsidiaries are Related Party Transactions under the M&A Rules and we fail to obtain the Ministry of Commerce’s approvals on such transfers, the effectiveness of such transfers may be challenged and we may need to transfer these companies and schools, including the related learning centers, back to the variable interest entity. Under such circumstances, our business may be disrupted and we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entity. See “—Risks Related to Our Corporate Structure.”

***Regulations relating to offshore investment activities by mainland China residents may limit our mainland China subsidiaries’ ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our mainland China subsidiaries, or otherwise expose us to liability and penalties under laws of mainland China.***

The PRC State Administration of Foreign Exchange, or the SAFE, has promulgated regulations, including the *Notice on Relevant Issues Relating to Domestic Residents’ Investment and Financing and Round-Trip Investment through Special Purpose Vehicles*, or SAFE Circular No. 37, effective on July 4, 2014, and its appendixes, that require mainland China residents, including mainland China institutions and individuals, to register with the local branch of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such mainland China residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a “special purpose vehicle.” SAFE Circular No. 37 further requires an amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by mainland China individuals, share transfer or exchange, merger, division or other material events. In the event that a mainland China shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the mainland China 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 mainland China subsidiary. Further, failure to comply with the various SAFE registration requirements described above could result in liability under laws of mainland China for foreign exchange evasion, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at our mainland China subsidiaries who are held directly liable for the violations may be subject to criminal sanctions. On February 28, 2015, SAFE promulgated the *Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment*, or SAFE Notice 13, which became effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular No. 37, with qualified banks, instead of the SAFE. The qualified banks, under the supervision of the SAFE, directly examine the applications and conduct the registration.

These regulations apply to our direct and indirect shareholders who are mainland China residents and may apply to any offshore acquisitions or share transfers that we make in the future if our shares are issued to mainland China residents. We have requested mainland China residents who we know currently hold direct or indirect interests in our company to make the necessary applications, filings and amendments as required under SAFE Circular No. 37 and other related rules.

We have used our best efforts to notify all of our shareholders who are mainland China citizens and hold interests in us to register with the local SAFE branch and/or qualified banks as required under SAFE Circular No. 37 and SAFE Notice 13. However, in practice, different local SAFE branches and/or qualified banks may have different views and procedures on the application and implementation of SAFE regulations. Therefore, we cannot assure you that they can successfully amend their foreign exchange registrations with the local SAFE branch and/or qualified banks in full compliance with applicable laws. In addition, we may not be informed of the identities of all the mainland China residents holding direct or indirect interests in our company, and we cannot provide any assurances that these mainland China residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular No. 37, SAFE Notice 13 or other related rules. A failure by any of our current or future shareholders or beneficial owners who are mainland China residents to comply with the SAFE regulations may subject us to fines or other legal sanctions, restrict our cross-border investment activities, limit our mainland China subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

Furthermore, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a mainland China domestic company, either we or the owners of such company, as the case may be, may not be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In February 2012, SAFE promulgated the *Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies*, or the Stock Option Rules. Under the Stock Option Rules and other rules and regulations, mainland China residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with the SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are mainland China residents must retain a qualified mainland China agent, which could be a mainland China subsidiary of the overseas publicly listed company or another qualified institution selected by the mainland China subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the mainland China 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 mainland China agent or the overseas entrusted institution or other material changes. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Stock Incentive Plans." We and our mainland China employees who have been granted share options and restricted share units are subject to these regulations and we have completed the registrations of our stock incentive plans with the local SAFE as required by laws of mainland China. Failure of our mainland China share option holders or restricted shareholders to complete their SAFE registrations may subject these mainland China residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our subsidiaries in mainland China, limit our mainland China subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

***Regulation of direct investment and loans by offshore holding companies to mainland China entities and governmental control of currency conversion may delay or limit us from using the proceeds of offshore offerings to make loans to our subsidiaries and the variable interest entities in mainland China, or making additional capital contributions to our mainland China subsidiaries, which could adversely affect our ability to fund and expand our business.***

TCTM is our offshore holding company conducting operations in mainland China through our mainland China subsidiaries and the variable interest entities. Under laws and regulations of mainland China, we are permitted to utilize the proceeds from offshore offerings to make loans to our mainland China subsidiaries and the variable interest entities, or to make additional capital contributions to our mainland China subsidiaries, subject to applicable government registration and approval requirements. None of our loans to any subsidiary in mainland China or variable interest entity can exceed the difference between its total amount of investment and its registered capital approved under the laws of mainland China or three times of the net assets provided in the latest audited financial report of such subsidiary in mainland China, as applicable, and the loans must be registered with the local branch of SAFE. Our capital contributions to our subsidiaries in mainland China or establishment of new subsidiaries in mainland China shall be recorded with the Ministry of Commerce or its local counterpart. Meanwhile, we are not likely to finance the activities of the variable interest entities by means of capital contributions given the mainland China's legal restrictions on foreign ownership of value-added telecommunication-based services and production and operation of radio and television programs.

In May 2014, SAFE promulgated the *Provisions on the Foreign Exchange Administration Rules on Cross-border Guarantee*, which, along with the *PRC Foreign Currency Administration Rules*, provides that failure to register a cross-border guarantee may subject the violator to order to rectify, warning and a fine no more than RMB300,000. In June 2016, SAFE promulgated *SAFE Circular No. 16*, which removed certain restrictions previously provided under several SAFE circulars in respect of conversion by a foreign-invested enterprise of foreign currency registered capital into RMB and use of such RMB capital. However, *SAFE Circular No. 16* continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, and providing loans to non-affiliated enterprises except as permitted in the business scope. On October 23, 2019, the SAFE issued the *Circular on Further Promoting Cross-border Trade and Investment Facilitation*, or *SAFE Circular 28*. Among others, *SAFE Circular 28* relaxes prior restrictions and allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations.

In light of the various requirements imposed by the regulations of mainland China on loans to and direct investment in entities in mainland China by offshore holding companies, including the SAFE rules and circulars referred to above, we cannot assure you that we will be able to complete the necessary government registrations or filings on a timely basis, if at all, with respect to existing and future loans by us to our mainland China subsidiaries and the variable interest entities or additional capital contributions by us to our mainland China subsidiaries, and conversion of such loans or capital contributions into RMB. If we fail to complete such registrations or filings, our ability to capitalize or otherwise fund our operations in mainland China may be negatively affected, which could adversely affect our ability to fund and expand our business.

***Our subsidiaries and the variable interest entities in mainland China are subject to restrictions on paying dividends or making other payments to our holding company, which may restrict our ability to satisfy our liquidity requirements.***

We are a holding company incorporated in the Cayman Islands. As a result of the holding company structure, it currently relies on dividend payments from our subsidiaries in mainland China. However, the regulations of mainland China currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our subsidiaries and the variable interest entities in mainland China are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of foreign currencies out of mainland China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See “—Governmental control of currency conversion may affect the value of your investment.” Furthermore, if our subsidiaries or the variable interest entities in mainland China incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If our subsidiaries and the variable interest entities in mainland China are unable to pay dividends or make other payments to us, we may be unable to pay dividends on our ordinary shares and ADSs.

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



***Governmental control of currency conversion may affect the value of your investment.***

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of foreign currency out of mainland China. We receive most of our revenues in RMB. Under our current structure, our income at the Cayman Islands holding company level will primarily be derived from dividend payments from our mainland China subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our mainland subsidiaries and the variable interest entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing foreign exchange regulations of mainland China, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders or ADS holders.

***We may not be able to obtain certain treaty benefits on dividends paid to us by our subsidiaries in mainland China through our subsidiaries in Hong Kong.***

Under the EIT Law and its implementation rules, dividends generated from retained earnings from a mainland China company and distributed to a foreign parent company are subject to a withholding tax rate of 10% unless the foreign parent's jurisdiction of incorporation has a tax treaty with mainland China that provides for a preferential withholding arrangement. Pursuant to the *Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income*, or the Hong Kong Tax Treaty, which became effective on December 8, 2006, a company incorporated in Hong Kong, such as Tarena HK and Kids IT Education (HK) Limited, will be subject to withholding income tax at a rate of 5% on dividends it receives from its subsidiary in mainland China if it holds a 25% or more interest in that particular subsidiary in mainland China, or 10% if it holds less than a 25% interest in that subsidiary. Pursuant to the *Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements*, or Circular 81, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including, without limitation, that (a) the Hong Kong enterprise must be the beneficial owner of the relevant dividends; and (b) the Hong Kong enterprise must directly hold at least a 25% share ownership in the mainland China enterprise during the 12 consecutive months preceding its receipt of the dividends. However, a transaction or an arrangement entered into for the primary purpose of enjoying a preferential tax treatment should not be a reason for the application of the preferential tax treatment under the Hong Kong Tax Treaty. If a taxpayer inappropriately is entitled to such preferential tax treatment, the competent tax authority has the power to make appropriate adjustments. According to the *Circular on Several Issues Regarding the "Beneficial Owner" in Tax Treaties*, which was issued on February 3, 2018, by the State Administration of Taxation and took effect from April 1, 2018, or Circular 9, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties levies any tax or grants a tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and such determination will be analyzed according to the actual circumstances of the specific cases. Circular 9 further provides that an applicant who intends to prove his or her status as the "beneficial owner" shall submit relevant documents to the tax authority according to the *Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers*, or Circular 60, which was replaced and repealed by *Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties*, or Circular 35. Circular 35, which was issued in October 2019 by the State Administration of Taxation and became effective on January 1, 2020, sets forth that non-resident enterprises and their withholding agents shall enjoy treaty benefits by means of "self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference." However, if a competent tax authority finds out that it is necessary to apply the general anti-tax avoidance rules, it may start general investigation procedures for anti-tax avoidance and adopt corresponding measures for subsequent administration. Moreover, according to Circular 81 and Circular 35, if the tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a preferential tax treatment, the tax authorities may adjust the preferential withholding tax in the future.

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

Shareholder claims or regulatory investigations that are common in jurisdictions outside mainland China are difficult to pursue as a matter of law or practicality in mainland China. For example, in mainland China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside mainland China. Although the authorities in mainland China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States or other jurisdictions may not be efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the *PRC Securities Law* which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of mainland China, and without the consent of the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigation or evidence collection activities within mainland China and the potential obstacles for information provision may further increase difficulties you face in protecting your interests. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs—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.”

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

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China and by the Board of Governors of the Federal Reserve System. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. The RMB 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 RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the RMB relative to U.S. dollars would affect the U.S. dollar equivalent of our earnings, regardless of any underlying change in our business or results of operations.

We have not entered into any foreign currency forward contract since 2017. Due to the fluctuation in the exchange rate between U.S. dollars and RMB, we may decide to enter into additional foreign currency contracts in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by exchange control regulations of mainland China that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

***Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its implementation regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.***

On January 1, 2020, the *PRC Foreign Investment Law* and the *Regulations for Implementation of the PRC Foreign Investment Law* came into effect and replaced the trio of prior laws regulating foreign investment in mainland China, namely, the *Sino-foreign Equity Joint Venture Enterprise Law*, the *Sino-foreign Cooperative Joint Venture Enterprise Law* and the *Wholly Foreign-invested Enterprise Law*, together with their implementation rules and ancillary regulations. The *PRC Foreign Investment Law* and its implementation regulations embody an expected regulatory trend of mainland China to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, there are still uncertainties in relation to the interpretation and implementation of the *PRC Foreign Investment Law* and its implementation regulations. For instance, under the *PRC Foreign Investment Law*, “foreign investment” refers to the investment activities directly or indirectly conducted in mainland China by foreign individuals, enterprises or other entities. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the laws and regulations of mainland China. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all.

If any of the variable interest entities were deemed as foreign invested enterprise under any such future laws, administrative regulations or provisions and any of our business were included in any negative list or other form of restrictions on foreign investment, we may need to take further actions to comply with such future laws, administrative regulations or provisions. Such actions may have a material and adverse impact on our business, financial condition, result of operations and prospects. If we or any of the variable interest entities is found to be in violation of any existing or future laws, administrative regulations or provisions of mainland China, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take corresponding action regarding such violations or failures to such entities, such as:

- order to immediately terminate prohibited investment activities and to take certain measures to return to the pre-investment status;
- order to rectify within prescribed period and to take necessary measures to comply with such laws, administrative regulations or provisions;
- revocation of such entities’ business licenses and/or operating licenses;
- shutting down of our website, or discontinuance or restriction on any transactions between certain of our mainland China subsidiaries with them;
- fines, confiscation of the income from our mainland China subsidiaries or the variable interest entities, or other requirements with which we or the variable interest entities may not be able to comply;
- order to restructure our ownership structure, corporate governance and business operations, including terminating the contractual arrangements with the variable interest entities and deregistering the equity pledges of the variable interest entities, which in turn would affect our ability to consolidate, derive economic interests from, or impose control over the variable interest entities; or
- restriction or prohibition on our use of the proceeds of any financing outside mainland China to finance our business operations in mainland China, and other regulatory or enforcement actions that could be harmful to our business.

Any of the above penalties may result in a material and adverse effect on our business operation. In addition, if the PRC regulatory authorities were to find our legal structure and contractual arrangements to be in violation of any laws, administrative regulations or provisions of mainland China, we are uncertain what impact of above PRC regulatory authorities' actions would have on us and our ability to consolidate the variable interest entities in the consolidated financial statement. If any of these regulatory actions result in us losing our right to direct the activities of the variable interest entities or to receive substantially all the economic benefits and residual returns from the variable interest entities 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 variable interest entities in the consolidated financial statements. Any of the above results, or any other significant unfavorable actions that might be imposed on us in this event, would have an adverse effect on our business, financial condition, results of operations and prospects. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

***The tension in international trade and rising political tension, particularly between the U.S. and China, may adversely impact our business, financial condition, and results of operations.***

There have been heightened tensions in international economic relations, such as in the relations between the United States and China. The U.S. government has imposed, and has proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. It remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the United States, tax policy related to international commerce, or other trade matters. While cross-border business may not be an area of focus for us, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our services, impact the competitive position of our services or prevent us from expanding internationally. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to ongoing U.S.-China trade tensions, such changes could have an adverse effect on our business, financial condition and results of operations.

The situation is further complicated by the political tensions between the United States and China that escalated during the COVID-19 pandemic and in the wake of the PRC National People's Congress' decision on Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the central government of the PRC and the executive orders issued by the U.S. President in August 2020 that prohibit certain transactions with certain China-based companies and their respective subsidiaries. Against this backdrop, China has implemented, and may further implement, measures in response to the changing trade policies, treaties, tariffs and sanctions and restrictions against Chinese companies initiated by the U.S. government. The United States and various foreign governments have imposed controls, license requirements and restrictions on the import or export of technologies and products (or voiced the intention to do so). For instance, in October 2022, the U.S. government imposed a set of export control measures with respect to China. On October 17, 2023, the U.S. government announced additional semiconductor regulations expanding and enhancing export controls under these export control measures.

On August 9, 2023, the Biden administration released an executive order directing the Treasury Department to create an outbound foreign direct investment review program that will require reporting on or (in more narrow circumstances) will prohibit investments by U.S. persons involving "covered national security technologies and products," which is defined to include "sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and AI sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities" of China (to include Hong Kong and Macau). On the same day, the Treasury Department issued an advance notice of proposed rulemaking, which provides a conceptual framework for outbound investment controls focused on China. As of the date of this annual report, the final rules implementing the executive order has not become effective yet, and the scope of the outbound foreign direct investment review program may be materially different from what is currently contemplated. In addition, the United States is in the process of developing new export controls with respect to "emerging and foundational" technologies, which may include certain AI and semiconductor technologies. The U.S. government also reportedly is considering imposing new restrictions on the ability of U.S. persons to make investments in or engage in transactions with certain Chinese companies. The United States has also restricted U.S. persons from investing in publicly-traded securities of "Chinese Military-Industrial Complex" companies identified by the Treasury Department. Measures such as these could deter suppliers in the United States and/or other countries that impose export controls and other restrictions from providing technologies and products to, making investments in, or otherwise engaging in transactions with Chinese companies.

As a result, Chinese companies would have to identify and secure alternative supplies or sources of financing, while they may not be able to do so in a timely manner and at commercially acceptable terms, or at all. In addition, Chinese companies may have to limit and reduce their research and development and other business activities, or cease conducting transactions with parties, in the United States and other countries that impose export controls or other restrictions. Rising trade and political tensions could reduce levels of trade, investments, technological exchanges and other economic activities between China and other countries, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

Although the direct impact of the current international trade and political tension, and any escalation of such tension, on the education industry in China is uncertain, the negative impact on general, economic, political and social conditions may adversely impact our business, financial condition and results of operations.

### **Risks Related to Our ADSs**

#### ***The trading prices of our ADSs have fluctuated and may be volatile, which could result in substantial losses to investors.***

The trading prices of our ADSs have fluctuated since we first listed our ADSs. The trading prices of our ADSs may continue to fluctuate and be volatile due to factors beyond our control. This may happen because of broad market and industry factors, such as the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in the United States. In recent years, the widespread negative publicity of alleged fraudulent accounting practices and poor corporate governance of certain U.S. public companies with operations in mainland China were believed to have negatively affected investors' perception and sentiment towards companies with a connection with China, which significantly and negatively affected the trading prices of some companies' securities listed in the U.S. Any similar negative publicity or sentiment may affect the performances of our ADSs. A number of mainland China 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 mainland China companies' securities after their offerings may affect the attitudes of investors toward mainland China companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. Furthermore, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our ADSs, regardless of our operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- the financial projections that we may choose to provide to the public, any changes in those projections or our failure for any reason to meet those projections;
- variations in our net revenues, net income and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- potential litigation, regulatory investigations or other legal proceedings involving us; and
- detrimental negative publicity about us or our industry.

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

***If we fail to meet Nasdaq's minimum bid price or minimum market value of publicly held shares requirements, our ADSs could be subject to delisting, which may significantly reduce the liquidity of our ADSs and cause further declines to the market price of our ADSs.***

Our ADSs were previously listed on the Nasdaq Global Select Market and we transferred the listing of our ADSs from the Nasdaq Global Select Market to Nasdaq Capital Market in November 2023. The Nasdaq Listing Rules have minimum requirements that a company must meet for continued listing on Nasdaq Global Select Market and Nasdaq Capital Market.

The requirements for continued listing when our ADSs were listed on the Nasdaq Global Select Market include maintaining a minimum closing bid price of US\$1.00 per ADS and a minimum Market Value of Publicly Held Shares, or MVPHS, of US\$15 million for a period of 30 consecutive trading days. On December 10, 2021 and January 20, 2022, we received written notifications from Nasdaq advising us that (i) our ADS had been trading at a price that would subject our ADSs to delisting if we fail to regain compliance with the Nasdaq minimum bid price requirement by June 8, 2022 and that (ii) we no longer meet the minimum MVPHS requirement for the Nasdaq Global Select Market and were granted a grace period of 180 calendar days, expiring on July 19, 2022, to regain compliance, respectively. We regained compliance with (i) the Nasdaq minimum bid price requirement by changing the ratio of our ADS to our Class A ordinary shares since January 6, 2022, and (ii) the minimum MVPHS requirement for Nasdaq Global Select Market since June 1, 2022. On July 28, 2023, we received a further notice from Nasdaq indicating that we no longer meet the minimum MVPHS requirement for the Nasdaq Global Select Market and were granted a grace period of 180 calendar days, expiring on January 24, 2024, to regain compliance. As a result, in November 2023 we applied to Nasdaq and Nasdaq approved for transferring the listing of our ADSs from the Nasdaq Global Select Market to the Nasdaq Capital Market, effective on November 17, 2023. As of the date of this annual report, we have met all of the continued listing requirements for the Nasdaq Capital Market, including the requirement on minimum MVPHS as set forth in Nasdaq Listing Rule 5550(a)(5) upon the transfer. However, there can be no assurance that we will meet all of the requirements for continued listing in the future.

There can be no assurance that we will stay compliant with the requirements for continued listing at all times going forward. The delisting of our ADSs or transfer of listing may significantly reduce the liquidity of our ADSs, cause further declines to the market price of our ADSs, and make it more difficult for us to obtain adequate financing to support our continued operation.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.***

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

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

Our board of director have authorized a few share repurchase programs in recent years, some of which were not fully consummated:

- On December 31, 2021, our board of directors authorized a share repurchase program, under which we may purchase up to US\$2.5 million of our shares over the next six months;
- On June 29, 2022, our board of directors authorized to extend the share repurchase program over the next six months, pursuant to which we may repurchase up to approximately US\$1.36 million of our shares through December 31, 2022; and
- On November 28, 2022, our board of directors authorized a new share repurchase program over the next twelve months, pursuant to which we may repurchase up to US\$3 million of our shares during the 12-month period beginning from November 28, 2022.

From January 1, 2022 to November 28, 2023, we repurchased approximately 781,064 ADSs at a weighted average price of US\$3.48 per ADS pursuant to our share repurchase program. In addition, we also repurchased 5,119,698 of the Company's class A ordinary shares beneficially owned by Talent Fortune Investment Limited, an affiliate of KKR & Co. Inc., at a repurchase price of \$0.2 per share in January 2024.

Our board of directors also has the discretion to authorize additional share repurchase programs or share repurchase transactions in the future. The share repurchase programs do not obligate us to repurchase any specific dollar amount or to acquire any specific number of ADSs and/or shares. We cannot guarantee that any share repurchase activity will enhance long-term shareholder value. The share repurchase activities could affect the price of our listed securities and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our ADSs. Furthermore, share repurchases could increase the volatility of the price of our ADSs and could diminish our cash reserves.

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

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share, with Class A and Class B ordinary shares voting together as one class on all matters subject to a shareholders' vote. As of February 29, 2024, our Class B ordinary shares represent 17.6% of our total issued and outstanding ordinary shares on an as-converted basis and entitle their holders to 62.5% of our total voting power.

As a result of the dual class share structure and the concentration of ownership, holders of our Class B ordinary shares have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial. For more information regarding our principal shareholders and their affiliated entities, see "Item 7. Major Shareholders and Related Party Transactions."

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

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

***We may be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or Class A ordinary shares.***

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income, or (ii) 50% or more of the value of its 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, or the asset test. A separate determination must be made after the close of each taxable year as to whether a non-U.S. corporation is a PFIC for that year. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and our unbooked intangibles associated with active business activity are taken into account as non-passive assets.

In addition, a non-U.S. corporation 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, 25% or more (by value) of the stock. Although the law in this regard is unclear, we treat the VIEs as being beneficially owned by us for U.S. federal income tax purposes because we control the entities' management decisions, we are entitled to substantially all of the economic benefits associated with the entities, and, as a result, we consolidate the entities' results of operations in our U.S. GAAP financial statements. If it was determined, however, that we are not the owner of the VIEs for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year.

Based on the market price of our ADSs and outstanding Class A ordinary shares, the value of our assets and the composition of our assets and income, we do not believe that we were a PFIC for our taxable year ended December 31, 2023. No assurances can be given with regard to our PFIC status for the current taxable year or the foreseeable future because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the characterization and composition of our income, assets and liabilities. It is possible that the IRS may challenge our classification of certain items of income, assets and liabilities, which may result in our company being or becoming a PFIC.

Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or Class A ordinary shares, fluctuations in the market price of our ADSs or Class A ordinary shares may cause us to be or become a PFIC for the current or subsequent taxable years. In particular, recent declines in the market price of our ADSs significantly increased our risk of being or becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets. Under circumstances where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC may substantially increase.

If we were treated as a PFIC for any taxable year during which a U.S. Holder (defined below) held an ADS or a Class A ordinary share, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations.”

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

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our fifth amended and restated memorandum and articles of association, the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities 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 the standing to initiate a shareholder derivative action in a federal court of the United States.

The Cayman Islands courts are also unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- 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 non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.



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

We are a Cayman Islands company and almost all of our assets are located outside the United States. Substantially all of our current operations are conducted in mainland China. In addition, most of our current directors and executive officers are nationals and residents of countries other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***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 Class A ordinary shares.***

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the underlying Class A ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our fifth amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is ten calendar days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depository 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 depository to vote your shares. In addition, the depository 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 vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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

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

The information we are required to file with or furnish to the SEC are less extensive and less timely as compared to that required to be filed with the SEC by United States domestic issuers. As a Cayman Islands company listed on Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards.

We relied on the exemption available to foreign private issuers for the requirement that such issuers hold an annual general meeting of shareholders no later than December 31, 2023. In this respect, we elected to follow home country practice and did not hold an annual general meeting of shareholders in 2023. In addition, in lieu of the requirements of Rule 5635(c) of the Nasdaq Rules that shareholder approval be required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, we elected to follow our home country practices with respect to the adoption of the 2024 Plan. We may also continue to rely on this and other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. As a result, you may not be afforded the same protections or information which would be made available to you if you were investing in a United States domestic issuer.

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

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A 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 Class A ordinary shares your ADSs represent. However, the depository 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 depository 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 depository 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 not be able to participate in our rights offerings and may experience dilution of your holdings.***

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

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

Your ADSs are transferable on the books of the depository. However, the depository 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 depository may close its books from time to time for a number of reasons, including in connection with corporate events, such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***We incur increased costs as a result of being a public company, and we cannot predict or estimate the amount of additional future costs we may incur or the timing of such costs.***

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, including additional costs associated with our public company reporting obligations. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq, impose various requirements on the corporate governance practices of public companies. Compliance with such rules and regulations have increased, and we expect such compliance to continue to increase our legal and financial compliance costs and to make certain corporate activities more time-consuming and costly.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. We have been investigated by several law firms in the U.S. for potential securities claims in the past. TCTM Kids IT Education Inc. (formerly known as Tarena International Inc.) and certain of its current and former officers and directors have been named as defendants in a putative securities class action captioned Yili Qiu v. Tarena International, Inc. et al., (Case No. 1:21-cv-03502) filed on June 22, 2021, in the U.S. District Court for the Eastern District of New York. The complaint asserts that defendants made false or misleading statements in certain SEC filings between August 16, 2016, and November 1, 2019, related to the company's business and operating results in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On September 1, 2021, the court entered an order appointing lead plaintiff in this action. On September 14, 2021, the parties filed a joint status report and proposed scheduling stipulation, pursuant to which, the lead plaintiff filed an amended complaint on November 1, 2021. On January 18, 2022, TCTM Kids IT Education Inc. (formerly known as Tarena International Inc.) moved to dismiss the complaint. On April 4, 2022, lead plaintiff served its opposition to the motion. Briefing was completed on May 19, 2022. While the motion to dismiss was pending, the plaintiffs and the company reached an agreement in principle to settle all claims. On July 13, 2022, the plaintiff filed a letter informing the court of the settlement in principle. On August 31, 2022, the parties filed a motion for preliminary approval of the proposed settlement agreement. Preliminary approval hearing took place on November 8, 2022, and the court reserved judgement on the motion pending submission of additional information. In December 2022, the parties submitted revised settlement materials to the court. On August 3, 2023, the court ordered additional revisions to the settlement papers, which the parties submitted on August 18, 2023. On September 5, 2023, the court granted preliminary approval for the settlement agreement with us. The final fairness hearing is scheduled for February 9, 2024. The parties are awaiting the court's ruling. We cannot ascertain the final result of the class action, and our involvement in the class actions, whatever the final result may be, could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

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

We began our operations in Beijing in September 2002 through Beijing Tarena Technology Co., Ltd. In November 2012, we changed the name of Beijing Tarena Technology Co., Ltd. to Tarena Technologies Inc., or Tarena Tech. Tarena International, Inc., an exempted company with limited liability, was incorporated in the Cayman Islands in October 2003 and became our ultimate holding company. We established Tarena HK as our wholly owned subsidiary in October 2012.

On April 3, 2014, our ADSs began trading on Nasdaq under the ticker symbol "TEDU." We and certain selling shareholders sold a total of 15,300,000 ADSs, representing 15,300,000 Class A ordinary shares, at an initial offering price of \$9.00 per ADS. Concurrently with our initial public offering, we also issued 1,500,000 Class A ordinary shares at a price of US\$9.00 per share to New Oriental Education & Technology Group Inc. Ltd. through a private placement.

In 2018, we invested RMB18.5 million in three companies that are mainly engaged in the provision of IT and educational products and services, and we disposed of our investment in one of them with a consideration of RMB4.9 million (US\$0.7 million) in 2022. In 2018, we acquired Wuhan Haoxiaozi Robot Technology Co., Ltd., one of the largest STEM robotics programming education service providers in Hunan and Hubei provinces in China. In 2019, we invested RMB10.0 million in one mainland China company which is mainly engaged in investment management businesses.

On December 8, 2020, we received a preliminary non-binding proposal letter, or the Proposal Letter, from Mr. Shaoyun Han, our founder and chairman of the board of directors, to acquire all of the outstanding Class A ordinary shares of our company that are not already owned by Mr. Shaoyun Han and his affiliates, or the Buyer Group, for a purchase price of \$4.00 per American Depositary Share, or US\$4.00 per Class A ordinary share, in cash. On December 10, 2020, our board of directors formed a special committee, or the Special Committee, consisting of two independent directors, Mr. Arthur Lap Tat Wong, as the chairman of the Special Committee, and Mr. Hon Sang Lee, to evaluate and consider the Proposal Letter. On December 30, 2020, we announced that the Special Committee had retained Duff & Phelps, LLC as its independent financial advisor and Gibson, Dunn & Crutcher LLP as its U.S. legal counsel to assist it in this process. On April 30, 2021, we announced that we had entered into an Agreement and Plan of Merger, or the Merger Agreement, with Kidedu Holdings Limited, or the Parent, and Kidarena Merger Sub, a wholly owned subsidiary of Parent, or the Merger Sub. Pursuant to the Merger Agreement, the Merger Sub will merge with and into us, with us continuing as the surviving company and becoming a wholly owned subsidiary of the Parent in a transaction implying an equity value of us of approximately US\$230.6 million. The merger consideration will be funded through cash contribution by Ascendent Capital Partners III, L.P. or its affiliates, or the Sponsor (together with Mr. Shaoyun Han, the Buyer Group). On September 31, 2021, we announced that we had delivered a written notice to the Parent, the Merger Sub and Ascendent Capital Partners III, L.P., of our intention to terminate the Merger Agreement due to the breach of the Merger Agreement by the Parent and the Merger Sub. On November 15, 2021, we announced that all parties mutually agreed to terminate the Merger Agreement due to disagreement on specific terms and conditions within the Merger Agreement. Pursuant to the Termination Agreement, the Buyer Group paid a settlement fee of US\$3.53 million to us on November 24, 2021. The Merger Agreement was therefore terminated on the same date upon receipt of the settlement fee.

We previously also cooperated with universities and colleges in mainland China to offer joint-major degree programs and related peripheral services to colleges and students in accordance with the higher education reform policies of each province. On April 28, 2023, we entered into agreements to dispose of our controlling interest in our university and college joint academic programs and related peripheral services to colleges and students, or the Target Business, to a consortium. Mr. Shaoyun Han, our founder and chairman, is member of the investor consortium and has an interest in the disposal transaction. The Target Business accounted for an insignificant portion of our revenues and assets during the recent fiscal years before the disposal, and therefore, we do not expect the disposal to have any material impact on our business operations and financial performance.

On December 24, 2023, we entered into an equity transfer agreement to dispose of our equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd, or the Divestiture. Ms. Lijuan Han, sister of the Company's founder and chairman Mr. Shaoyun Han, is a member of the buyer consortium and has an interest in the Divestiture. The Divestiture had been consummated at the end of March 2024. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested, and the STEM education business operated by the former VIE had been transferred to the current VIE. The Divestiture represented a strategic shift that has a major effect on our company's operations and financial results. As a result of the Divestiture, the professional education business has been reclassified as discontinued operations and our remaining business after the Divestiture has been reclassified as continuing operations. For detailed information regarding all material financial impacts related to the Divestiture, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Impact by the Divestiture" and notes 1 and 3 to our consolidated financial statements, which are included in this annual report. For a description of the risks related to the Divestiture, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Uncertainties and risks accompany our strategy to divest our professional education business."

On January 10, 2024, we changed our ticker symbol from "TEDU" to "TCTM". On February 20, 2024, we held an Extraordinary General Meeting of Shareholders in Beijing where we adopted a special resolution to approve the name change of our holding company from "Tarena International, Inc." to "TCTM Kids IT Education Inc." The name change took effect on February 21, 2024.

After the above disposals, we expect to continue to operate our *6lit.cn* website through the current VIE, Beijing Toncheng, which holds the ICP license to operate the *6lit.cn* website and Tongcheng Online App. For a description of the risks related to our corporate structure and the contractual arrangements we have entered into with the variable interest entities, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

The table below sets forth the percentages of the respective revenues from continuing operations and assets of our Company and its wholly owned subsidiaries, and the VIEs as of the dates and for the periods indicated:

	Net Revenues <sup>(1)</sup>			Total Assets <sup>(1)</sup>
	For the year ended December 31, 2021	For the year ended December 31, 2022	For the year ended December 31, 2023	As of December 31, 2023
	TCTM and its wholly owned subsidiaries	98.7 %	97.1 %	93.4 %
VIEs	1.3 %	2.9 %	6.6 %	23.7 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

Note:

- (1) The percentages exclude the inter-company transactions and balances between TCTM and its wholly owned subsidiaries, and the VIEs.

Our headquarters is located in Beijing, China. Our principal executive offices are located at 6/F, No. 1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing 100011, China, People’s Republic of China. Our telephone number at this address is +86 10 6213 5687. Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

**B. Business Overview**

We are currently focused on providing IT-focused supplementary STEM education services in mainland China targeting young children aged between three and eighteen. As of the date of this annual report, we offered courses in ten STEM education programs. Our education platform has live distance instruction, classroom-based learning and online learning modules.

**STEM Education.** In December 2015, we launched new training programs TongchengTongmei featuring IT training courses and non-IT training courses for minors. In March 2016, we rolled out robotics programming courses for students aged between three and eighteen. In 2017, we launched coding mathematics to further diversify our course offerings in STEM education. These new programs target and contain curriculum that is customized for pre-school, primary to secondary school students aged between three and eighteen. Our courses for preschool, primary to high school students adopted a dual-teaching model, which was comprised by the online teaching models and instructors from online or offline learning centers, facilitating the delivery of personalized and systematic tutoring and improving students’ understanding in on-site or online classrooms. Students are taught by either live distance instructors and/or pre-recorded videos, with instructors face-to-face in classrooms. In order to build a more vivid and concentrated learning environment, students will watch a series of interesting courseware videos step by step, led by on-site instructors.

Since 2016, we also set up standalone centers for STEM education programs, which have further improved our brand recognition and teaching facilities and brought better learning experience for our students. In 2018, we developed and launched *6lit.cn* as an online platform to facilitate the live instruction of our STEM education courses targeting minors to deliver an interactive and engaging learning experience beyond the geographical limitation. We have also integrated the online platform with our proprietary learning management system *Tarena Teaching System*, or TTS, to enhance students’ learning performance after each class. As of December 31, 2023, there were 220 TongchengTongmei standalone learning centers covering 53 cities in mainland China.

**Discontinued operations.** We had offered IT professional education lectures through a group of experienced and passionate instructors based in Beijing to a nationwide network of learning centers since our inception, or professional education business. In December 2023, we entered into an equity transfer agreement to dispose of our equity interests in the professional education business, or the Divestiture. The Divestiture had been consummated at the end of March 2024. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested. In 2021, 2022 and 2023, revenues generated from our professional education business represented a large portion of our total revenues. See “—A. History and Development of the Company” and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Impact by the Divestiture” for more details.

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and the variable interest entities in mainland China. We operate our *6lit.cn* website and Tongcheng Online App through Beijing Tongcheng, and such website and application have been included in the permitted operation scope under the ICP license held by Beijing Tongcheng. Our wholly owned subsidiaries in mainland China are currently not eligible as wholly owned foreign-invested enterprises to hold ICP licenses.

## **Our Education Platform**

Our education platform has three key components: live distance instruction, classroom-based learning and online learning modules.

### ***Live distance instruction***

Our instructors deliver live courses from our headquarters in Beijing primarily via live webcast to our students. Our live broadcast method of course delivery ensures consistency in teaching quality across all our centers. All of our instructors that deliver the course through a webcasting system are located in Beijing, where we centralize our training support. Our headquarter-level quality control department monitors the performance of each lecturer on a daily basis. We typically have multiple instructors for each course, with each instructor focusing on separate topic areas. We believe this allows our instructors to focus, and offer more in-depth teaching, on their specific areas of expertise within a subject.

### ***Classroom-based learning***

Our learning centers function as classrooms for delivering lectures. As of December 31, 2023, we directly managed a total of 220 learning centers in 53 cities across mainland China for our STEM education business. Learning centers for our STEM education business vary in terms of size, ranging between approximately 300 and 700 square meters. The number of students vary according to different courses, with typically around 6 to 8 students in small classrooms and 12 to 15 students in large classrooms.

In 2023, STEM education learning centers are distributed in 53 cities, and the student enrollments of STEM education were approximately 210,600. Approximately 52% of the students aged between three and eighteen were from the following cities: Beijing, Guangzhou, Changsha, Shenzhen, Kunming, Wuhan, Tianjin, Zhengzhou, Hefei and Nanning.

Our students are generally required to physically attend classes at our learning centers. We believe physical attendance is important as it creates a disciplined and focused learning environment for students to effectively master the course content. Requiring students to physically attend classes also facilitates the delivery of personalized and systematic tutoring. Our classroom technology infrastructure allows students to interact with instructors online to receive help on course materials and to use online modules to take notes and conduct practice exercises.

### ***Online learning modules***

Our live distance instruction and classroom-based learning are supplemented by our proprietary online learning modules featured on our TTS platform. TTS has the following five core functions:

- *Course content.* TTS contains lecture slides, key lecture video recordings, case studies, practice exercises and supplemental reading materials. In addition to recordings of past lectures, TTS also features exclusive online videos on key course materials. To foster effective learning of our course lecture materials, especially theoretical knowledge points, TTS features case studies and practice exercises. TTS contains supplemental reading materials on key areas of study. TTS also allows students to download various STEM materials and study notes.
- *Self-assessment examinations.* TTS features daily and weekly interactive assessments to measure learning outcomes. TTS provides students with progress tests related to the course contents and asynchronous review videos that synchronize the course curricula and study pace, serving to help students review, memorize and better apply the key points learnt at the class. Teachers can leverage the TTS platform to monitor the review progress and learning results of individual students and answer their questions on a timely basis. Students and/or their parents can similarly assess the learning results and gauge the students' grasp of course content. After students complete a self-assessment, TTS automatically provides students with detailed explanations on each of the assessment questions.

- *Student and instructor interaction.* TTS allows students to interact with instructors under the online live broadcast mode. In class, students may raise questions for instructors using the messaging tools on TTS for their coding and programming exercises. After class, students can practice and post questions to the instructors through the online question and answer board in TTS. TTS could automatically assess the performance, present to students answers and analyses, and then generate individualized learning reports. The instructors can monitor and assess students' exercise results and learning performance through TTS, make evaluations and give feedbacks to students.
- *Student management tools.* TTS allows instructors to receive daily ratings and feedback from students. Instructors may then adjust their lecture pace and coverage of course materials each day. TTS enables teaching assistants to evaluate each student's academic performance. The teaching assistant interface of TTS contains each student's performance results, as well as each student's particular needs. Teaching assistants are required to follow up with students and their parents to satisfy the student's individual learning needs and propose tailored study plans for better results. TTS also allows teaching assistants to monitor each student's attendance and to log their daily tutoring activities.
- *Online student community.* TTS serves as an online student community that fosters STEM learning collaboration among students. We encourage students to post course-related contents and comments sharing their study experiences and results among the community.

We launched *6lit.cn* in July 2018 to cover a broader customer base and deliver online live instruction of our IT-focused supplementary STEM education courses to students aged between three and eighteen. *6lit.cn* features an OMO-based interactive classroom and leveled class materials covering multiple programming languages such as Scratch, Python, Javascript, HTML, CSS and C++.

### **Our Course Offerings**

Our courses provide students aged between three and eighteen with STEM education to help them develop their logical thinking ability as well as their practical skills. We currently offer ten STEM education programs. Our featured IT-focused supplementary STEM classes are leveled courses covering a variety of IT-related knowledge and skills tailored for Chinese learners aged between three and eighteen, and include approximately 64 to 120 learning hours per year depending on the level of course. Our STEM classes are primarily conducted by a dual-teaching model, which was comprised by the online teaching models and instructors from online or offline learning centers, facilitating the delivery of personalized and systematic tutoring and improving students' understanding in on-site or online classrooms. In 2023, the total student enrollments of our IT-focused supplementary STEM classes were approximately 210,600.

**STEM Education Programs**

In December 2015, we launched new training programs under the brand name *TongchengTongmei* featuring IT training courses and non-IT training courses for students aged between three and eighteen. In March 2016, we rolled out robotics programming courses. In 2017, we launched Graphical Intelligent Programming and NOI Informatics Olympiad to further diversify our course offerings in STEM education. In 2018, we further adjusted our course offering of our *TongchengTongmei* programs. In 2018, we launched Python Artificial Intelligence and in 2019 we launched High level hardware programming for secondary school and Soft and hard programming enlightenment. In 2020, we launched the Creative Programming Starter course and STEM education which can help children to develop their logical thinking skills and practical skills. We treat the *TongchengTongmei* programs as our main effort to enter into the STEM education market, and a significantly growing part of our operation. In 2021, we launched robotics programming courses including SPIKE Starter and SPIKE Advanced, which have gained popularity among our students aged between six and twelve. In 2022, we launched the Python Programming Basics, which is an upgraded version of Python Artificial Intelligence and has gained popularity among our students aged between eight and ten. We have discontinued all above STEM non-IT training courses in 2022. In 2023, we upgraded the NOI Informatics Olympiad and Creative Programming Starter courses to stay abreast of the technology changes and satisfy the evolving preferences of students and their parents.

<b>Subject</b>	<b>Year of Launch</b>	<b>Focus of Course Content</b>
Robotics programming	2016	Using LEGO WeDo2.0, EV3 teaching aids, taking into account engineering machinery and programming knowledge, design a variety of physical works close to life, combined with the standard teaching process, scientific teaching methods, so that children are exposed to technology from an early age.
Graphical Intelligent Programming	2017	Suitable for students from Kindergarten to elementary school students of grade 3, the progressive course consists of 3 Levels, using the Scratch programming platform to implement situational story programming, game animation programming and smart application programming.
NOI Informatics Olympiad	2017 <i>(upgraded in 2023)</i>	Suitable for elementary school students from grade 4 onwards and secondary school students, the course implements data structures and algorithms using the C++ language.
Python Artificial Intelligence	2018	Suitable for elementary school students from grade 3 onwards as well as secondary school students, the advanced course consists of seven levels, using Python language, JavaScript language to implement fun game programming, intelligent scene programming, web programming, server programming, AI algorithm programming, and APP programming.
High level hardware programming for secondary school	2019	Software and hardware programming class using Python as the programming language. The software part uses PyQt5 to create the PC-side upper computer software; the hardware part uses STM32 self-developed main control board to control the deformable robot and a variety of hardware sensors through programming; and the software and hardware are integrated to realize the interactive application.
Soft and hard programming enlightenment	2019	Combined by LEGO WeDo 2.0 and Scratch programming, software and hardware and virtual and reality are perfectly integrated. In the course, through scene animation, game design and other vivid contents, children can fully grasp the foundation of artificial intelligence technology.
Creative Programming Starter	2020 <i>(upgraded in 2023)</i>	Using the building blocks and physical programming modules that children are interested in as carriers, with the goal of developing children's understanding, application and re-creation abilities, using the building blocks to construct scenes and the physical programming modules to complete the task challenges, through the deep integration of building and programming, to achieve a true hand-brain combination, to comprehensively train children's hands and brains to solve practical problems and help them acquire the ability to face the future society.
SPIKE Starter	2021	It is an upgraded version of the WeDo course. Combining modular programming into Lego SPIKE basic set to master robot building skills in the course building process and improve students' hands-on ability and spatial construction ability. Programming allows children to understand programming thinking and master the writing skills of simple programs.
SPIKE Advanced	2021	It is an upgraded version of EV3 course. Using SPIKE robot teaching aids and combining Scratch and Python programming languages to create rich robot programming projects and students can learn mechanical structure and gain programming knowledge.
Python Programming Basics	2022	It is an upgraded version of Python Artificial Intelligence, imparting basic skills for programming engineering and required knowledge for programming level exams. Python programming cultivates children's ability to write programs independently and to design and develop simple games.



The IT courses offered under the TongchengTongmei programs feature materials that are customized for young children. All of our STEM education programs target and contain curriculum that is customized for students aged between three and eighteen. Similar to programs designed for adult students, our courses for students aged between three and eighteen also adopted a dual-teaching model, which was comprised by the online teaching models and instructors from online or offline learning centers, facilitating the delivery of personalized and systematic tutoring and improving students' understanding in on-site or online classrooms. Students are taught by either live distance instructors and/or pre-recorded videos, with instructors face-to-face in classrooms. In order to build a more vivid and concentrated learning environment, students will watch a series of interesting courseware videos step by step, led by on-site instructors. In 2018, we launched *6lit.cn* to deliver online live instruction of our IT-focused supplementary STEM education courses to students aged between three and eighteen, which features an OMO-based interactive classroom and leveled class materials covering multiple programming languages such as Scratch, Python, Javascript, HTML, CSS and C++.

Courses under *TongchengTongmei* programs typically have multiple levels, with each level consisting of 64 to 120 learning hours per year. Each session usually takes two to three hours depending on different levels applicable. Depending on the age group, it generally takes approximately one year to complete each level. In 2023, our *TongchengTongmei* programs were offered in 53 cities in mainland China. The revenue of online course and offline course in *TongchengTongmei* programs accounts for 6.8% and 93.2%, respectively in 2023. Online learning in the small groups model is also available for selection, of which the current enrollment is insignificant.

### **Our Teaching Staff**

As of December 31, 2023, we employed 2,372 full-time instructors and 935 full-time teaching assistants associated with our continuing operations, namely, the provision of IT-focused supplementary STEM education services.

#### ***Our instructors***

Most of our instructors are graduates with strong academic background in IT or have industry backgrounds in global and domestic technology companies. Our instructors also provide us with unique access to a large pool of talents that is especially valuable in our decision-making and development process for new courses. We believe we attract highly qualified instructors by virtue of our respected brands, our well-established teaching infrastructure and sales team and our competitive compensation.

We believe that developing and maintaining highly capable and motivated instructors is critical to our success. We seek qualified instructor candidates who have extensive industry experience or come from other STEM education service providers. All instructors are required to undergo training in teaching skills and techniques. We require our instructors to regularly update their course materials to remain current with evolving needs and other key trends necessary to teach effectively. We typically have a backup instructor assigned to each course to meet any emergency needs.

To align incentives, instructors receive bonuses based on students' ratings and the number of class sessions taught, in addition to their base compensation.

#### ***Our teaching assistants***

We believe that our dedicated teaching assistants are essential to the success of our education model. Our teaching assistants interact with our students and/or their parents, handle logistics matters associated with our courses and take care of students needs outside the class. Our teaching assistants are one of the key factors of the operation as we need our teaching assistants to guide our students and/or their parents throughout the course, facilitate a focused learning environment and satisfactory learning experience, and promote student satisfaction, enrollment rates and word-of-mouth referrals. We have adopted a comprehensive set of key performance indicators, or KPIs, to evaluate the performance of our teaching assistants. We primarily seek teaching assistant candidates from experienced teachers or undergraduates with good academic backgrounds or relevant industry experience. We provide necessary training to newly hired teaching assistants to provide effective and satisfactory learning services. Our teaching assistants are frequently evaluated by students on the quality of their assistance.

### **Course Content Development**

We regularly update our existing courses, typically every six months, to stay abreast of the latest technology developments. Prior to developing a new course, we gather market intelligence by collecting market demand information to ensure that we are developing relevant and up-to-date courses. We conduct a series of surveys, each with clear parameters, to determine various aspects of the proposed new course. Once we gather enough market intelligence, we recruit, or identify from within TCTM, instructors with the appropriate industry and academic background to form a course-specific development task team. The development of our STEM education program courses is mostly programming centered. In addition, we focus on leveraging our experience in IT courses, especially programming courses, to develop coding- and programming-based courses for our STEM education programs.

All of our new courses are pilot tested in selected learning centers for student satisfaction assessment and feedback collection. We adjust and calibrate the contents and instruction methods as for these new course based on the feedbacks collected and do not launch the respective new course on a national level until we achieve a 100% student satisfaction rate in the pilot tests. In 2020, we launched a Creative Programming Starter course. In 2021, we launched robotics programming courses including SPIKE Starter and SPIKE Advanced, which have gained popularity among our students aged between six and twelve. In 2022, we launched the Python Programming Basics, which is an upgraded version of Python Artificial Intelligence and has gained popularity among our students aged between eight and ten. In 2023, we upgraded the NOI Informatics Olympiad and Creative Programming Starter courses to stay abreast of the technology changes and satisfy the evolving preferences of students and/or their parents.

Our software research and development department is tasked with improving the technical performance and user experience of *6lit.cn*.

## **Our Students**

Our student enrollment in STEM education programs reached approximately 210,600 in 2023. The majority of our students of our STEM education courses are students aged between three and eighteen.

### ***Student recruitment***

We primarily rely on the on-site marketing based on our offline learning centers to attract students and their parents for enrollment growth. We also adopted such customer acquisition channels to grasp massive customer base with relatively lower costing.

When a prospective student responds to our advertisements, an enrollment advisor generates a prospective student profile and advises the candidate, through online, telephone or a face-to-face meeting, on various aspects of our courses and educational experience. Besides, our excellent course and delivery quality and our students' learning results in IT-focused supplementary STEM education have translated into word-of-mouth referrals and an increase in the number of renewal students as a percentage of fee-paying students, partially offsetting the decrease in customer acquisition due to limited center access.

## **Tuition Fees**

For our STEM education programs, our standard tuition fees are between RMB8,000 and RMB23,400. Courses under our STEM education program typically are composed of multiple levels, with each level consisting of 64 to 120 learning hours in one year. We collect pre-paid tuitions in accordance with applicable laws and regulations.

## **Technology**

Building a reliable, scalable and secure technology infrastructure is crucial to our ability to support our live lecture broadcasts, online TTS, *6lit.cn* and the various services that we provide to our students. We manage our lecture delivery system, TTS and *6lit.cn* using a combination of commercially available software and hardware systems. Since 2006, we have established a powerful online platform that enables thousands of students to simultaneously log onto our TTS and participate in activities online.

All of our servers and routers, including backup servers, are currently hosted at our learning centers or by third-party service providers in multiple cities in China. We regularly back up our databases. Our network administration department regularly monitors the performance of our websites and infrastructure to enable us to respond quickly to potential problems. We deliver live broadcasts of audio and video of the lectures given in Beijing via the dedicated network of China Telecom and China Unicom on third-party live broadcasting platforms to terminals located in selected learning centers with high student enrollment, and via public internet infrastructure to our other learning centers.

## **Seasonality**

Seasonal fluctuations have affected, and are likely to continue to affect, our business. Historically, we typically generate the highest net revenues in the third and fourth quarters because of the increased student enrollments during summer vacation. We generally generate less tuition fees in the first quarter of each year due to the Chinese New Year holiday.

## Intellectual Property

Our trademarks, copyrights, domain names, trade secrets and other intellectual property rights distinguish our courses and services from those of our competitors and contribute to our ability to compete in our target markets. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with senior executive officers and most other employees, to protect our intellectual property rights. In addition, we require certain of our senior executive officers and other employees to enter into agreements with us under which they acknowledge that all inventions, utility models, designs, know-how, copyrights and other forms of intellectual property made by them within the scope of their employment with us, pursuant to job assignments or using our materials and technology, or during the two years after their employment that relates to their employment with us, are our property and they should assign the same to us if we so require. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

As of March 31, 2024, we had registered 34 domain names relating to our continuing operations, including our *www.tctm.cn*, *www.it61.cn* and *www.6lit.cn* websites, with the Internet Corporation for Assigned Names and Numbers and China Internet Network Information Center. We held 3 software copyrights and 116 trademarks as of March 31, 2024.

## Competition

The STEM education services market in China is fragmented, rapidly evolving and highly competitive. We face competition in our offered courses and in many of the geographic markets in which we operate. As the STEM education market in China matures, we may face competition from other STEM education providers. In the future, we may also face competition from new entrants into the Chinese STEM education market. Furthermore, as we expand into new fields within or beyond the STEM education services market, we may face competition for student enrollment from existing online and offline providers of similar services.

Our student enrollment rate could be impacted by the operations of other childhood and adolescent education and tutoring service providers, given our target students have limited time and energy and they need to choose among different courses and programs.

We believe that the principal competitive factors in our markets include the following:

- scope and quality of course offerings and services;
- brand recognition;
- ability to effectively market course offerings and services to a broad base of prospective students;
- cost effectiveness of the education; and
- ability to align course offerings and services to specific needs of students and their parents.

Some of our current or future competitors may have longer operating histories, greater brand recognition, richer experience or greater financial, technical or marketing resources than we do. For a discussion of risks related to competition, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may lose market share and our financial results may be materially and adversely affected, if we fail to compete effectively with our present and future competitors or to adjust effectively to the changing market conditions and trends.”

## Insurance

We do not maintain any property insurance policies covering students, equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in mainland China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. We maintain accident injury insurance and accident injury medical insurance for our employees based in our headquarters in Beijing, and we maintain liability insurance and travel insurance for our students aged between three and eighteen and teachers participating in our camp or event-related travel. Uninsured injury or death to our students or staff, or damage to any of our equipment or buildings could have a material adverse effect on our results of operations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We have limited insurance coverage for our operations in China.”

## Government Regulations

### Regulations on Private Education

#### *Education Law of Mainland China*

On March 18, 1995, the National People’s Congress promulgated the *Education Law of the PRC*, or the Education Law. Pursuant to the Education Law, enterprises, social organizations and individuals are generally encouraged to operate schools and other types of educational organizations in accordance with laws and regulations of mainland China. It is provided in the *Education Law* that no organization or individual may establish or operate a school or any other educational institution for commercial purposes. However, private schools may be operated for “reasonable returns” as described in more detail below. On December 27, 2015, the Standing Committee of the National People’s Congress released *the Amendment to the Education Law of the PRC*, which took effect on June 1, 2016, and was further amended on April 29, 2021, pursuant to which the Standing Committee of the National People’s Congress narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for commercial purposes to only restricting a school or other educational institution founded with governmental funds or donated assets.

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

On December 28, 2002, the Standing Committee of the National People’s Congress promulgated the *Law for Promoting Private Education*, or the Private Education Law, which became effective on September 1, 2003, and was amended on December 29, 2018. On March 5, 2004, the State Council promulgated the *Implementation Rules for the Law for Promoting Private Education*, or the Private Education Implementation Rules, which became effective on April 1, 2004, and was amended on April 4, 2021, which became effective on September 1, 2021. Under the *Private Education Law* and the *Private Education Implementation Rules*, “private schools” are defined as schools established by social organizations or individuals using non-government funds. Private schools providing certifications, pre-school education, education for self-study aid and other academic education shall be subject to approval by the education authorities.

Under the above regulations, the operations of a private school are highly regulated. For example, the types and amounts of fees charged by a private school providing certifications shall be approved by the governmental pricing authority and be publicly disclosed. A private school that does not provide certifications shall file its pricing information with the governmental pricing authority and publicly disclose such information. A private school shall file its advertisement and school enrollment brochure with the governmental authorities of human resources and social security or education.

According to the *Private Education Law* and the *Private Education Implementation Rules*, entities and individuals who establish private schools are commonly referred to as “sponsors” rather than “owners” or “shareholders.” The economic substance of “sponsorship interest” that a sponsor holds in a private school is, for all other practical purposes, substantially equivalent under laws of mainland China and practice to the “equity interest” a shareholder holds in a company. A sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets, such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes assets of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school’s decision-making body. Specifically, the sponsor has control over the private school’s constitutional documents and has the right to elect and replace the private school’s decision-making bodies, such as the school’s board of directors, and therefore controls the private school’s business and affairs.

As for private tutoring institutions, the *Private Education Law* provides that the regulations applicable to private tutoring institutions registered with the State Administration for Market Regulation and its local counterparts shall be formulated by the State Council separately. Under the *Amendment to the Private Education Law*, 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 retain their non-profit status after the *Amendment to the Private Education Law* comes into force.

According to the *Amendment to the Private Education Law*, there are certain key features of the aforesaid new classification system for private schools, including, but not limited to (1) sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools, and the operation surplus may be allocated to the sponsors pursuant to the *PRC Company Law* and other laws and regulations. But sponsors of non-profit private schools are not entitled to the distribution of profits or proceeds from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the schools; (2) for-profit private schools are entitled to set their own tuition fees and other miscellaneous fees without the need to seek prior approvals from or report to the government authorities. The collection of fees by non-profit private schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments; (3) private schools (for-profit and non-profit) may enjoy preferential tax treatments. Non-profit private schools will be entitled to the same tax benefits as public schools. Taxation policies for for-profit private schools after the *Amendment to the Private Education Law* taking effect are still unclear as more specific provisions are yet to be introduced; (4) where there is construction or expansion of a non-profit private school, the school may acquire the required land use rights in the form of allocation by the government as a preferential treatment. Where there is construction or expansion of a for-profit private school, the school may acquire the required land use rights by purchasing them from the government; (5) the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools. The remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the *PRC Company Law*; and (6) the people's governments at or above the county level may support private schools by subscribing to their services, providing student loans and scholarships, and leasing or transferring unused state assets. The governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of non-profit private schools.

On December 29, 2016, the State Council issued the *Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education*, which requires each level of the people's governments to ease access to the operation of private schools and encourage social forces to enter the education industry.

On December 30, 2016, the *Implementation Rules for Private School Classification Registration* was issued by the Ministry of Education, the Ministry of Human Resources and Social Security and other authorities, which requires all private schools, including non-profit private schools and for-profit private schools, to obtain "school permits." Existing private schools established before promulgation of the *Amendment to the Private Education Law* that choose to register as for-profit private schools should apply for new school permits and complete the re-registration process. If such private schools choose to register as non-profit schools, they shall amend their articles of association, continue their operation and complete the new registration process. The *Regulatory Implementation Rules for For-Profit Private School* issued by the Ministry of Education, the Ministry of Human Resources and Social Security and other authorities further provides that the establishment, division, merger and other material changes of a for-profit private school shall first be approved by the education authorities or the authorities in charge of human resources and social welfare, and then be registered with the competent branch of the State Administration for Market Regulation. In addition, for-profit private tutoring institutions shall also be regulated and governed by reference to such rules.

In addition to the *Amendment to the Private Education Law* and the above regulations, the details of the operation requirement of non-profit schools and for-profit schools will further be provided in implementation regulations which may include the *Amended Private Education Implementation Rules*, the local regulations relating to legal person registration of for-profit and non-profit private schools, and the specific measure to be formulated and promulgated by the competent authorities responsible for the administration of private schools, including, but not limited to, the specific measures for registration of pre-existing private schools, the specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools, and measures for the collection of non-profit private schools' fees.

As of the date of this annual report, certain local governments, such as that of Shanghai, Beijing, Jiangsu province, Hebei province, Shaanxi province, and Qionghai of Hainan province, have promulgated their local regulations relating to legal person registration and administration for private schools. However, the implementation of regulations at the national level and in some other provinces relating to the regulation regarding the private schools in mainland China are yet to be introduced.

On April 7, 2021, the State Council promulgated the *Amended Implementation Rules for the Law for Promoting Private Education*, or the *Amended Private Education Implementation Rules*, which took effect on September 1, 2021. The *Amended Private Education Implementation Rules* provides, among other things, that (i) social organizations and individuals are prohibited from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements; (ii) a private school providing compulsory education is prohibited from conducting transactions with its related party; and (iii) the government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and their respective related parties and shall review such transaction on an annual basis. In terms of online education, the *Amended Private Education Implementation Rules* provides that (i) online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management; (ii) any private school engaging in online education activities using internet technology shall obtain the private school operating permit and it shall also establish and implement internet security management systems and take technical security measures; (iii) upon discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading; and (iv) records pertaining to the situation shall be kept and reported to the appropriate authorities.

#### ***Regulations on After-school Tutoring for Students Aged Between Three and Eighteen***

The General Office of the State Council promulgated Circular 80 on August 6, 2018. Circular 80 requires that after-school tutoring institutions shall obtain school operation permits and business licenses. Circular 80 further provides that after-school tutoring institutions shall obtain approvals from local education authorities for opening new branches or learning centers.

In addition, the *Notice on Effectively Reducing Extracurricular Burdens of Primary and Middle School Students and Conducting Special Administrative Actions for After-school Tutoring Institutions* promulgated by the Ministry of Education and other authorities on February 13, 2018, the *Notice on Effectively Conducting Special Administrative Actions for After-school Tutoring Institutions* promulgated by the Ministry of Education on August 31, 2018, the *Notice on Perfecting the Working System of Conducting Special Administrative Actions for After-school Tutoring Institutions* promulgated by the Ministry of Education and other authorities on November 20, 2018, and the *Notice on Measures to Reduce the Burden on Primary and Secondary School Students* promulgated by the Ministry of Education and other authorities on December 28, 2018, also provide that after-school tutoring institutions shall obtain school operation permits and business licenses.

On March 30, 2021, the Ministry of Education promulgated the *Guiding Opinions of the Ministry of Education on Vigorously Promoting the Scientific Connection of Kindergartens and Primary Schools*, which prohibits after-school tutoring institutions from providing training for pre-school children in violation of regulations and provides that after-school tutoring institutions in violation of the regulations above shall be included in the blacklist.

On April 8, 2021, the General Office of the Ministry of Education enacted the *Notice of Strengthening the Management of Homework for Compulsory Education*, which requires that the local governments shall implement prohibition measures on leaving homework as an important part of the daily supervision on after-school tutoring institutions in accordance with the regulations, and in order to avoid reducing the study load in schools but increasing the study load after-school, after-school tutoring institutions shall not leave homework to primary and secondary school students.

On July 24, 2021, the General Office of the State Council and the General Office of the Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinions. The Alleviating Burden Opinions requires that the local governmental authorities shall administer the non-academic after-school tutoring institutions by classifying sports, culture and art, science and technology and other non-academic subjects, formulating standards among different classification of non-academic tutoring and conducting strict examination before granting permission. The Alleviating Burden Opinions sets out a series of operating requirements for Academic AST Institutions, including, among other things, that (i) the local government authorities shall no longer approve any new after-school tutoring institutions which provide tutoring services pertaining to academic subjects for students in compulsory education, and all existing Academic AST Institutions shall be registered as non-profit organizations, and the local government authorities shall no longer approve any new after-school tutoring institutions which provide tutoring services pertaining to academic subjects for preschool-aged children and students in grades ten to twelve; (ii) Academic AST Institutions are prohibited from raising funds by listing on any stock markets or conducting any capital market activities, and listed companies are prohibited from investing in any Academic AST Institutions through fund-raising activities in the capital markets, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; and (iii) foreign capital is prohibited from controlling or investing in any Academic AST Institutions through mergers and acquisitions, entrusted operations, joining franchises or variable interest entities. The Alleviating Burden Opinions further prohibits online tutoring and offline academic tutoring for preschoolers aged between three and six years old (including foreign language tutoring and academic tutoring carried out in the name of preschool classes, school preparation classes or thoughts training classes. Administration and supervision over Academic AST Institutions for students in grades ten to twelve shall be implemented by reference to the Alleviating Burden Opinions.

Moreover, the Alleviating Burden Opinions specifies a series of operating requirements that after-school tutoring institutions must meet, including, among other things, (i) for online tutoring, each session shall be no more than thirty minutes and the training shall end no later than 9:00 p.m.; (ii) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public places and residential areas; (iii) the provision of overseas education courses is strictly prohibited; (iv) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; and (v) online tutoring for preschool-aged children is prohibited.

On July 28, 2021, the General Office of Ministry of Education promulgated the *Notice on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-school Tutoring in the Compulsory Education*, which specifies that according to the national curriculum on compulsory education, when after-school institutions carry out tutoring, morality and rule of law, Chinese, history, geography, mathematics, foreign language (including English, Japanese, Russian), physics, chemistry and biology are classified as academic subjects, while sports (or sports and health), art (or music, art), and comprehensive practical activities (including information technology education, labor and technology education) are classified as non-academic subjects. The *Guidelines for Classification and Identification of After-school Tutoring Programs in Compulsory Education* issued in November 2021 by the General Office of Ministry of Education further clarifies that after-school tutoring will be classified as academic subject training if the following criteria are met: (i) the courses are guided by subject knowledge and skills training, and aiming at improving academic performance of the subject; (ii) the training contents mainly involve subjects such as ethics and the rule of law, Chinese, history, geography, mathematics, foreign languages (English, Japanese, Russian), physics, chemistry, biology, etc.; (iii) the training is carried out by way of teachers (including virtual image, artificial intelligence, etc.) teaching, demonstration and interaction, with emphasis on aspects of knowledge explanation, listening, speaking, reading, writing and arithmetic and other subject ability training, and the main process include preview, teaching and review exercises, and as the main process form; (iv) the evaluation of students focuses on screening and selection, and takes academic performance and examination results as the main evaluation basis.

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

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

*The Announcement on Regulating Non-academic After-school Tutoring* published by the Ministry of Education, the NDRC and the State Administration for Market Regulation on March 3, 2022, provides that, among other requirements, (i) non-academic after-school tutoring institutions should operate in accordance with principles of fairness, legality and good faith, and determine tuition fees reasonably. Information such as the course subject, course length, charge items and standard should be transparent to the public; (ii) non-academic after-school tutoring institutions should use the standard Contract on After-school Tutoring Services for Primary and Secondary School Students (Template) and are prohibited from price fraud and unfair-competition activities, such as fictitious original prices, false discounts, false publicity, etc., and monopolistic behaviors should be prevented and stopped; (iii) prepaid tuition fees should be deposited into a special account of the non-academic after-school tutoring institutions and courses for primary and secondary school students should not be paid through loans; and (iv) where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months.

On November 30, 2022, the Ministry of Education, jointly with other 12 departments, published the *Opinions on Regulating Non-academic After-school Tutoring for Primary and Secondary School Students*, which reiterates the principles and requirements of establishment standard, approval process, length and time of class session, charge management, and daily supervision of non-academic after-school tutoring institutions. For example, the Opinions requires the non-academic tutoring institutions must obtain administrative licenses from the competent authorities prior to registering as legal persons, and online non-academic tutoring institutions shall be approved to engage in internet information service by telecommunications authorities.

On August 23, 2023, the Ministry of Education issued *Interim Measures for Administrative Penalties on After-school Tutoring*, or the Interim Measures on After-school Tutoring, which became effective on October 15, 2023. The Interim Measures on After-school Tutoring sets out the general requirements for administrative penalties for illegal after-school tutoring operated by any natural person, legal person or other organization that is offered to preschool children over 3 years of age, and primary and secondary school students. The Interim Measures on After-school Tutoring provides that the following circumstances shall constitute illegal after-school tutoring, and relevant natural person, legal person or other organization conducting such illegal after-school tutoring may be subject to various administrative penalties, such as orders to rectify or cease tutoring activities, returning fees charged, revocation of operation approval, warning, criticism and fines: (i) any natural person, legal person or other organization carries out after-school tutoring without a requisite private school operating permit and meets certain conditions, including having a specific tutoring facility for offline tutoring activities or a specific website or application for online tutoring activities, two or more tutoring personnel and corresponding organizational structure and division of work; (ii) any natural person, legal person or other organization carries out certain after-school academic tutoring activities in a disguised form without meeting the conditions as prescribed above but also without a private school operating permit; (iii) any after-school tutoring institution carries out after-school tutoring beyond the scope of its private school operating permit; (iv) any after-school tutoring institution carries out after-school tutoring in violation of applicable laws and regulations; (v) any after-school tutoring institution has the problem of disorganized management; and (vi) any after-school tutoring institution organizes or participates in the organization of competitions outside campus without approval for preschool children over 3 years of age, and primary and secondary school students.

On February 8, 2024, the Ministry of Education published the *Regulations on the Management of After-school Tutoring (Draft for Comment)* for public comments. The draft, among others, requires that after-school tutoring institutions shall obtain school operation permits and comply with multiple compliance requirements. However, it is uncertain when the above regulations will be promulgated and whether the final version will have any substantial changes to the draft.

In addition, the Alleviating Burden Opinions also requires that local government authorities shall clarify the competent authorities for administering the 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 nonacademic tutoring and conduct strict examination before granting permission. As of the date of this annual report, certain local government authorities have promulgated rules that require non-academic tutoring service providers in areas such as art, music, physics, among others, to obtain private school operation permit.



### **Regulations on Educational Apps**

The Ministry of Education, jointly with certain other PRC government authorities, issued the *Opinions on Educational Apps*, which requires, among other things, mobile apps that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios, or the Educational Apps, be filed with competent provincial regulatory authorities for education before the end of 2019. The Ministry of Education expects to further promulgate implementation rules with respect to such filing requirements. The *Opinions on Educational Apps* also requires, among other things, that (i) before filing, the Educational App's provider obtain the ICP license or complete the ICP filing and obtain the certificate of the grade evaluation report for graded protection of cybersecurity; (ii) Educational Apps whose main users are under the age of 18 limit the use time, specify the range of suitable ages, and strictly monitor their content; (iii) before an Educational App is introduced as a mandatory app to students, such Educational App be approved by the applicable school through its collective decision-making process and be filed with the competent education authority; and (iv) Educational Apps adopted by education authorities and schools as their uniformly used teaching or management tools not charge the students or parents any fee, and not offer any commercial advertisements or games.

On April 27, 2022, Beijing Municipal Education Commission, jointly with certain other PRC government authorities, published the *Notice on Further Working on the Filing and Management of Educational Mobile Internet Applications*, which reiterates that Educational Apps are mandated to complete filing; those applications not developed for the education system and whose main users are not targeted at faculty and students, and applications that are general tools not catering to educational system do not fall into the filing scope. The above notice classifies Educational Apps as academic training related or non-academic training related, for academic training related Education Apps, the providers shall obtain the operation permits for online subject training.

### **Regulations on Chinese-Foreign Cooperation in Operating Schools**

Chinese-foreign cooperation in operating schools or training programs is specifically governed by the *Regulations on Operating Chinese-foreign Schools*, promulgated by the State Council in 2003 and amended in 2019 in accordance with the *Education Law*, the *Professional Education Law* and the *Private Education Law*. The *Implementing Rules for the Regulations on Operating Chinese-foreign Schools* was issued by the Ministry of Education in 2004. The above regulations and its implementing rules encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate various types of schools in mainland China. Cooperation in the areas of higher education and occupational/professional education is especially encouraged. Chinese-foreign cooperative schools are not permitted, however, to engage in compulsory education or military, police, political and other kinds of education that are of a special nature in mainland China. The *Regulations on Operating Chinese-foreign Schools* prohibits foreign institutions or individuals from independently establishing schools in mainland China, which provide educational services mainly for Chinese citizens.

We have not operated or applied for any Chinese-foreign schools. Starting from the second half of 2012, we began to transfer the operations, including related assets and liabilities, of the variable interest entity to our former wholly owned subsidiary, Tarena Technologies Inc., or Tarena Tech, and its subsidiaries, either through transferring the companies that operate learning centers or that sponsor the schools, or through changing the schools' sponsors. All of our learning center operations of the variable interest entity had been transferred to Tarena Tech and its subsidiaries and schools before 2018, while one of our learning centers was transferred back to Beijing Tarena for business operation purpose in 2018. In 2019, three of our learning centers which provide online education services were transferred back to Beijing Tarena for business operation purpose and one school was newly set up through Beijing Tarena. In 2021, two schools were newly set up through Beijing Tarena. In February 2023, one school was transferred to a subsidiary of Beijing Tarena. As of December 31, 2023, we operated 32 and 180 learning centers by schools and subsidiaries owned by Tongcheng Shidai, respectively, whilst 8 learning centers by schools owned by Beijing Tongcheng. There are still uncertainties under the current laws of mainland China as to whether a wholly foreign owned enterprise (such as Tongcheng Shidai) is allowed to indirectly invest in and own private schools through its subsidiaries in mainland China. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC authorities determine that we can no longer own and operate certain of our learning centers through our subsidiaries in mainland China, we may need to restructure the ownership and operation of these learning centers (including possibly transferring these learning centers to the variable interest entities), our business may be disrupted and we may be exposed to increased risks associated with the contractual arrangements relating to the variable interest entities."

## **Regulations on Online and Distance Education**

The *Implementation Opinions on Regulating Online After-school Tutoring*, promulgated by the Ministry of Education jointly with certain other PRC government authorities and effective on July 12, 2019 requires all the academic subjects online after-school tutoring institutions for primary and secondary school students to file with the competent provincial education regulatory authorities before October 31, 2019. The *Alleviating Burden Opinions* and the *Notice on Changing the Filing to Approval of Existing Online Academic Tutoring Institutions* issued by the General Office of the Ministry of Education, jointly with five other PRC government authorities on September 10, 2021, mandate all online academic tutoring institutions to obtain school operation permits.

The *Opinions on Regulating Non-academic After-school Tutoring for Primary and Secondary School Students*, promulgated on November 30, 2022 by the Ministry of Education and 12 PRC government authorities, provides that non-academic after-school tutoring institutions shall obtain administrative license from competent authorities and approval for engaging in internet information services.

## **Regulations on the Collection of Tuition Fees**

On October 12, 2015, the State Council and the Central Committee of the Communist Party of China jointly issued the *Several Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform*, which allows for-profit private schools to determine their prices on their own, while the tuition-collecting policies of non-profit private schools shall be determined by the provincial governments in a market-oriented manner and based on the local conditions.

On October 21, 2021, the Ministry of Education, jointly with other five national authorities, issued the *Notice on Strengthening the Supervision over Prepaid Fees Collected by After-School Tutoring Institutions*, which provides that, among other requirements, (i) after-school tutoring institutions should not charge excessive fees; (ii) after-school tutoring institutions should use the standard *Contract on After-school Tutoring Services for Primary and Secondary School Students* (Template); (iii) details of the pricing schemes, such as the charging items and standards should be publicized; (iv) prepaid tuition fees collected by after-school tutoring institutions must be deposited into a special account that is in custody of a bank; and before the prepaid tuition fees are placed in a bank's custody, after-school tutoring institutions should deposit funds not less than the aggregate amount of tuitions fees to be received in three months in order to guarantee the performance of tutoring service commitments and refunds; (v) tuition fees of tutoring courses for primary and secondary school students should not be paid in loans; and (vi) where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months.

Some local governments in mainland China have promulgated their local rules on prepaid tuitions collected by after-school tutoring institution. For example, Beijing has published relevant measures on September 1, 2023, which for the most part repeat and detail the provisions contained in the abovementioned rules.

## **Regulations on Internet Publications**

On February 4, 2016, the SAPPRFT and the Ministry of Industry and Information Technology jointly promulgated the *Internet Publishing Service Administrative Measures*, or the Internet Publishing Measures, which took effect on March 10, 2016. The Internet Publishing Measures requires entities that engage in internet publishing to obtain an Internet Publishing License for engaging in internet publishing from the SAPPRFT. Pursuant to the Internet Publishing Measures, the definition of “internet publishing” is broad and refers to the act of online spreading of articles, whereby the internet information service providers select, edit and process works created by themselves or others and subsequently post such works on the internet or transmit such works to the users' end through internet for the public to browse. These works include contents from books, newspapers, periodicals, audio-video products, and electronic publications that have already been formally published or works that have been made public in other media. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face risks and uncertainties with respect to the licensing requirement for value-added telecommunication services, internet audio-video programs, radio or television programs production and operation, internet publication, and filing requirements for commercial franchise.”

## **Regulations on Production and Operation of Radio/Television Programs**

On July 19, 2004, the State Administration of Radio, Film, and Television promulgated the *Administrative Measures on the Production and Operation of Radio and Television Programs*, or the Radio and Television Program Production Measures, which took effect on August 20, 2004, and were amended on August 28, 2015, and October 29, 2020, respectively. The Radio and Television Program Production Measures provides that any business operator that produces or operates radio or television programs must first obtain a Radio and Television Program Production and Operation License. Entities holding such licenses shall conduct their business within the permitted scope as provided in their licenses. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face risks and uncertainties with respect to the licensing requirement for value-added telecommunication services, internet audio-video programs, radio or television programs production and operation, internet publication, and filing requirements for commercial franchise.”

### **Regulation on Broadcasting Audio-Video Programs through the Internet or Other Information Network**

On December 20, 2007, the SAPPRFT and Ministry of Industry and Information Technology issued the *Internet Audio-Video Program Measures*, which became effective on January 31, 2008, and was amended on August 28, 2015. Among other things, the *Internet Audio-Video Program Measures* stipulates that no entities or individuals may provide internet audio-video program services without a Permit for Broadcasting Audio-video Programs via Information Network issued by the SAPPRFT or its local counterparts, and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transfer to the public through the internet, of audio-video programs, and the provision of audio-video program uploading and transmission services.

On April 1, 2010, SAPPRFT promulgated the Test Implementation of the *Tentative Categories of Internet Audio-Visual Program Services*, which was amended on March 10, 2017, which clarified the scope of internet audio-video programs services. According to the tentative 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-video programs concerning, among other things, educational content, and broadcasting such content to the general public online.

In the course of offering our lecture videos, we transmit our audio-video educational programs live through the internet to enrolled course participants. If the governmental authorities determine that our provision of lecture videos falls within the Internet Audio-Video Program Measures and demand that we apply for the license, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

## **Regulations on Value-Added Telecommunications Services**

### ***Licenses for Value-Added Telecommunication Services***

On September 25, 2000, the *Telecommunications Regulations of the People’s Republic of China*, or the Telecom Regulations, was issued by the PRC State Council as the primary governing law on telecommunication services, which was subsequently amended in 2014 and 2016. The *Telecom Regulations* sets out the general framework for the provision of telecommunication services by mainland China companies. Under the *Telecom Regulations*, it is a requirement that telecommunications service providers procure operating licenses prior to their commencement of operations. The *Telecom Regulations* draws a distinction between “basic telecommunications services” and “value-added telecommunications services.” The “Catalog of Telecommunications Business” was issued as an attachment to the Telecom Regulations to categorize telecommunications services as basic or value-added. This catalog was most recently updated in June 2019, and the information services are classified as value-added telecommunications services.

On March 5, 2009, the Ministry of Industry and Information Technology issued the *Administrative Measures for Telecommunications Business Operating Permit*, or the Telecom Permit Measures, which took effect on April 10, 2009, and was amended on July 3, 2017. The Telecom Permit Measures confirms that there are two types of telecom operating licenses for operators in mainland China, namely, licenses for basic telecommunications services and licenses for value-added telecommunications services. The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunication services operator shall conduct its business in accordance with the specifications recorded on its value-added telecommunications services operating license, or VATS License. In addition, a VATS License’s holder is required to obtain approval from the original permit-issuing authority prior to any change to its shareholders.

On September 25, 2000, the State Council promulgated the *Administrative Measures on Internet Information Services*, or the Internet Measures, which was amended in January 2011. Under the Internet Measures, commercial internet information services operators shall obtain an ICP license from the government authorities before engaging in any commercial internet information services operations within mainland China. The ICP license has a term of five years and shall be renewed within 90 days before expiration. Conducting value-added telecommunication services without obtaining an ICP license may result in fines or even order to suspension our business. Beijing Tongcheng obtained an ICP license for the website *6lit.cn* issued by Beijing Communications Administration on July 28, 2021, which will expire on July 28, 2026.

On July 21, 2023, the Ministry of Industry and Information Technology promulgated the *Circular of the Ministry of Industry and Information Technology on Launching the Record-filing of Mobile Internet Applications*, which took effect on the same day. This circular requires that the mobile application sponsors who engage in the internet-based information services within the territory of the PRC carry out record-filing procedures in accordance with the *Anti-Telecom and Online Fraud Law of the PRC*, *Administrative Measures for Internet-based Information Services* and other provisions, and not engage in the mobile application internet-based information services if they fail to comply with the record-filing requirements.

#### ***Foreign Investment in Value-Added Telecommunication Services***

Pursuant to the *Provisions on Administration of Foreign Invested Telecommunications Enterprises* promulgated by the State Council on December 11, 2001, and amended respectively on September 10, 2008, February 6, 2016 and March 29, 2022, the ultimate foreign equity ownership in a value-added telecommunications services provider (except E-Commerce) may not exceed 50%. The Negative List allows a foreign investor to own up to 100% of the total equity interest in an E-Commerce business.

The *Ministry of Industry and Information Technology Circular* issued in July 2006 reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain an ICP license to conduct any value-added telecommunications business in mainland China. Under the *Ministry of Industry and Information Technology Circular*, a domestic company that holds an ICP license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in mainland China. Furthermore, the trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP license holder or its shareholder. The *Ministry of Industry and Information Technology Circular* further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, Beijing Tongcheng owns the domain names *6lit.cn* and holds the ICP license necessary to operate our *6lit.cn* website in mainland China, while the trademarks relating to our IT-focused supplementary STEM education business operations are held by Tongcheng Shidai, our WFOE. If the PRC government authorities determine in the future that the current ownership of our trademarks do not comply with the regulations and the trademarks relating to our operations must be held by the variable interest entities, we may need to transfer the trademarks to the variable interest entities, which may severely disrupt our business.

In light of the aforesaid restrictions, we rely on Beijing Tongcheng, the current VIE in mainland China, to hold and maintain the licenses necessary to provide online education and other value-added telecommunications services in mainland China. We operate *6lit.cn* website and value-added telecommunications services through Beijing Tongcheng. Beijing Tongcheng obtained an ICP license for the website *6lit.cn* issued by Beijing Communications Administration on July 28, 2021, which will expire on July 28, 2026.

#### ***The Foreign Investment Law***

On January 1, 2020, the *PRC Foreign Investment Law* and the *Regulations for the Implementation of the PRC Foreign Investment Law* came into effect and replaced the trio of prior laws regulating foreign investment in mainland China, namely, the *Sino-foreign Equity Joint Venture Enterprise Law*, the *Sino-foreign Cooperative Joint Venture Enterprise Law* and the *Wholly Foreign-invested Enterprise Law*, together with their implementation rules and ancillary regulations. The organization form, organization and activities of foreign-invested enterprises shall be governed, among others, by the *PRC Company Law* and the *PRC Partnership Enterprise Law*. Foreign-invested enterprises established before the implementation of the *PRC Foreign Investment Law* may retain the original business organization and so on within five years after the implementation of the *PRC Foreign Investment Law*.

The *PRC Foreign Investment Law* is formulated to further expand the opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the *PRC Foreign Investment Law*, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access shall not be less favorable than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. The *PRC Foreign Investment Law* does not mention the relevant concept and regulatory regime of VIE structures. However, there are still uncertainties in relation to the interpretation and implementation of the *PRC Foreign Investment Law* and its implementation regulations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its implementation regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

Foreign investors’ investment, earnings and other legitimate rights and interests within the territory of mainland China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. Among others, the state guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner and that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. Further, the state shall not expropriate any foreign investment except under special circumstances, under which the state may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with the provisions on labor protection.

The *PRC Foreign Investment Law* also provides that (i) if a foreign investor invests in a field prohibited under the negative list, the relevant competent department shall order the foreign investor to cease the investment activity, to dispose of the shares and assets thereof or to take any other necessary measures within a prescribed time limit, to restore the state before the investment, and the illegal gains, if any, shall be confiscated; (ii) if an investment activity of a foreign investor is in breach of any special administrative measure for restrictive access provided for in the negative list, the relevant competent department shall order the foreign investor to make corrections and take necessary measures to meet the requirements of the aforesaid measures; (iii) If the investment activity of a foreign investor is in breach of the provisions stipulated in the negative list, the foreign investor shall also assume corresponding legal liability according to law; (iv) if a foreign investor or foreign-funded enterprise fails to report the investment information as required to the foreign investment information report system, the competent department for commerce concerned shall order it to make corrections within a time limit, and a fine of not less than 100,000 yuan but not more than 500,000 yuan shall be imposed if it fails to do so within the prescribed time limit; (v) the relevant department shall lawfully investigate and punish violations of laws and regulations committed by foreign investors and foreign-funded enterprises, and include the violations information into the credit information system under related state provisions.

### **Regulations on Internet Information Security and Privacy Protection**

Pursuant to the *PRC Cybersecurity Law* issued by the Standing Committee of the National People’s Congress on November 7, 2016, effective as of June 1, 2017, “personal information” refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals’ personal information including but not limited to: individuals’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The *PRC Cybersecurity Law* also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (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 14, 2022, the Cyberspace Administration of China published the *Decision of Amending PRC Cybersecurity Law (Draft for Comments)*, which, among other things, aggravated legal liabilities for violations of cybersecurity obligations and critical information infrastructure operators’ obligations. As of the date of this annual report, the *Decision of Amending PRC Cybersecurity Law (Draft for Comments)* was released for public comment only, and its respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty.

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

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

Pursuant to the *Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications*, which was promulgated by the Cyberspace Administration of China, the Ministry of Industry and Information Technology and certain other government authorities on March 12, 2021 and became effective on May 1, 2021, “necessary personal information” refers to the personal information necessary for ensuring the normal operation of an app’s basic functional services, without which the app cannot achieve its basic functional services. For learning and education App, the basic functional services are “online tutoring, online classes, etc.” and the necessary personal information is mobile phone numbers of registered users.

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

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the *PRC Data Security Law*, which came into effect on September 1, 2021. The *PRC Data Security Law* provides for data security and privacy obligations on entities and individuals carrying out data activities. The *PRC Data Security Law* also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the *PRC Data Security Law* provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the mainland China without the approval of the competent PRC authorities.

On August 17, 2021, the State Council promulgated the *Regulations on the Security Protection of Critical Information Infrastructure*, which came into effect on September 1, 2021. The regulations provides that, among others, 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. Operators shall, based on leveled system for cybersecurity protection, adopt technical protection measures and other necessary measures to deal with cybersecurity security events, defend against cyber-attack and criminal activities, ensure the safe and stable operation of critical information infrastructure, and maintain the data integrity, confidentiality and availability pursuant to the laws, regulations and mandatory requirements of national standards. The 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.

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

Furthermore, on November 14, 2021, the Cyberspace Administration of China published 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 overseas listing 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. 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 is published for public comments only and the final version and effective date of which are subject to change with substantial uncertainty.

On January 4, 2022, the Cyberspace Administration of China published the *Revised Cybersecurity Review Measures*, which became effective on February 15, 2022. The *Revised Cybersecurity Review Measures* provides that a critical information infrastructure operator purchasing network products and services, and network platform operators engaging in data processing activities that affect or may affect national security, shall apply for cybersecurity review and that network platform operators possessing 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.

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

On June 27, 2022, the Cyberspace Administration of China published the *Administrative Provisions for Internet User Account Name Information*, effective on August 1, 2022, which provides that an online user account service platform shall require users to provide real identity information when users apply to register an account on the platform and adopt certain measures to verify users’ identification.

On July 7, 2022, the Cyberspace Administration of China issued the *Measures on Security Assessment of the Cross-border Transfer of Data*, with effective from September 1, 2022. The measures provides that four types of cross-border transfers of critical data or personal data generated from or collected in mainland China should be subject to a security assessment, which includes: (i) a data processor to transfer important data overseas; (ii) either a critical information infrastructure operator, or a data processor processing personal information of more than 1 million individuals, transfers personal information overseas; (iii) a data processor who has, since January 1 of the previous year, transferred personal information of more than 100,000 individuals overseas cumulatively, or transferred sensitive personal information of more than 10,000 individuals overseas cumulatively; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

On March 22, 2024, the Cyberspace Administration of China issued *Regulations on Promoting and Regulating Cross-Border Data Flows*, or the Cross-border Data Flows Regulations, outlining the mechanisms that have to be used for the transfer of data to other jurisdictions. The Cross-border Data Flows Regulations further specifies the threshold for conducting security assessments and filing standard contracts for outbound data transfer. Under the Cross-border Data Flows Regulations, entities don't have to apply data export security assessments to transfer data if relevant departments have not notified them, the important data was made public, the data was collected through activities such as international trade, cross-border transportation, and do not contain personal information or important data, or if the data is transferred to China only for processing purposes. Furthermore, entities are transferring data for the purposes of performing a contract, human resources management, or emergencies or are sending personal information of less than 100,000 individuals and do not include important data or sensitive personal information are exempted from applying for a data export security assessment, entering into a standard contract for the export of personal information, and passing personal information protection certification. The entities transferring important data overseas, providing personal information of more than 1 million people or providing sensitive personal information of more than 10,000 people will have to apply for data export security assessment and obtain approval. Finally, the entities will be able to enter into a standard contract or pass certification for personal information transfer abroad if they are transferring data to more than 100,000 people but less than 1 million people, excluding sensitive personal information, since 1 January of that year.

While we take measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of the measures undertaken by us and business partners. As certain laws and regulations, including the *PRC Data Security Law* and the *PRC Personal Information Protection Law*, were recently promulgated, we may be required to make further adjustments to our business practices to comply with these laws and regulations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our business is subject to complex and evolving Chinese laws and regulations regarding cybersecurity, information security, privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in claims, changes to our business practices, negative publicity, legal proceedings, increased cost of operations, or declines in student base, or otherwise harm our business.”

## **Regulations on Intellectual Property Rights**

### ***Copyright and Software Products***

The National People's Congress adopted the *Copyright Law* in 1990 and amended it in 2001, 2010 and 2020, respectively. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The latest amended *Copyright Law* provides new criteria for calculating damages compensation, increases the statutory damages, and introduces punitive damages.

To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the Ministry of Industry and Information Technology jointly promulgated the *Measures for Administrative Protection of Copyright Related to Internet* on April 29, 2005. This measures became effective on May 30, 2005.

In order to further implement the *Computer Software Protection Regulations* promulgated by the State Council on December 20, 2001, and amended on January 30, 2013, the State Copyright Bureau issued the *Computer Software Copyright Registration Procedures* on February 20, 2002, amended in June 2004, which applies to software copyright registration, license contract registration and transfer contract registration. In compliance with, and in order to take advantage of, the above rules, as of March 31, 2024, we had registered 3 software copyrights in mainland China.



### **Trademarks**

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* most recently adopted by the State Council in 2014. The Trademark Office under the State Administration for Market Regulation 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 must be filed with the Trademark Office for record. *The PRC Trademark Law* has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. We have registered 116 trademarks in mainland China as of March 31, 2024.

### **Regulations on Foreign Currency Exchange**

The principal regulations governing foreign currency exchange in mainland China are the *Foreign Exchange Administration Regulations*, or the *Foreign Exchange Regulations*, as amended on August 5, 2008. Under the *Foreign Exchange Regulations*, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside mainland China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. Though there are restrictions on the convertibility of Renminbi for capital account transactions, which principally include investments and loans, we generally follow the regulations and apply to obtain the approval of the SAFE and other PRC governmental authorities.

In May 2014, SAFE promulgated the *Provisions on the Foreign Exchange Administration Rules on Cross-border Guarantee*, which, along with the *PRC Foreign Currency Administration Rules*, provides that failure to register a cross-border guarantee may subject the violator to order to rectify, warning and a fine no more than RMB300,000. In June 2016, SAFE promulgated *SAFE Circular No. 16*, which removed certain restrictions previously provided under several SAFE circulars in respect of conversion by a foreign-invested enterprise of foreign currency registered capital into RMB and use of such RMB capital. However, *SAFE Circular No. 16* continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, and providing loans to non-affiliated enterprises except as permitted in the business scope. On October 23, 2019, the SAFE issued the *Circular on Further Promoting Cross-border Trade and Investment Facilitation*, or *SAFE Circular 28*. Among others, *SAFE Circular 28* relaxes prior restrictions and allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations.

These circulars may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions or loans to our subsidiaries in mainland China, and violations of these circulars could result in severe monetary or other penalties. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulation of direct investment and loans by offshore holding companies to mainland China entities and governmental control of currency conversion may delay or limit us from using the proceeds of offshore offerings to make loans to our subsidiaries and the variable interest entities in mainland China, or making additional capital contributions to our mainland China subsidiaries, which could adversely affect our ability to fund and expand our business.”

### **Regulations on Dividend Distribution**

Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from Tongcheng Shidai, which is a wholly foreign-owned enterprise incorporated in mainland China, to fund any cash and financing requirements we may have. The principal regulations governing the distribution of dividends of foreign-invested enterprises include the *Company Law*, as amended respectively in 2004, 2005, 2013, 2018 and 2023, and the *PRC Foreign Investment Law*, which came into effect on January 1, 2020.

Under these laws and regulations, wholly foreign-owned enterprises in mainland China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with accounting standards and regulations of mainland China. In addition, wholly foreign-owned enterprises in mainland China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on accounting standards of mainland China to staff welfare and bonus funds.

### **Regulations on Foreign Exchange Registration of Overseas Investment by Mainland China Residents**

Pursuant to SAFE's *Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles*, or SAFE Circular No. 37, issued and effective on July 4, 2014, and its appendixes, mainland China residents, including mainland China institutions and individuals, must register with local branch 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 mainland China residents' legally owned assets or equity interest in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." SAFE Circular No. 37 further requires an amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by mainland China individuals, share transfer or exchange, merger, division or other material events.

On February 13, 2015, SAFE promulgated a *Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment*, or SAFE Notice 13, which became effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular No. 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

In the event that a mainland China shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the subsidiaries in mainland China of that special purpose vehicle may be prohibited from making distributions of profit to the offshore parent and from carrying out subsequent cross-border foreign exchange activities and the special purpose vehicle may be restricted in their ability to contribute additional capital into its subsidiaries in mainland China. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under laws of mainland China for foreign exchange evasion. These regulations apply to our direct and indirect shareholders who are mainland China residents, and may apply to any offshore acquisitions and share transfer that we make in the future if our shares are issued to mainland China residents. We have requested mainland China residents currently holding direct or indirect interests in our company, to our knowledge, to make the necessary applications, filings and amendments as required under SAFE Circular No. 37 and other related rules. We have used our best efforts to notify all of our shareholders who are mainland China citizens and hold interests in us to register with the local SAFE branch and/or qualified banks as required under SAFE Circular No. 37 and SAFE Notice 13. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulations relating to offshore investment activities by mainland China residents may limit our mainland China subsidiaries' ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our mainland China subsidiaries, or otherwise expose us to liability and penalties under laws of mainland China."

### **Regulations Relating to Overseas Listing and M&A**

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, jointly promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006, and revised on June 22, 2009. Foreign investors shall comply with the M&A rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in mainland China for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by mainland China companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On July 6, 2021, the PRC government authorities issued *Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law*. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the *Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version)*, or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the regulations on the domestic securities investments by foreign investors.

On February 17, 2023, the CSRC issued the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, or the Overseas Listing Regulations, and five supporting guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Regulations, companies in mainland China that directly or indirectly offer or list their securities in an overseas market, including a company in mainland China limited by shares and an offshore company whose main business operations are in mainland China and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in mainland China are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. If the company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, it 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. The Overseas Listing Regulations also provide that a company in mainland China must file with the CSRC within three business days for its follow on offering of securities after it is listed in an overseas market. On February 17, 2023, the CSRC also issued the *Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies* and held a press conference for the release of the Overseas Listing Regulations, which, among others, clarified that the companies in mainland China that have been listed overseas before March 31, 2023 are not required to file with the CSRC immediately, but these companies should complete filing with the CSRC for their refinancing activities in accordance with the Overseas Listing Regulations. Based on the foregoing, we are not required to complete filing with the CSRC for our prior offshore offerings at this stage, but we may be subject to the filing requirements for our refinancing activities under the Overseas Listing Regulations.

On February 24, 2023, the CSRC, jointly with other governmental authorities, published the *Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises*, which became effective on March 31, 2023. Pursuant to the provisions, China-based companies that offer and list securities in overseas markets shall establish confidentiality and archives system. The "China-based companies" refer to companies in mainland China limited by shares which are directly listed on a foreign stock exchange and the domestic operating entities of an offshore company being indirectly listed on a foreign stock exchange. These China-based companies shall obtain the approvals from the authorities and file with the competent confidential administration authorities when providing or publicly filing documents and materials related to state secrets or secrets of the government authorities to the relevant securities companies, securities service agencies or the offshore regulatory authorities, or providing or publicly filing such documents and materials through its offshore listing entity. In addition, the China-based companies shall complete corresponding procedures when (i) providing or publicly filing documents and materials which may adversely affect national security and public interests to the relevant securities companies, securities service agencies or the offshore regulatory authorities, (ii) providing or publicly filing such documents and materials through its offshore listing entity, or (iii) providing accounting files or copies to relevant securities companies, securities service institutions, overseas regulators and individuals. These China-based companies are also required to provide written statements as to whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection. If a China-based company finds that the documents and materials related to state secrets or secrets of the government authorities or other materials, which may adversely affect national security and public interests, have been leaked or have leakage risks, it should take remedial measures immediately and report to the authorities.

## **Regulations on Stock Incentive Plans**

In February 2012, SAFE promulgated the *Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies*, or the Stock Option Rules. Under the Stock Option Rules and other rules and regulations, mainland China residents who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are mainland China residents must retain a qualified mainland China agent, which could be a subsidiary in mainland China of the overseas publicly listed company or another qualified institution selected by the subsidiary in mainland China, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests, and fund transfers. In addition, the mainland China 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 mainland China agent or the overseas entrusted institution, or other material changes. The mainland China agents must, on behalf of the mainland China residents who have the right to exercise the employee share options, apply to SAFE or its local branch for an annual quota for the payment of foreign currencies in connection with the mainland China residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland China 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 mainland China opened by the mainland China agents before distribution to such mainland China residents.

We adopted three share incentive plans, namely, the 2008 Plan, 2014 Plan and the 2024 Plan. Pursuant to the plans, we may issue options, restricted shares (or share appreciation rights or other similar awards) and rights to purchase restricted shares to our qualified employees and directors and consultants on a regular basis. We have advised our employees and directors participating in the employee stock option plan to handle foreign exchange matters in accordance with the Stock Option Rules, and we have completed the registrations of our stock incentive plans with the local SAFE as required by laws of mainland China.

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in mainland China who exercise share options will be subject to mainland China individual income tax. Our subsidiaries and the variable interest entities in mainland China have obligations to file documents related to employee share options with the tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by the laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

## **Regulation on Tax**

### ***PRC Enterprise Income Tax Law***

On March 16, 2007, the National People's Congress enacted the EIT Law, which was amended on February 24, 2017, and on December 29, 2018. Under the EIT Law and its *Implementing Rules*, enacted on December 6, 2007 by the State Council, and amended on April 23, 2019, enterprises are classified as mainland China resident enterprises and non-mainland China-resident enterprises. Mainland China resident enterprises typically pay an enterprise income tax at the rate of 25%. An enterprise established outside mainland China with its "de facto management bodies" located within mainland China is considered a mainland China "resident enterprise," meaning that it shall be treated in a manner similar to a mainland China resident enterprise for enterprise income tax purposes. The *Implementing Rules to the EIT Law* defines "de facto management body" as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of an enterprise.

The State Administration of Taxation issued *Circular 82* on April 22, 2009, as amended in December 2017. *Circular 82* provides certain specific criteria for determining whether the “de facto management body” of a mainland China-controlled and offshore-incorporated enterprise is located in mainland China, including: (a) the location where senior management members responsible for an enterprise’s daily operations discharge their duties, (b) the location where financial and human resource decisions are made or approved by organizations or persons, (c) the location where the major assets and corporate documents are kept and (d) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. In addition, the State Administration of Taxation issued a bulletin on July 27, 2011, effective from September 1, 2011, and amended respectively in 2015, 2016 and 2018, or Bulletin 45, providing more guidance on the implementation of *Circular 82*. Bulletin 45 clarifies certain matters, including the mainland China resident enterprise status determination, post-determination administration, competent tax authorities, etc. Although both *Circular 82* and Bulletin 45 only apply to offshore enterprises controlled by mainland China enterprises or mainland China enterprise groups, not those controlled by mainland China individuals or foreign individuals like us, the determining criteria set forth in *Circular 82* and Bulletin 45 may reflect the general position of State Administration of Taxation on how the “de facto management body” test should be applied in determining the mainland China tax resident enterprise status of offshore enterprises, regardless of whether they are controlled by mainland China enterprises, mainland China enterprise groups, or mainland China or foreign individuals.

We do not believe that TCTM Kids IT Education Inc. meets all of the conditions above, and thus we do not believe that TCTM Kids IT Education Inc. is a mainland China resident enterprise despite the fact that all members of our management team as well as the management team of our offshore holding company are located in mainland China. However, if the PRC tax authorities determine that TCTM is a mainland China resident enterprise for mainland China enterprise income tax purposes, a number of unfavorable mainland China tax consequences could follow. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We are affected by the PRC Enterprise Income Tax Law, and we may be classified as a mainland China ‘resident enterprise’ for mainland China enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-mainland China shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Pursuant to the Hong Kong Tax Treaty and other applicable regulations of mainland China, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the conditions and requirements under such Hong Kong Tax Treaty and other applicable regulations, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on Circular 81, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong enterprise must be the beneficial owner of the dividends and (b) the Hong Kong enterprise must directly hold at least 25% share ownership in the mainland China enterprise during the 12 consecutive months preceding its receipt of the dividends. However, a transaction or arrangement entered into for the primary purpose of enjoying a preferential tax treatment should not be a reason for the application of the preferential tax treatment under the Hong Kong Tax Treaty. If a taxpayer inappropriately is entitled to such preferential tax treatment, the competent tax authority has the power to make appropriate adjustments. According to the Circular 9, effective from April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities and whether the counterparty country or region to the tax treaties levies any tax or grants tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and such determination will be analyzed according to the actual circumstances of the specific cases. On October 14, 2019, the State Administration of Taxation promulgated a new *Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Benefits*, or Circular 35, which became effective on January 1, 2020, which sets forth that non-resident enterprises and their withholding agents shall enjoy treaty benefit by means of “self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference.” However, if a competent tax authority finds out that it is necessary to apply the general anti-tax avoidance rules, it may start general investigation procedures for anti-tax avoidance and adopt corresponding measures for subsequent administration. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may not be able to obtain certain treaty benefits on dividends paid to us by our subsidiary in mainland China through our Hong Kong Subsidiary.”

On February 3, 2015, the State Administration of Taxation issued a *Public Notice 2015 No.7*, or Public Notice 7. Under Public Notice 7, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests in a mainland China “resident enterprise” or other taxable assets indirectly by disposing of the equity interests in an overseas holding company, the non-resident enterprise, being the transferor, may be subject to mainland China enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. In addition, Public Notice 7 provides clear criteria 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 mainland China tax and to file or withhold the mainland China tax accordingly. *Circular 37* provides certain changes to the current withholding regime and amends certain provisions in Public Notice 7. There is little guidance and practical experience as to the application of Public Notice 7 or Circular 37. Where non-resident investors were involved in our private equity financing, if such transactions were determined by the tax authorities to lack reasonable commercial purpose, we and our non-resident investors may become at risk of being taxed under Public Notice 7 and may be required to expend valuable resources to comply with Public Notice 7 or Circular 37 or to establish that we should not be taxed under Public Notice 7 or Circular 37. The PRC tax authorities have the discretion under Circular 59, Public Notice 7 or Circular 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment.

The State Administration of Taxation promulgated *Administrative Measures on the General Anti-Avoidance Rule (Trial)*, or GAAR Measures, on December 2, 2014, which shows the authority’s intention to fight against tax avoidance scheme that is adopted to obtain unwarranted tax benefit without reasonable commercial purpose. A press release, made by the State Administration of Taxation to clarify certain issues relating to the application of the GAAR Measures, stated that the GAAR Measures may be applicable if any general tax-avoidance scheme exists in the offshore indirect transfer of equity interests. Since it is unclear how this set of measures, and any future implementation rules thereof, will be interpreted, amended and implemented by the governmental authorities, we cannot predict how these regulations will affect our business operation, future acquisitions or strategy.

In addition, the EIT Law and its implementation rules permit certain “high and new technology enterprises strongly supported by the state” that hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or nonfinancial, as stipulated in the implementation rules and other regulations, to enjoy a reduced 15% enterprise income tax rate. Upon the consummation of the Divestiture, none of our subsidiaries or consolidated entities was eligible for enjoying a reduced 15% enterprise income tax rate as a “high and new technology” enterprise.

#### **Local Surcharges**

The city construction tax and education surcharge are local surcharges imposed as a certain percentage of mainland China turnover taxes (i.e., business tax, value-added tax and consumption tax). The city construction tax is charged at rates of 1%, 5% or 7% (the applicable city construction tax rate depends on the location of the taxpayer) of the turnover tax paid while the education surcharge rate is currently at 3% of the turnover tax paid. Though in the past, foreign-invested enterprises, foreign enterprises and foreign individuals were exempted from such surcharges, these entities were required to make such payments from December 1, 2010, according to a notice issued by PRC State Council in October 2010.

In addition to the city construction tax and the education surcharge, the Ministry of Finance issued *Circular Caizong (2010) No. 98* that requires all entities and individuals (including foreign-invested enterprises, foreign enterprises and foreign individuals) to pay a local education surcharge, or LES, at 2% on turnover tax paid. Local governments are required to report their implementation measures on LES to the Ministry of Finance.

#### **Employment Laws and Social Insurance**

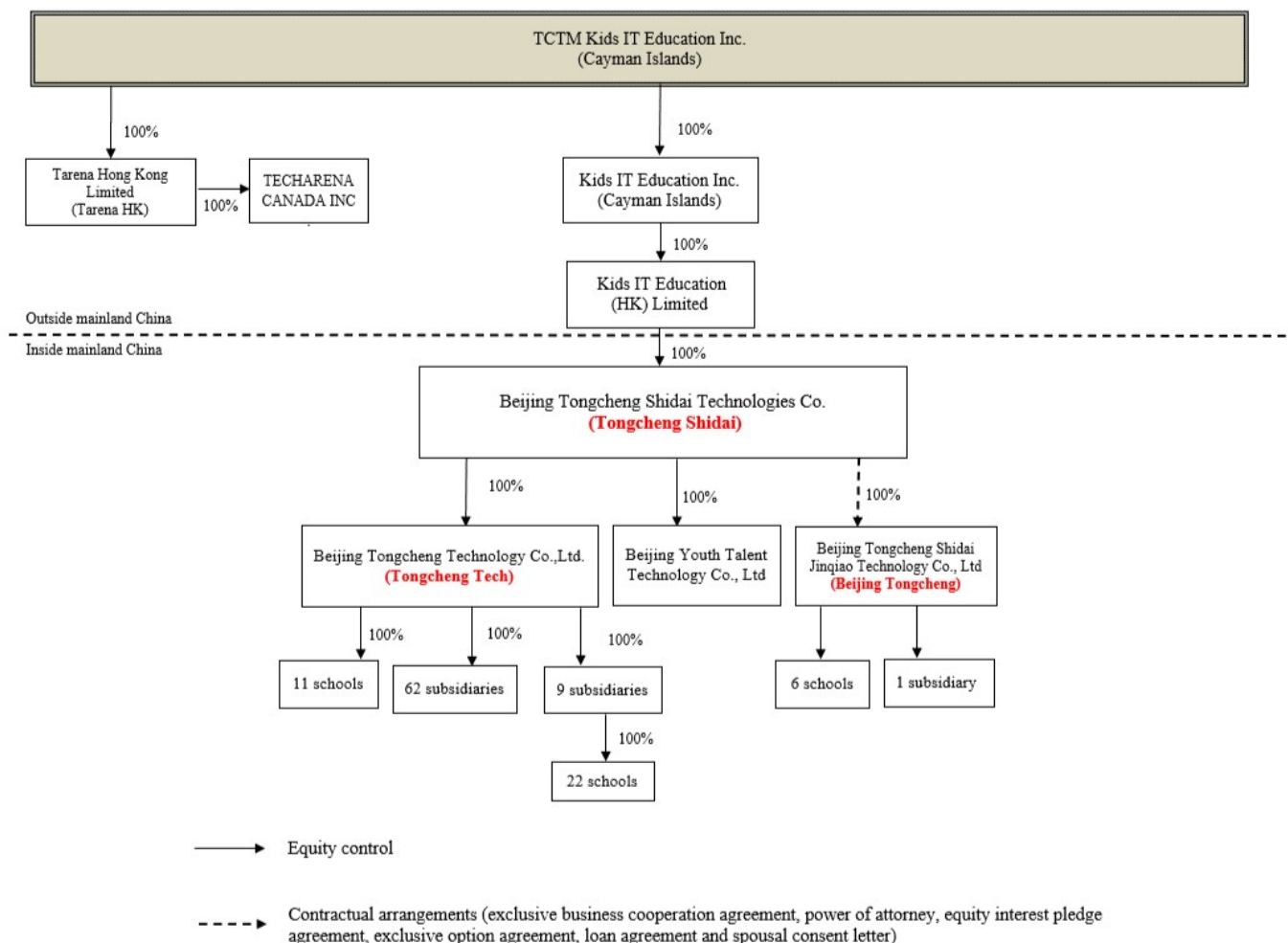
We are subject to laws and regulations governing our relationship with our employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare.

The *PRC Labor Contract Law*, which became effective in January 2008 and last amended in December 2012, and its implementation rules, impose more restrictions on employers and have been deemed to increase labor costs for employers, compared to the *PRC Labor Law*, which became effective in January 1995. For example, pursuant to the *Labor Contract Law*, an employer is obliged to sign a labor contract with an unlimited term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts. The employer has to compensate the employee upon the expiration of a fixed-term labor contract, unless the employee refuses to renew such contract on terms the same as or more favorable to the employee than those contained in the expired contract. The employer also has to indemnify an employee if the employer terminates a labor contract without a cause permitted by law. In addition, under the *Regulations on Paid Annual Leave for Employees*, which became effective in January 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days per year, depending on their length of service. Employees who waive such vacation time at the request of employers must be compensated for three times their regular salaries for each waived vacation day.

In addition, according to the *PRC Social Insurance Law* and the *Regulations on the Administration of Housing Provident Funds*, employers in mainland China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds.

### C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries, the principal VIEs and other entities that are material to our business, as of March 31, 2024:



(1) Mr. Shaoyun Han, our founder and chairman, owns 70% of the equity interest in Beijing Tongcheng. Mr. Jin Li, a member of our management body, owns 30% of the equity interest in Beijing Tongcheng.



- (2) Wenwei Jia is the principal of Tongcheng Technology Education Co., Ltd.; Jiping Xing is the principal of Jinan Lixia Tongcheng Tongmei Training School Co., Ltd. and Zibo Tongcheng Tongmei Training School Co., Ltd.; Yan Wang is the principal of Tianjin Tongcheng Tongmei Education Training School Co., Ltd.; Liping Han is the principal of Shijiazhuang Yuhuaqu Tongxincheng Education Training School Co., Ltd. and Shijiazhuang Changanqu Tongzhicheng Education Training School Co., Ltd.; Meiyue Zhu is the principal of Shenyang Heping Tongcheng Educational Center and Shenyang Tiexi Tongcheng Tongmei Educational Center; Zengbo Li\* is the principal of Kunming Wuhua Tongcheng Tongmei Education Training School Co., Ltd.; Hehai Tian\* is the principal of Jinan Gaoxin Tongcheng Tongmei Training School Co., Ltd.; Nan Pan is the principal of Shijiazhuang Tongcheng Education School Co., Ltd.; Yudong Wang is the principal of Shenyang Shenhe Tongcheng Tongmei Education School Co., Ltd.; Lingzhen Kong is the principal of Taiyuan Xinghualing Tongcheng Tongmei Training School Co., Ltd.; Yan Hong is the principal of Qingdao Shibei District Tongcheng Tongchuang Computer Training School Co., Ltd.; Leng Liao\* is the principal of Kunming Xishan District Tongcheng Tongmei Culture and Art Training School Co., Ltd. and Kunming Guandu Tongcheng Tongmei Education Training School Co., Ltd.; Dan Liu\* is the principal of Changsha Kaifu Tongcheng Tongmei Education Training School (formerly known as Science Kid Robot Education Training School); Keyu Mu is the principal of Chengdu Tongcheng Tongmei Kechuang Education and Training School Co., Ltd.; En Wei is the principal of Tai'an Taishan District Tongcheng Tongmei Training School Co., Ltd.; Xiang Zhou is the principal of Nanchang Honggutan New District Tongchuang Training Center Co., Ltd.; Xin Gao is the principal of Qingdao West Coast New Area Tong Youwei Science and Technology Training School Co., Ltd.; Li Ge is the principal of Tianjin Tongcheng Tongmei Coding NO 1 Extracurricular Training School Co., Ltd.; Lening Shi is the principal of Tianjin Tongcheng Tongmei Coding NO 5 Extracurricular Training School Co., Ltd.; Luan Ma is the principal of Tianjin Tongcheng Tongmei Coding NO 6 Extracurricular Training School Co., Ltd.; Shuang Yang is the principal of Tianjin Tongcheng Tongmei Coding NO 7 Extracurricular Training School Co., Ltd.; Ling Liu is the principal of Tianjin Tongcheng Tongmei Coding NO 8 Extracurricular Training School Co., Ltd.; Jiali Wu is the principal of Tianjin Tongcheng Tongmei Coding NO 2 Extracurricular Training School Co., Ltd.; Yue Zhang is the principal of Tianjin Tongcheng Tongmei Coding NO 9 Extracurricular Training School Co., Ltd.; Yuyan Jiang is the principal of Tianjin Tongcheng Tongmei Coding NO 10 Extracurricular Training School Co., Ltd.; Weizheng Kong is the principal of Qinhuangdao Haigang District Tongcheng Tongmei Education and Training School; Yue Zhang is the principal of Tianjin Tongcheng Tongmei Coding NO 9 Extracurricular Training Center Co., Ltd.; Chuangjin Li is the principal of Taiyuan Xiaodian Tongcheng Tongchuang Technology Training School Co., Ltd.; Kaibin Zhang is the principal of Guangxinanning Tongchuang Education Technology Co., Ltd.; Xiangting Chen is the principal of Guangxinanning Tongcheng Education Technology Co., Ltd.; Jiping Xing is the principal of Weifang Kuiwen District Tongcheng Tongmei Education Training School Co., Ltd.; Lisha Deng is the principal of Fuzhou Gulou Tongcheng Tongchuang Technology Extracurricular Training Co., Ltd.; Shenghuan Feng is the principal of Qingdao Laoshan District Tongcheng Tongmei Science and Technology Training School Co., Ltd. and Tianjin Tongcheng Tongmei Programming NO 4 Extracurricular Training Center Co., Ltd.; Yuantan Yang is the principal of Chengdu Shuangliu Tongcheng Tongmei Science and Technology Training School Co., Ltd.
- \* Zengbo Li, Hehai Tian, Leng Liao and Dan Liu are no longer employed by us. The principal registration for each of Kunming Wuhua Tongcheng Tongmei Education Training School Co., Ltd., Jinan Gaoxin Tongcheng Tongmei Training School Co., Ltd., Kunming Xishan District Tongcheng Tongmei Culture and Art Training School Co., Ltd., Kunming Guandu Tongcheng Tongmei Education Training School Co., Ltd. and Changsha Kaifu Tongcheng Tongmei Education Training School. has not been updated.

Because of foreign ownership restriction on internet content and other value-added telecommunication services in mainland China, we operate our *6lit.cn* website and Tongcheng Online App through the current VIE, Beijing Tongcheng. Beijing Tongcheng is 70% owned by Mr. Shaoyun Han, our founder and chairman, and 30% owned by Mr. Jin Li, a member of our management body. Mr. Han, and Mr. Li are both mainland China citizens. We entered into a series of contractual arrangements with Beijing Tongcheng and its shareholders, which enable us to:

- exercise effective financial control over Beijing Tongcheng;
- receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of Beijing Tongcheng; and
- have an exclusive option to purchase all or part of the equity interests in Beijing Tongcheng when and to the extent permitted by laws of mainland China.

Because of these contractual arrangements, we are the primary beneficiary of Beijing Tongcheng and consolidate their financial results in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contracts by and among us, our mainland China subsidiary, the current VIE and its shareholders.

### ***Exclusive Business Cooperation Agreement***

Under the exclusive business cooperation agreement between Beijing Tongcheng and Tongcheng Shidai dated on August 29, 2022, Tongcheng Shidai has the exclusive right to provide, among other things, technical support, business support and related consulting services to Beijing Tongcheng, and Beijing Tongcheng agrees to accept all the consultation and services provided by Tongcheng Shidai. Without the prior written consent of Tongcheng Shidai, Beijing Tongcheng may not engage any third party to provide any of the services under this agreement. In addition, Tongcheng Shidai exclusively owns all intellectual property rights arising out of or created during the performance of the agreement. Beijing Tongcheng agrees to pay a monthly service fee to Tongcheng Shidai at an amount negotiated between themselves after taking into account factors including the complexity and difficulty of the services provided, the time consumed, the seniority of the employees providing services to Beijing Tongcheng, the value of services provided, the market price of comparable services and the operating conditions of Beijing Tongcheng. The term of the agreement will remain effective unless Tongcheng Shidai terminates the agreement in writing or a competent governmental authority rejects the renewal applications by either party to the abovementioned agreement to renew its respective business license upon expiration. Without the consent of Tongcheng Shidai, Beijing Tongcheng is not permitted to terminate this agreement in any event unless required by applicable laws.

### ***Power of Attorney***

Pursuant to the power of attorney dated on August 29, 2022 and July 24, 2023 granted by the shareholders of Beijing Tongcheng, the shareholders each irrevocably appointed Tongcheng Shidai as the attorney-in-fact to act on their behalf on all matters pertaining to Beijing Tongcheng and to exercise all of their rights as a shareholder of Beijing Tongcheng, including but not limited to attend shareholders' meetings, vote on their behalf on all matters of Beijing Tongcheng requiring shareholders' approval under laws and regulations of mainland China and the articles of association of Beijing Tongcheng, and designate and appoint directors and members of management body. Tongcheng Shidai may assign its rights under this power of attorney to any other person or entity at its sole discretion without prior notice to the shareholders of Beijing Tongcheng. The power of attorney remains effective as long as the relevant person remains a shareholder of Beijing Tongcheng.

### ***Share Pledge Agreements***

Under the share pledge agreements dated on August 29, 2022 and July 24, 2023 between Tongcheng Shidai, Beijing Tongcheng and the shareholders of Beijing Tongcheng, the shareholders each pledged all of their shares in Beijing Tongcheng to Tongcheng Shidai to guarantee Beijing Tongcheng's and its shareholders' performance of their obligations under the contractual arrangements including, but not limited to, the service fees due to Tongcheng Shidai. If Beijing Tongcheng or any of its shareholders breaches the contractual obligations under the contractual arrangements, Tongcheng Shidai, as the pledgee, will be entitled to certain rights and entitlements, including receiving proceeds from the auction or sale of whole or part of the pledged shares of Beijing Tongcheng in accordance with legal procedures. Tongcheng Shidai has the right to receive dividends generated by the pledged shares during the term of the pledge. If any event of default as provided in the contractual arrangements occurs, Tongcheng Shidai, as the pledgee, will be entitled to dispose of the pledged shares in accordance with laws and regulations of mainland China.

The share pledge agreements became effective on the date when the agreements were duly executed. The pledge against Mr. Shaoyun Han's equity interest was registered with Beijing Haidian District Market Supervision Bureau in September 2022. The pledge against Mr. Jin Li's equity interest was registered with Beijing Haidian District Market Supervision Bureau in April 2024. The pledge will remain binding until the pledgee and its shareholders discharge all their obligations under the contractual arrangements. The registration of the pledge enables the pledgee to enforce the pledge against third parties who acquire the equity interests in the pledgor in good faith.

### ***Exclusive Option Agreements***

Under the exclusive option agreement dated on August 29, 2022 between Tongcheng Shidai, Beijing Tongcheng, and Mr. Shaoyun Han, and the exclusive option agreement dated on July 24, 2023 between Tongcheng Shidai, Beijing Tongcheng and Mr. Jin Li, the shareholders of Beijing Tongcheng irrevocably granted Tongcheng Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under laws of mainland China, all or part of his equity interests in Beijing Tongcheng. In addition, Tongcheng Shidai has the option to acquire the equity interests in Beijing Tongcheng for a specified price equal to the loan provided by Tongcheng Shidai to the individual shareholders. If the lowest price permitted under laws of mainland China is higher than the above price, the lowest price permitted under laws of mainland China shall apply. Tongcheng Shidai or its designated representative(s) has sole discretion as to when to exercise such options, either in part or in full. Without Tongcheng Shidai's prior written consent, Beijing Tongcheng's shareholders shall not sell, transfer, mortgage, or otherwise dispose any equity interests in Beijing Tongcheng. These agreements will remain effective until all equity interests in Beijing Tongcheng held by its shareholders are transferred or assigned to Tongcheng Shidai or Tongcheng Shidai's designated representatives.

### ***Loan Agreements***

Pursuant to the loan agreement dated on August 29, 2022 between Tongcheng Shidai and Mr. Shaoyun Han, and the loan agreement dated on July 24, 2023 between Tongcheng Shidai and Mr. Jin Li, Tongcheng Shidai provided loans with an aggregate amount of RMB5 million to the individual shareholders of Beijing Tongcheng for the sole purpose of providing capital for Beijing Tongcheng. The loans can only be repaid in a manner determined by Tongcheng Shidai at its sole discretion, which repayment may take the form of transferring the individual shareholders' equity interest in Beijing Tongcheng to Tongcheng Shidai or its designated person pursuant to the exclusive option agreements. The loan shall be interest-free, unless the transfer price exceeds the principal of the loan when each individual shareholder of Beijing Tongcheng transfers his equity interests in Beijing Tongcheng to Tongcheng Shidai or its designated person(s). Such excess over the principal of the loan shall be deemed the interest of the loan to the extent permitted under laws of mainland China. The term of each loan agreement is ten years from the date of the agreement and can be extended with the written consent of both parties before expiration.

In the opinion of our PRC counsel, Han Kun Law Offices, these contractual arrangements are valid, binding and enforceable under current laws of mainland China. However, these contractual arrangements may not be as effective in providing control as direct ownership and there are substantial uncertainties regarding the interpretation and application of current or future laws and regulations of mainland China. For a description of the risks related to our contractual arrangements, please see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

### **D. Property, Plants and Equipment**

Our headquarters is located in Beijing, China. Upon the consummation of the Divestiture, our principal executive offices in Beijing comprise of 3,710.9 square meters and accommodate certain of our management, general and administrative and research and development activities as of March 31, 2024. We also had 13,054.3 square meters in leased classroom space in Beijing as of March 31, 2024.

In addition to our principal executive offices in Beijing, we maintain a number of offices, classrooms and student dormitories with an aggregate of 147,099.8 square meters in 53 cities in mainland China as of March 31, 2024. For our leased facilities, we leased them from unrelated third parties. Our lease terms range from six months to ten years. We purchased two office buildings in Beijing in 2016, mainly for teaching purpose, and to a lesser extent for administrative function. We paid an aggregate of RMB231.9 million for these two office buildings. We sold one of them and incurred a loss on disposal amounting to RMB22.3 million in 2021. We sold the other in March 2023 and recognized an impairment loss of RMB11.6 million in 2022. The office buildings sold are located in Building 17 and Building 19, Block 2, Yard 31, Kechuang 13 Street, Beijing Economic-Technological Development Area, Beijing and have an aggregate gross floor area of approximately 16,500 square meters.

We also purchased a building in Qingdao and another one in Haikou for an aggregate price of RMB50 million in 2016. The purpose of these two buildings is for teaching purposes as learning centers to accommodate the growing demand in the local market and to take advantage of favorable local policies. We sold the Qingdao building with a total consideration of RMB26.1 million and incurred a gain on disposal amounting to RMB1.1 million.

We believe that the facilities that we currently own or lease are adequate to meet our needs for the foreseeable future, and we believe that we will be able to obtain adequate facilities, principally through leasing of additional properties, to accommodate our future expansion plans.

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

Not Applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.*

### A. Operating Results

#### Financial Impact by the Divestiture

In December 2023, we entered into an equity transfer agreement to dispose of our equity interests in the professional education business. The Divestiture had been consummated at the end of March 2024. Upon the consummation of the Divestiture, the professional education business, including the business operated by the former VIE, had been divested, and the STEM education business operated by the former VIE had been transferred to the current VIE. As a result of the Divestiture, the professional education business has been reclassified as discontinued operations and our remaining business after the Divestiture has been reclassified as continuing operations. See note “Item 4. Information on the Company—A. History and Development of the Company” for more details.

After the Divestiture, we no longer generate any revenue from the tuition fees collected at the divested professional education learning centers, or the divested entities. Accordingly, assets, liabilities, results of operations, and cash flows related to professional education business have been reflected in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated balance sheets as of December 31, 2021, 2022 and 2023, consolidated statements of comprehensive (loss) income and consolidated statements of cash flows for the years ended December 31, 2021, 2022 and 2023 have been adjusted to reflect this change.

For the year ended December 31, 2021, 2022 and 2023, the net revenues that we generated from discontinued operations is RMB1,150.2 million, RMB1,068.2 million, and RMB624.6 million (US\$88.0 million), respectively, which represented approximately 48.2%, 43.3%, and 31.2% of our total consolidated net revenues in these periods. Total gross profit from the divested entities is RMB744.5 million, RMB740.6 million, and RMB398.4 million (US\$56.1 million), respectively, representing approximately 62.8%, 52.4%, and 39.0% of our consolidated total gross profit in these periods. As of December 31, 2022 and 2023, total assets of the divested entities are RMB617.1 million and RMB275.6 million (US\$38.8 million), respectively, which represented approximately 46.1% and 27.1% of our consolidated total assets as of these dates. See note 3 to our audited consolidated financial statements included in this annual report for additional information regarding the financial impact by the Divestiture.

#### Key Components of Results of Operations for our Continuing Operations

##### *Net Revenues*

We derive substantially all of our net revenues from tuition fees that we charge students. In 2021, 2022 and 2023, we generated net revenues from continuing operations of RMB1,236.3 million, RMB1,399.8 million and RMB1,375.2 million (US\$193.7 million), respectively. We record tuition fees that we collect in advance as deferred revenue. Our net revenues from continuing operations are presented net of business tax and surcharges.

##### *Number of Student Enrollments*

Student enrollments in our STEM education programs increased from approximately 178,400 in 2021 to approximately 209,400 in 2022, and further increased to 210,600 in 2023.

Our total student enrollments are affected by the continuing popularity of our existing courses and programs and the number and popularity of new courses and new programs we offer. In 2023, our STEM robotics programming and computer programming courses were the two most popular courses in our courses and programs offering portfolio.

*Tuition fees*

Our net revenues from continuing operations are affected by the tuition fees for each of our courses. Courses under STEM education programs typically are composed of multiple levels, with each level consisting of 64 to 120 learning hours in one year. For our STEM education programs, our standard tuition fees are between RMB8,000 and RMB23,400 in 2023. We recruit students primarily through our direct marketing efforts. Our tuition fees for STEM education programs are paid up-front to the extent permitted by applicable laws and regulations.

**Cost of Revenues**

Our cost of revenues from continuing operations primarily consists of payroll and employee benefits for our instructors (as apportioned based on the amount of time that they devote to teaching) and teaching assistants, as well as rental payments for our learning centers, and to a lesser extent, depreciation relating to property and equipment used at our learning centers. The following table sets forth a breakdown of our cost of revenues from continuing operations in absolute amounts and as percentages of net revenues from continuing operations for the periods indicated:

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	% of net revenues	RMB	% of net revenues	RMB	US\$	
	(in thousands, except percentages)						
Personnel cost and welfare	494,840	40.0	474,312	33.8	465,921	65,624	33.9
Rental cost	165,262	13.4	128,875	9.2	129,877	18,293	9.4
Depreciation expenses	58,097	4.7	55,911	4.0	38,026	5,356	2.8
Others	77,470	6.3	69,318	5.0	117,016	16,481	8.5
Cost of revenues	795,669	64.4	728,416	52.0	750,840	105,754	54.6

Our cost of revenues from continuing operations is primarily affected by the number of our learning centers. In terms of the STEM education business, we had a total of 238, 217 and 220 learning centers for students aged between three and eighteen as of December 31, 2021, 2022 and 2023, respectively.

**Operating Expenses**

Our operating expenses consist primarily of selling and marketing expenses, general and administrative expenses and, to a lesser extent, research and development expenses. The following table sets forth our operating expenses related to continuing operations in absolute amounts and as percentages of net revenues from continuing operations for the periods indicated:

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	% of net revenues	RMB	% of net revenues	RMB	US\$	
	(in thousands, except percentages)						
Selling and marketing expenses	437,487	35.4	280,093	20.0	268,399	37,803	19.5
General and administrative expenses	359,453	29.1	397,440	28.4	330,848	46,599	24.1
Research and development expenses	40,311	3.3	20,248	1.4	11,654	1,641	0.8
Total operating expenses	837,251	67.8	697,781	49.8	610,901	86,043	44.4

Our selling and marketing expenses primarily consist of compensation expenses relating to our personnel involved in selling and marketing, including our enrollment advisors based at our learning centers, advertising expenses relating to our marketing activities, and, to a lesser extent, rental expenses relating to our selling and marketing functions. We expect our selling and marketing expenses to increase in the future as we further expand our business.

Our general and administrative expenses primarily consist of compensation expenses relating to our management and administrative personnel. To a lesser extent, our general and administrative expenses include office expenses relating to administrative functions. We expect our general and administrative expenses to decrease in absolute amount as we will continue to implement effective cost control measures.

Our research and development expenses primarily consist of a portion of the personnel costs of our instructors as determined based on the amount of time that they devote to research and development-related activities, as well as the personnel costs of our software engineers. We expect our research and development expenses to increase in absolute amounts as we will continue to upgrade our IT infrastructure and quality of our course offerings.

### **Seasonality**

Seasonal fluctuations have affected, and are likely to continue to affect, our business. Historically, we typically generate the highest net revenues in the third and fourth quarters because of the increased student enrollments during summer vacation. We generally generate less tuition fees in the first quarter of each year due to the Chinese New Year holiday.

### **Taxation**

#### ***Canada***

Our wholly owned subsidiary in Canada, Techarena Canada Inc., is subject to Canada corporate tax pertaining to its activities conducted in Canada. No provision for Canada corporate tax has been made in the consolidated financial statements as Techarena Canada Inc. had no assessable income since its inception to December 31, 2023.

#### ***Cayman Islands***

We are 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 subsidiaries in Hong Kong, Tarena Hong Kong (HK) Limited and Kids IT Education (HK) Limited, are subject to Hong Kong profits tax on its activities conducted in Hong Kong. No provision for Hong Kong profits tax has been made in the consolidated financial statements as Tarena Hong Kong (HK) Limited and Kids IT Education (HK) Limited have no assessable income since its inception to December 31, 2023.

#### ***Mainland China***

Pursuant to the EIT Law and its implementation rules, which became effective on January 1, 2008, and amended on December 29, 2018 and April 23, 2019, respectively, foreign-invested enterprises and domestic companies are subject to enterprise income tax at a uniform rate of 25%. From January 1, 2021 to December 31, 2021, 12.5% of the first RMB1.0 million of the assessable profit before tax is subject to the tax rate of 20% for our subsidiaries and the VIEs that are qualified as “Small Profit Enterprises,” and the 50% of the assessable profit before tax exceeding RMB1.0 million but not exceeding RMB3.0 million is subject to the tax rate of 20%. From January 1, 2022 to December 31, 2022, 12.5% of the first RMB1.0 million of the assessable profit before tax is subject to the tax rate of 20% for our subsidiaries and the VIEs that are qualified as “Small Profit Enterprises,” and the 25% of the assessable profit before tax exceeding RMB1.0 million but not exceeding RMB3.0 million is subject to the tax rate of 20%. From January 1, 2023 to December 31, 2027, the 25% of the assessable profit before tax less than RMB3.0 million is subject to the tax rate of 20% for our subsidiaries and the VIEs that are qualified as “Small Profit Enterprises”. Subject to the approvals from the tax authorities in certain locations in mainland China, our subsidiaries and the VIEs that are based in these locations are required to use the deemed profit method to determine their income tax.

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our net revenues. 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 Year Ended December 31,						
	2021		2022		2023		
	RMB	% of Net revenues	RMB	% of Net revenues	RMB	US\$	
	(in thousands, except percentages)						
Net revenues	1,236,273	100.0	1,399,844	100.0	1,375,192	193,692	100.0
Cost of revenues <sup>(1)</sup>	(795,669)	(64.4)	(728,416)	(52.0)	(750,840)	(105,754)	(54.6)
<b>Gross profit</b>	<b>440,604</b>	<b>35.6</b>	<b>671,428</b>	<b>48.0</b>	<b>624,352</b>	<b>87,938</b>	<b>45.4</b>
Operating expenses <sup>(1)</sup> :							
Selling and marketing	(437,487)	(35.4)	(280,093)	(20.0)	(268,399)	(37,803)	(19.5)
General and administrative	(359,453)	(29.1)	(397,440)	(28.4)	(330,848)	(46,599)	(24.1)
Research and development	(40,311)	(3.3)	(20,248)	(1.4)	(11,654)	(1,641)	(0.8)
<b>Operating (loss) income</b>	<b>(396,647)</b>	<b>(32.1)</b>	<b>(26,353)</b>	<b>(1.9)</b>	<b>13,451</b>	<b>1,895</b>	<b>1.0</b>
Interest income, net	2,611	0.2	1,962	0.1	1,089	153	0.1
Other income, net	1,466	0.1	8,150	0.6	723	102	0.1
Foreign currency exchange loss, net	(267)	0.0	(325)	0.0	(901)	(127)	(0.1)
<b>(Loss) income before income taxes</b>	<b>(392,837)</b>	<b>(31.8)</b>	<b>(16,566)</b>	<b>(1.2)</b>	<b>14,362</b>	<b>2,023</b>	<b>1.0</b>
Income tax (expenses) benefit	(116,451)	(9.4)	14,504	1.0	7,972	1,123	0.6
<b>Net (loss) income from continuing operations, net of income tax</b>	<b>(509,288)</b>	<b>(41.2)</b>	<b>(2,062)</b>	<b>(0.1)</b>	<b>22,334</b>	<b>3,146</b>	<b>1.6</b>
Net income/(loss) from discontinued operations, net of income tax	33,508	2.7	87,295	6.2	(11,980)	(1,687)	(0.9)
<b>Net (loss) income</b>	<b>(475,780)</b>	<b>(38.5)</b>	<b>85,233</b>	<b>6.1</b>	<b>10,354</b>	<b>1,459</b>	<b>0.8</b>

Notes:

(1) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenues	18	244	19	3
Selling and marketing expenses	206	227	24	3
General and administrative expenses	13,514	10,179	2,551	359
Research and development expenses	375	734	149	21

### *The Year Ended December 31, 2023, Compared to the Year Ended December 31, 2022*

#### *Net revenues*

Our net revenues from continuing operations decreased by 1.8% from RMB1,399.8 million in 2022 to RMB1,375.2 million (US\$193.7 million) in 2023. The decrease was primarily because the course consumption slowed down of this year led by a decreased cash collection, caused by economic headwinds earlier this year, which was partially offset by a relatively stable growth in student enrollments of STEM education from 209,400 in 2022 to 210,600 in 2023.

#### *Cost of Revenues*

Our cost of revenues from continuing operations increased by 3.1% from RMB728.4 million in 2022 to RMB750.8 million (US\$105.8 million) in 2023. This increase was mainly due to an increase in rental costs, resulting from the expansion of some of our learning centers, and increased costs incurred in certain extracurricular challenges or competitions.

### *Gross Profit and Gross Margin*

As a result of the foregoing, our gross profit decreased by 7.0% from RMB671.4 million in 2022 to RMB624.4 (US\$87.9 million) in 2023. Our gross profit margin decreased from 48.0% in 2022 to 45.4% in 2023, as the decrease in net revenues due to the economic headwinds in early 2023 while the fixed cost was relatively stable.

### *Operating Expenses*

Our operating expenses decreased by 12.5% from RMB697.8 million in 2022 to RMB610.9 million (US\$86.0 million) in 2023, as a result of the decrease in selling and marketing expenses and general and administrative expenses due to the efficient cost control in our operations.

### *Selling and Marketing Expenses*

Our selling and marketing expenses decreased by 4.2% from RMB280.1 million in 2022 to RMB268.4 million (US\$37.8 million) in 2023. This decrease was mainly due to a decrease in the number of sales staff and decrease in communication expenses resulting from the personnel optimization and cost control in 2023.

### *General and Administrative Expenses*

Our general and administrative expenses decreased by 16.8% from RMB397.4 million in 2022 to RMB330.8 million (US\$46.6 million) in 2023. The decrease was primarily due to a decrease in personnel-related costs associated with headcount reduction. Furthermore, a one-time provision for the amount of the anticipated settlement of a class action lawsuit was recognized in the previous period, while no such expenditure was incurred in 2023. Besides, shared-based compensation costs decreased due to the decrease in the number of outstanding share options.

### *Research and Development Expenses*

Our research and development expenses decreased by 42.4% from RMB20.2 million in 2022 to RMB11.7 million (US\$1.6 million) in 2023. The decrease was primarily due to the decrease in personnel-related expenses in 2023.

### *Interest Income*

Our net interest income was RMB2.0 million in 2022 and RMB1.1 million (US\$0.2 million) in 2023. Our interest income in both periods consisted of interest earned on our cash, cash equivalents and time deposits in commercial banks. The decrease in interest income was primarily because the interest rates applicable to us declined in 2023.

### *Income Tax Benefits*

Our income tax benefits decreased from RMB14.5 million in 2022 to RMB8.0 million (US\$1.1 million) in 2023. The decrease in tax benefits was mainly due to a decrease in provision allowance made to the deferred income tax assets which was derived from the unutilized tax loss, as it was more likely than not that the tax loss will be utilized within the corresponding deduction period.

The effective income tax rate of -55.3% in 2023 was lower than the statutory income tax rate of 25.0% primarily because of the impact of the reversal of valuation allowances for deferred income tax assets of certain subsidiary, which was making profit in 2023. Considering that the future profitability of the STEM education business is likely to offset some of the accumulated losses already incurred, a portion of the valuation allowance for deferred tax assets of most STEM education business entities was released in 2023, which was partially offset by the impact of non-deductible expenses.

The effective income tax rate of 87.6% in 2022 was higher than the statutory income tax rate of 25.0% primarily because of (i) the impact of the non-deductible investment loss; and (ii) reversal of valuation allowances for deferred income tax assets of certain subsidiaries, which were expected to make profits in future. Considering that the future profitability of the STEM education business is likely to offset some of the accumulated losses already incurred, a portion of the valuation allowance for deferred tax assets of STEM education business entities was released in 2022.



*Net Income (Loss) from Continuing Operations*

As a result of the foregoing, we incurred a net income from continuing operations of RMB22.3 million (US\$3.1 million) in 2023 as compared to a net loss for continuing operations of RMB2.1 million in 2022.

***The Year Ended December 31, 2022, Compared to the Year Ended December 31, 2021***

*Net revenues*

Our net revenues from continuing operations increased by 13.2% from RMB1,236.3 million in 2021 to RMB1,399.8 million in 2022. We experienced a significant increase of 17.4% in our total student enrollments from approximately 178,400 in 2021 to approximately 209,400 in 2022. Our STEM education business has expanded into 53 cities in mainland China.

*Cost of Revenues*

Our cost of revenues from continuing operations decreased by 8.5% from RMB795.7 million in 2021 to RMB728.4 million in 2022. This decrease was mainly due to decrease in rental costs, depreciation costs, and personnel-related costs resulting from the closing of some of our learning centers. The number of STEM education learning centers decreased from 238 as of December 31, 2021 to 217 as of December 31, 2022.

*Gross Profit and Gross Margin*

As a result of the foregoing, our gross profit increased by 52.4% from RMB440.6 million in 2021 to RMB671.4 million in 2022. Our gross profit margin increased from 35.6% in 2021 to 48.0% in 2022, as we continued to improve operational efficiency.

*Operating Expenses*

Our operating expenses decreased by 16.7% from RMB837.3 million in 2021 to RMB697.8 million in 2022, as a result of the decrease in selling and marketing expenses and research and development expenses.

*Selling and Marketing Expenses*

Our selling and marketing expenses decreased by 36.0% from RMB437.5 million in 2021 to RMB280.1 million in 2022. This decrease was mainly due to a decrease in the number of sales staff and a decrease in advertising spending as we continued to control marketing spending in 2022.

*General and Administrative Expenses*

Our general and administrative expenses increased by 10.6% from RMB359.5 million in 2021 to RMB397.4 million in 2022. The increase was primarily due to the lower general and administrative expenses in the fourth quarter of 2021 resulting from the receipt of a settlement payment from the buyer group in connection with the termination of a proposed privatization transaction, as well as a provision of a class action lawsuit in 2022.

*Research and Development Expenses*

Our research and development expenses decreased by 49.8% from RMB40.3 million in 2021 to RMB20.2 million in 2022. The decrease was primarily due to the decrease in personnel-related expenses in 2022.

*Interest Income*

Our net interest income were RMB2.6 million in 2021 and RMB2.0 million in 2022. Our interest income in both periods consisted of interest earned on our cash, cash equivalents and time deposits in commercial banks. The decrease in interest income was primarily because we conducted fund management with lower interest, partially offset by the higher interest expenses for the new borrowing withdrawn in the end of 2022.

### *Income Tax Benefit (Expense)*

Our income tax benefit was RMB14.5 million in 2022, compared to the income tax expenses of RMB116.5 million in 2021. The decrease of tax expenses was mainly due to a decrease in provision allowance made to the deferred income tax assets which was derived from the unutilized tax loss, as it was more likely than not that the tax loss will be utilized within the corresponding deduction period.

The effective income tax rate of 87.6% in 2022 was higher than the statutory income tax rate of 25.0% primarily because of (i) the impact of the non-deductible investment loss; and (ii) reversal of valuation allowances for deferred income tax assets of certain subsidiaries, which were expected to make profits in future. Considering that the future profitability of the STEM education business is likely to offset some of the accumulated losses already incurred, a portion of the valuation allowance for deferred tax assets of STEM education business entities was released in 2022.

The effective income tax rate of -29.6% in 2021 was lower than the statutory income tax rate of 25.0% primarily because of (i) recognition of valuation allowances for deferred income tax assets of certain subsidiaries, which were at cumulative loss position. In 2021, due to multiple factors, such as the COVID-19 pandemic and the regulations on some sectors of the education industry, the STEM education business did not achieve the profitability as expected. Considering that the future profitability of the STEM education business is unlikely to offset the accumulated losses already incurred, the valuation allowance of deferred tax assets of most STEM education entities was provided in 2021; (ii) the preferential income tax rate enjoyed by some of our subsidiaries; and (iii) the impact of changes in tax rates on certain of our subsidiaries.

### *Net Loss from Continuing Operations*

As a result of the foregoing, we incurred a net loss for continuing operations of RMB2.1 million in 2022 as compared to a net loss for continuing operations of RMB509.3 million in 2021.

### **Impact of Foreign Currency Fluctuation**

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk.”

### **Impact of Governmental Policies**

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China” and “Item 4. Information on the Company—B. Business Overview—Government Regulations.”

## **B. Liquidity and Capital Resources**

### **Cash Flows and Working Capital**

Our principal sources of liquidity have been cash generated from operating activities and proceeds from disposal of property and long-term investments. As of December 31, 2023, we had RMB227.6 million (US\$32.1 million) in cash and cash equivalents, time deposits and restricted cash. Our cash consists of cash in bank and deposits placed in third-party payment processors. Cash of the VIEs, in the amount of RMB2.5 million (US\$0.4 million) as of December 31, 2023, can be used only to settle obligations of the VIEs. Cash equivalents consist of interest-bearing certificates of deposit with initial term of no more than three months when purchased. Time deposits, which mature within one year as of the balance sheet date, represent interest-bearing certificates of deposit with an initial term of greater than three months when purchased. The restricted cash primarily consists of tuition fees in the escrow account supervised by the state and provincial education bureaus.

We believe that our current cash, cash equivalents, time deposits, restricted cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months.

See “Summary of Significant Accounting Policies—Cash, cash equivalents, time deposits and restricted cash” under note 2(e) to our audited consolidated financial statements included in this annual report for information regarding the currencies in which cash, cash equivalents, time deposits and restricted cash were held as of December 31, 2023.

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

	For the Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash (used in)/provided by operating activities from continuing operations	(70,563)	1,046	21,468	3,025
Net cash provided by/(used in) operating activities from discontinued operations	79,173	(28,574)	(140,403)	(19,775)
Net cash used in investing activities from continuing operations	(45,958)	(28,818)	(34,544)	(4,866)
Net cash provided by investing activities from discontinued operations	79,651	6,109	106,592	15,013
Net cash provided by/(used in) financing activities from continuing operations	23,237	(24,105)	(33,781)	(4,758)
Net cash provided by/(used in) financing activities from discontinued operations	—	22,000	(2,000)	(283)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(67)	2,288	(1,447)	(203)
Net increase/ (decrease) in cash and cash equivalents	65,473	(50,054)	(84,115)	(11,847)
Cash, cash equivalents and restricted cash at the beginning of the year	358,548	424,021	373,967	52,672
Cash, cash equivalents and restricted cash at end of the year	424,021	373,967	289,852	40,825
Less: Cash, cash equivalents and restricted cash of discontinued operations	301,204	175,438	62,588	8,815
Cash, cash equivalents and restricted cash at the end of the year from continuing operations	122,817	198,529	227,264	32,010

### **Operating Activities**

Net cash provided by operating activities from continuing operations amounted to RMB21.5 million (US\$3.0 million) in 2023. It was primarily due to (a) a net income from continuing operations of RMB22.3 million, mainly adjusted by depreciation and amortization of RMB46.9 million, amortization of right-of-use asset of RMB121.3 million, loss on disposal of property and equipment of RMB1.3 million, and share based compensation expense of RMB2.7 million; (b) a decrease in operating lease liabilities of RMB147.7 million; and (c) an increase in deferred income tax assets of RMB9.8 million; and (d) a decrease in deferred revenue of RMB104.3 million due to the reduced collections of our STEM education business.

Net cash provided by operating activities from continuing operations amounted to RMB1.0 million in 2022. It was primarily due to (a) a net loss of RMB2.1 million, mainly adjusted by depreciation and amortization of RMB67.7 million, amortization of right-of-use asset of RMB136.9 million, loss on disposal of property and equipment of RMB0.6 million, and share based compensation expense of RMB11.4 million; (b) a decrease in operating lease liabilities of RMB142.6 million; and (c) an increase in deferred income tax assets of RMB18.3 million; and (d) a decrease in deferred revenue of RMB109.3 million due to the reduced collections of our STEM education business.

Net cash used in operating activities from continuing operations amounted to RMB70.6 million in 2021. It was primarily due to (a) a net loss of RMB509.3 million, mainly adjusted by depreciation and amortization of RMB71.6 million, amortization of right-of-use asset of RMB149.7 million, loss on disposal of property and equipment of RMB0.9 million, and share based compensation expense of RMB14.1 million; (b) a decrease in operating lease liabilities of RMB145.9 million; and (c) a decrease in deferred income tax assets of RMB115.8 million; and (d) an increase in deferred revenue of RMB77.0 million due to the expansion of our STEM education business.

### **Investing Activities**

Net cash used in investing activities from continuing operations was RMB34.5 million (US\$4.9 million) in 2023, consisting of the purchase of property and equipment, including computers and servers, of RMB34.7 million for the replacement of obsolete items and the proceeds of RMB0.5 million received from disposal of property and equipment.

Net cash used in investing activities from continuing operations was RMB28.8 million in 2022, consisting of purchase of property and equipment, including computers and servers, of RMB29.4 million for the replacement of obsolete items, partially offset by the proceeds of RMB0.6 million received from the disposal of property.

Net cash used in investing activities from continuing operations was RMB46.0 million in 2021, consisting of the net proceeds of RMB1.0 million received from the disposal of property, and purchase of property and equipment, including computers and servers, of RMB46.9 million for the replacement of obsolete items.

### **Financing Activities**

Net cash used in financing activities from continuing operations was RMB33.8 million (US\$4.8 million) in 2023, which was primarily attributed to the repayment of bank borrowings RMB30 million and the repurchase of treasury stock of RMB2.4 million.

Net cash used in financing activities from continuing operations was RMB24.1 million in 2022, which was primarily attributed to the repayment of bank borrowings RMB 30.0 million, the repurchase of treasury stock of RMB 17.1 million, and the prepayment of acquiring noncontrolling interests of RMB 7.1 million, partially offset by the proceeds from bank borrowings of RMB30.0 million.

Net cash provided by financing activities from continuing operations was RMB23.2 million in 2021, which was primarily attributed to, the proceeds from bank borrowings of RMB30.0 million, and proceeds from issuance of Class A ordinary shares in connection with exercise of share options of RMB3.9 million, partially offset by the repayment of bank borrowings of RMB10.7 million.

### **Material Cash Requirements**

#### **Capital Expenditures**

Our capital expenditures are primarily related to purchase of property and equipment, leasehold improvements and investments in computers, network equipment and software. Our capital expenditures were RMB46.9 million, RMB29.4 million and RMB34.7 million (US\$4.9 million) in 2021, 2022 and 2023, respectively. We have made and may continue to make acquisitions of businesses and properties that complement our operations. We expect our capital expenditures will continue to be significant for the near future as we continue to acquire new equipment to replace our obsolete items, upgrade our IT infrastructure hardware, and expand our network of learning centers. We expect to fund our future capital expenditures with our current cash, cash equivalents, time deposits and anticipated cash flow from operations.

#### **Contractual Obligations**

The following table sets forth our contractual obligations as of December 31, 2023:

	Payment due by December 31,						2029 and thereafter
	Total	2024	2025	2026	2027	2028	
Operating lease commitments <sup>(1)</sup>	235,573	113,686	66,914	37,027	11,620	6,326	—

Note:

(1) Represents our non-cancelable leases for our offices and learning centers.

Except for those disclosed above, we did not have any significant capital or other commitments, long-term obligations, or guarantees as of December 31, 2023.

### **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 variable interest entities in mainland China. As a result, our ability to pay dividends depends upon dividends paid by our mainland China subsidiaries and service fees paid by the variable interest entities in mainland China. If our wholly owned subsidiaries or any newly formed subsidiaries incur any debt in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our mainland China subsidiaries and the variable interest entities are required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

Our mainland China subsidiaries, being foreign-invested enterprises established in mainland China, are required to make appropriations to certain statutory reserves, such as a general reserve fund, which is appropriated from net profit as reported in their PRC statutory accounts. Each of our mainland China subsidiaries is required to allocate at least 10% of its after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital.

The variable interest entities must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely a statutory surplus fund and a discretionary surplus fund. Each of the variable interest entities is required to allocate at least 10% of its after-tax profits to the statutory surplus fund until such fund has reached 50% of its respective registered capital. Appropriations to the discretionary surplus fund are at the discretion of the variable interest entities.

As a result of these laws and regulations of mainland China, as of December 31, 2023, we had RMB143.5 million (US\$20.2 million) in statutory surplus reserves that are not distributable as cash dividends. We are required to set aside an additional RMB402.4 million (US\$56.7 million) to satisfy the maximum requirement of statutory surplus reserves for all of our subsidiaries and the VIEs in mainland China as of December 31, 2023. In addition, our private schools requiring reasonable returns are required to appropriate no less than 25% of their net income to a statutory development fund, whereas in the case of private schools requiring no reasonable return, this amount shall be no less than 25% of the annual increase of their net assets. As of December 31, 2023, we had RMB57.9 million (US\$8.2 million) in statutory development fund that is not distributable as cash dividends.

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

#### **Research and Development**

Building a reliable, scalable and secure technology infrastructure is crucial to our ability to support our live lecture broadcasts, online TTS, *6lit.cn* and the various services that we provide to our students. We manage our lecture delivery system, TTS and *6lit.cn* using a combination of commercially available software, hardware systems and proprietary technology. Since 2006, we have established a powerful online platform that enables thousands of students to simultaneously log onto our TTS and participate in activities online.

Our research and development expenses primarily consist of a portion of the personnel costs of our instructors as determined based on the amount of time that they devote to research and development-related activities, as well as the personnel costs of our software engineers. Our research and development expenses were RMB40.3 million, RMB20.2 million and RMB11.7 million (US\$1.6 million) in 2021, 2022 and 2023 respectively.

#### **Intellectual Property**

Our trademarks, copyrights, domain names, trade secrets and other intellectual property rights distinguish our courses and services from those of our competitors and contribute to our ability to compete in our target markets. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with senior executive officers and most other employees, to protect our intellectual property rights. In addition, we require certain of our senior executive officers and other employees to enter into agreements with us under which they acknowledge that all inventions, utility models, designs, know-how, copyrights and other forms of intellectual property made by them within the scope of their employment with us, pursuant to job assignments or using our materials and technology, or during the one year after their employment that relates to their employment with us, are our property and they should assign the same to us if we so require. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

As of March 31, 2024, we had registered 34 domain names relating to our continuing operations, including our *www.tctm.cn*, *www.it61.cn* and *www.6lit.cn* websites, with the Internet Corporation for Assigned Names and Numbers and China Internet Network Information Center and held 3 software copyrights and 116 trademarks related to our continuing operations.

### **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period beginning on January 1, 2024 and ending on the date of this annual report that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

### **E. Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities; (ii) the disclosure of our contingent assets and liabilities at the end of each reporting period; and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these judgments, estimates and assumptions based on our own historical experience, knowledge and assessment of current business and other conditions and our expectations regarding the future based on available information, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

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) operating leases; (iii) income taxes; and (iv) fair value measurements. See “Summary of Significant Accounting Policies” under note 2 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.

### **Impairment of Long-Lived Assets**

We periodically review our long-lived assets for impairment indicators to identify any events that may lead the carrying value to be irrecoverable. Such events include a historical or projected trend of net cash outflow or a future expectation that we will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, we group our long-lived assets into professional education asset group and STEM education asset group, which are the lowest possible level that identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The selection and assessment of qualitative factors used to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value involves significant judgment and estimates, which could be material to our financial position and results of operations.

For IT-focused supplementary STEM education asset group, there was no indications of impairment as of December 31, 2023. For IT professional education asset group, along with other assets such as receivables and goodwill, has been treated as a disposal group accounted as discontinued operations during the year ended and as of December 31, 2023. When assets other than long-lived assets are present within a disposal group, it is necessary for the Company to follow a required order for testing the assets within the disposal group when recognizing the disposal group at the lower of its carrying amount or fair value less cost to sell. The Company performed such assessment and determined there was no significant impairment indicator for the assets in IT professional education disposal group.

No impairment of long-lived assets was recognized for the years ended December 31, 2021, 2022 and 2023.

### **Allowance for credit losses**

We maintain an allowance for credit losses by estimating the expected credit and collectability trend of our customers. Accounts receivable is considered past due based on its contractual terms. In estimating the allowance for credit losses, we consider various factors, including historical experience, credit-worthiness of customers, current and reasonable forecasted future economic conditions, aging of the accounts receivable balances, payment patterns, and the forecasted information in pooling basis upon the use of the Current Expected Credit Loss Model, or the CECL Model, in accordance with ASC topic 326—Financial Instruments—Credit Losses. We also consider to provide specific allowance for credit losses for those accounts receivable balances when facts and circumstances have emerged to indicate that these receivables are unlikely to be collected. Changes in these estimates and assumptions could materially affect the quantity of credit losses, which could be material to our financial position and results of operations.

Prepaid expenses and other current assets primarily represent prepaid advertising deposits, loans made to employees, prepaid value-added tax, professional fee, prepaid rental expenses and so on. Prepaid expenses and other current assets which are due over one year as of the balance sheet date are presented as other non-current assets. The Company maintains an allowance for credit losses for the part that is not expected to be recovered. In establishing the allowance, management considers overdue employee loan upon the use of the CECL Model in accordance with ASC topic 326. Prepaid expenses and other current assets that are deemed to be uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There is a time lag between when the Company estimates a portion of or the entire account balances to be uncollectible and when a write off of the account balances is taken. The Company takes a write off of the account balances when the Company can demonstrate all means of collection on the outstanding balances have been exhausted.

There was no allowance of credit losses for accounts receivable as of December 31, 2022 and 2023. The allowance of credit losses for prepaid expenses and other current assets associated with continuing operations totaled approximately RMB 0.4 million and RMB0.4 million as of December 31, 2022 and 2023, respectively.

## Taxation

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 various jurisdictions in which we operate. 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 the 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, which could be material to our financial position and results of operations.

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. A valuation allowance is recorded when it is more likely than not that some 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/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. As of December 31, 2022 and 2023, the Company's balance of deferred tax assets for continuing operations, net of RMB 158.8 million and RMB 135.4 million (US\$19.1 million) valuation allowance, were RMB 18.6 million and RMB 28.5 million (US\$4.0 million), respectively.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Shaoyun Han	53	Founder and Chairman
Jianguang Li	59	Independent Director
Mingjie Sun	60	Independent Director
Binshen Meng	61	Director
Shengwen Rong	55	Independent Director
Ying Sun	47	Chief Executive Officer
Xiaobo Shao	44	Chief Financial Officer
Xiaolan Tang	44	Senior Vice President
Xiaohui Liu	34	Vice President

*Shaoyun Han* is our founder and has been serving as chairman of our board of directors since our inception. Mr. Han served as our Chief Executive Officer from our inception to April 2020. Before founding our company in September 2002, Mr. Han was deputy chief engineer and director of the software division of *AsiaInfo-Linkage* between 1995 and 2002, responsible for software research and development and corporate management. Mr. Han received a bachelor's degree in computer application from Jilin University in China.

*Jianguang Li* has been serving as our independent director since April 2020. Mr. Li is also a member of our compensation committee and audit committee, and the chairperson of our corporate governance and nominating committee. Mr. Li served as our director from April 2014 to April 2020. Mr. Li has been a partner of *IDG Capital Partners* since March 2006, responsible for providing venture capital and private equity investment-related advice. Between 1999 and 2006, Mr. Li served as a vice-president of *IDG Technology Venture Investment Inc.* Prior to joining IDG in 1999, Mr. Li worked in *Crosby Assets Management Limited* as an investment manager. Mr. Li received a bachelor's degree in management from Peking University and a master's of science degree from the University of Guelph.

*Mingjie Sun* has been serving as our independent director and chairperson of the compensation committee since December 2022. Ms. Sun is also a member of our audit committee and corporate governance and nominating committee. Ms. Sun served as one of the six members in the Executive Management Team of *AsiaInfo Technologies (China) Inc.* (01675.HK). Ms. Sun joined *AsiaInfo Technologies (China) Inc.* in 1996, and served as its vice president and senior vice president from January 2014 to April 2022. With over two decades of operational and leadership experience in the IT and telecommunication industry, Ms. Sun was awarded *Forbes China 50 Top Women in Tech* in 2020. Ms. Sun received a bachelor's degree in automatic control engineering from Harbin Engineering University and a master degree in automatic control engineering from Harbin Institute of Technology.

*Shengwen Rong* has been serving as an independent director and the chairperson of our audit committee since March 1, 2022. Mr. Rong is also a member of our compensation committee and corporate governance and nominating committee. Mr. Rong currently serves as an independent director and chairman of the audit committees of the following public companies: *Cheche Group Inc.* (Nasdaq: CCG), *Vision Deal HK. Acquisition Corp.* (SEHK: 7827), *51 Talk Online Education Group* (NYSE: COE), *MOGU Inc.* (NYSE: MOGU), and *X Financial* (NYSE: XYF), and as an independent director and member of the audit committee of *Qudian Inc.* (NYSE: QD). From February 2017 to September 2018, Mr. Rong served as the senior vice president and chief financial officer at *Yixia Technology Co., Ltd.* Prior to that, he served as the chief financial officer at *Quixey, Inc.* from 2015 to 2016, the chief financial officer at *UCWeb* from 2012 to 2014, and the chief financial officer at *Country Style Cooking Restaurant Chain Co., Ltd.*, an NYSE-listed company from 2010 to 2012. Mr. Rong received a bachelor's degree in international finance from Renmin University in 1991, a master's degree in accounting from West Virginia University in 1996, and an MBA degree from the University of Chicago Booth School of Business in 2000. Mr. Rong is a Certified Public Accountant in the United States.

*Binshen Meng* has been serving as our director since December 2022. Dr. Meng currently serves as a board director of *TCE (Shenzhen) Technology Limited*. Dr. Meng is a seasoned technology entrepreneur with extensive experience in the TMT industry. Dr. Meng served senior technology and management roles in multiple world-renowned technology companies in Silicon Valley, such as *HP*, *Lucent*, *Altera* and *Nvidia*. Dr. Meng founded *TCE (Shenzhen) Technology Limited* in 2013, in which he has served as the chairman of the board, CEO and/or CTO. Dr. Meng has nearly 30 years of R&D and leadership experience in network and telecommunications, consumer electronics, artificial intelligence, big data, Internet of Things and green energy technologies. Dr. Meng received a bachelor's degree and a master's degree in electronics technology from Peking University and served as a professor teaching physics in Tsinghua University. Dr. Meng received his master degree and PhD in computer and electrical engineering from University of Wisconsin-Madison.

*Ying Sun* has been serving as our Chief Executive Officer since April 2021. Ms. Sun previously served as our vice president from December 2009 to April 2021, responsible for our nation-wide operations. Ms. Sun joined us in June 2005 as the general manager of our Beijing learning centers. Between 2007 and 2009, she was the general manager of our northern region. Ms. Sun made significant contribution to the development of our marketing system, collaboration with universities and career support for students. From 1999 to 2005, Ms. Sun worked in *Gloria Hotels and Resorts*, serving in various sales and human resources-related roles. Ms. Sun received a bachelor's degree in tourism economics management from Dongbei University of Finance and Economics in China.

*Xiaobo Shao* has been serving as our Chief Financial Officer since June 2023. Mr. Shao previously served as the chief financial officer of *IDo* between 2021 to 2022. From 2020 to 2021, Mr. Shao was a senior operations specialist at the education and tutoring department of *Ant Financial*. From 2013 to 2019, Mr. Shao was a vice president at *BabyTree Group* (SEHK: 1761). From 2012 to 2013, Mr. Shao served as a senior manager at *NQ Mobile*. From 2011 to 2012, Mr. Shao worked at *Wanwang Zhicheng Technology Co., Ltd.*, a subsidiary of Alibaba.

*Xiaolan Tang* has been serving as our senior vice president since April 2024. Mr. Tang joined our company in 2007, and served as the head of sales and marketing, deputy general manager of our northern region, general manager of our midwestern region. Between 2015 and 2019, Mr. Tang took part in founding *Dajiangtai.com*, an online IT professional education company, and *VIPCODE*, an online coding education company for children and teenagers, and served as the vice president of operations. In April 2020, Mr. Tang rejoined our company and served as our vice president of sales and marketing. Mr. Tang has over 20 years of experience in the sales and marketing for the education industry, the business operations and management of corporate matters. Mr. Tang received a bachelor's degree in management from Jilin University in 2001.

*Xiaohui Liu* has been serving as our vice president since April 2024. Mr. Liu joined our company in 2018, and was appointed as the general manager of Beijing region in March 2021. Mr. Liu has over 11 years of experience in the education industry, and previously served in various education companies, including but not limited to, *Meta Data Ltd* (NYSE: AIU) and *Best Learning English*. Mr. Liu received a bachelor's degree in Laws and Sociology from Shanxi Normal University in 2012.



## **B. Compensation**

For the fiscal year ended December 31, 2023, we paid an aggregate of approximately RMB6.7 million in cash to our executive officers, and we paid an aggregate of RMB5.2 million in cash to our non-executive directors. For share incentive grants to our directors and executive officers, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

Our subsidiaries and the variable interest entities in mainland China are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. Other than the above-mentioned statutory contributions mandated by applicable laws of mainland China and the health insurance policy, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

### **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer’s employment without cause upon advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with an advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer’s employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for two years following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as a principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer’s termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

### **Share Incentive Plan**

#### **The 2024 Plan**

We adopted the 2024 Plan in February 2024. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2024 Plan is 3,500,000, provided that the shares reserved in the award pool shall be increased on the first day of each calendar year, commencing with January 1, 2025, if the unissued shares reserved in the award pool on such day account for less than 2% of the total number of shares issued and outstanding on a fully diluted basis on December 31 of the immediately preceding calendar year, as a result of which increase the shares unissued and reserved in the award pool immediately after each such increase shall equal 2% of the total number of shares issued and outstanding on a fully diluted basis on December 31 of the immediately preceding calendar year. The following paragraphs summarize the key terms of our 2024 share incentive plan.

**Types of Awards.** The 2024 Plan permits the awards of options, restricted shares and restricted share units.

**Plan Administration.** Our board or a committee of one or more members of our board duly authorized for the purpose of the 2024 Plan can act as the plan administrator.

**Award Agreement.** Options, restricted shares or restricted share units granted under the 2024 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

**Eligibility.** We may grant awards to our employees, consultants or directors. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies, subsidiaries, and the variable interest entities.

**Acceleration of Awards upon Change in Control.** If a change in control, liquidation or dissolution of our company occurs, the plan administrator may, in its sole discretion, provide for (i) all awards outstanding to terminate at a specific time in the future and give each participant the right to exercise the vested portion of such awards during a specific period of time, or (ii) the purchase of any award for an amount of cash equal to the amount that could have been attained upon the exercise of such award, or (iii) the replacement of such award with other rights or property selected by the plan administrator in its sole discretion, or (iv) payment of award in cash based on the value of ordinary shares on the date of the change-in-control transaction plus reasonable interest.

**Exercise of Options.** The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is the tenth anniversary after the date of a grant.

**Exercise Price of Options.** The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

**Vesting Schedule.** In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

**Transfer Restrictions.** Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

**Termination.** Unless terminated earlier, the 2024 Plan will terminate automatically in 2034.

#### **The 2014 Plan**

We adopted the 2014 Plan in February 2014, which automatically terminated in February 2024. As of February 29, 2024, options to purchase 2,006,585 Class A ordinary shares are issued and outstanding under the 2014 Plan and 36,120 restricted share units were granted and outstanding under the 2014 Plan. The terms of the 2014 Plan were substantially the same as those of the 2024 Plan.

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The following table summarizes, as of February 29, 2024, the outstanding options granted to our directors and executive officers under our share plan .

Name	Ordinary Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Shaoyun Han	*	0.01	March 1, 2015	February 28, 2025
	*	0.01	December 31, 2016	December 31, 2026
	*	0.01	April 1, 2017	December 31, 2026
	*	0.01	January 1, 2023	December 31, 2032
Ying Sun	4,500	0.01	January 1, 2013	June 30, 2024
	2,500	0.01	February 20, 2014	June 30, 2024
	7,500	0.01	March 1, 2015	February 28, 2025
	70,000	0.01	December 31, 2016	December 31, 2026
	50,000	0.01	December 28, 2020	December 28, 2030
	90,000	0.01	January 1, 2022	December 31, 2031
	120,000	0.01	January 1, 2023	December 31, 2032
	200,000	0.01	January 1, 2024	December 31, 2033
	544,500 <sup>†</sup>			
Xiaobo Shao	*	0.01	January 1, 2024	December 31, 2033
Xiaolan Tang	*	0.01	December 28, 2020	December 28, 2030
	*	0.01	December 31, 2021	December 31, 2031
	*	0.01	December 30, 2022	December 30, 2032
Xiaohui Liu	*	0.01	December 31, 2021	December 31, 2031
	*	0.01	December 30, 2022	December 30, 2032
Total	1,185,320	—	—	—

\* The aggregate number of ordinary shares underlying the outstanding options held by this individual is less than 1% of our total issued and outstanding shares as of February 29, 2024.

† The aggregate number of ordinary shares underlying the outstanding options held by Ms. Ying Sun is 544,500, representing 1.11% of our total issued and outstanding shares as of February 29, 2024.

The following table summarizes, as of February 29, 2024, the outstanding restricted share units we granted to our directors and executive officers under the 2014 Plan.

Name	Number of Class A Ordinary Shares Underlying Restricted Share Units	Date of Grant
Jianguang Li	*	April 9, 2023

\* Less than 1% of our total issued and outstanding shares as of February 29, 2024.

As of February 29, 2024, other individuals as a group held outstanding options to purchase a total of 1,076,765 Class A ordinary shares of our company, with exercise prices ranging from US\$0 to US\$4.36 per share, and held outstanding restricted share units to acquire a total of 7,450 Class A ordinary shares of our company.

## C. Board Practices

### Board of Directors

Our board of directors currently consists of five directors. A director is not required to hold any shares in our company. Subject to the rules of the NASDAQ Capital Market and disqualification by the chairman of the board meeting, a director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. The board may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. There is no age limit requirement for directors. The service agreements between us and the directors do not provide benefits upon termination of their services.

### Committees of the Board of Directors

We have an audit committee, a compensation committee, a nominating and corporate governance committee and a strategy committee under the board of directors. We have adopted a charter for each of the four committees. Each committee's members and functions are described below.

**Audit Committee.** Our audit committee consists of Mr. Shengwen Rong, Mr. Jianguang Li and Ms. Mingjie Sun, and is chaired by Mr. Shengwen Rong. Each member of our audit committee satisfies the "independence" requirements of Rule 5605(c)(2) of the NASDAQ Stock Market Rules and meets the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. We have determined that Mr. Shengwen Rong qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- reviewing and reassessing annually the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and
- reporting regularly to the board.

**Compensation Committee.** Our compensation committee consists of Ms. Mingjie Sun, Mr. Jianguang Li and Mr. Shengwen Rong, and is chaired by Ms. Mingjie Sun. Each member of our compensation committee satisfies the "independence" requirements of Rule 5605(c)(2) of the NASDAQ Stock Market Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;

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- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

***Nominating and Corporate Governance Committee.*** Our nominating and corporate governance committee consists of Mr. Jianguang Li, Ms. Mingjie Sun and Mr. Shengwen Rong, and is chaired by Mr. Jianguang Li. Each member of our nominating and corporate governance committee satisfies the “independence” requirements of Rule 5605(c)(2) of the NASDAQ Stock Market Rules. 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 and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- developing and reviewing the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.

***Strategy Committee.*** In November 2022, our board of directors formed a strategy committee of Mr. Shaoyun Han, Ms. Mingjie Sun and Dr. Binshen Meng, and is chaired by Mr. Shaoyun Han. The strategy committee assists the board in establishing, evaluating and supervising the implementation of the company's business strategies. The strategy committee is responsible for, among other things:

- reviewing the middle and long-term development plan and supervising the implementation of the business strategies;
- reviewing and supervising the implementation of the company's business and operation plans;
- reviewing proposals subject to the board's approval in connection with significant acquisition and financing; and
- reviewing and evaluating the performance of the company's major business and key personnel.

### **Duties of Directors**

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our fifth amended and restated memorandum and articles of association. A shareholder may have the right to seek damages in our name if a duty owed by our directors is breached. You should refer to “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law” for additional information on our standard of corporate governance under Cayman Islands law.

**Terms of Directors and Officers**

Our officers are elected by and serve at the discretion of the board. We have entered into director service agreements with each of our independent directors featuring a term of office for two years. Our other directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution of our shareholders. In addition, a director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be of unsound mind; (iii) resigns his office by notice in writing to us; (iv) without special leave of absence from the board, is absent from meetings of the board for three consecutive meetings and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our fifth amended and restated memorandum and articles of association.

**Board Diversity**

<b>Board Diversity Matrix (As of February 29, 2024)</b>				
Country of Principal Executive Offices:	People’s Republic of China			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	5			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	1	4	N/A	N/A
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	1			
LGBTQ+	0			

**D. Employees**

Our headquarters is located in Beijing, where our instructors, software engineers and certain general and administrative staff are based. We have divided our national network of learning centers into three regions, namely, northern region, southern region, and central and western region, and we have regional offices that are responsible for managing the daily operations of learning centers located within each territory.

We had a total of 10,009, 7,955 and 7,024 employees as of December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, we had 1,406 employees in Beijing, 5,616 employees in other areas of mainland China. We also have 2 employees located overseas. The following table sets forth the number of our employees, categorized by function, as of December 31, 2023:

<b>Functions</b>	<b>Number of Employees</b>
Teaching and content development	2,729
Selling and marketing	1,858
General and administration	1,174
Others*	1,263
<b>Total</b>	<b>7,024</b>

Notes:

\* mainly includes center administrators for STEM education.

Upon the consummation of the Divestiture, we had 5,386 employees associated with our continuing operations as of March 31, 2024.

As required by regulations in mainland China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under laws of to make contributions from time to time to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government.

Our employees are not covered by any collective bargaining agreement. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes.

#### **E. Share Ownership**

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 29, 2024, by:

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

The calculations in the table below are based on 49,143,763 ordinary shares outstanding as of February 29, 2024, comprising 41,937,704 Class A ordinary shares (excluding 16,224,888 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for issuances upon the exercise or vesting of awards under our share incentive plan) and 7,206,059 Class B ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned			% of total ordinary shares on an as-converted basis	% of aggregate % of aggregate voting power †
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares on an as-converted basis		
<b>Directors and Executive Officers:**</b>					
Shaoyun Han <sup>(1)</sup>	3,027,950	7,206,059	10,234,009	20.7	65.6
Jianguang Li <sup>(2)</sup>	489,940	—	489,940	1.0	0.4
Shengwen Rong <sup>(3)</sup>	—	—	—	—	—
Mingjie Sun <sup>(4)</sup>	—	—	—	—	—
Binshen Meng	—	—	—	—	—
Ying Sun <sup>(5)</sup>	8,348,224	—	8,348,224	16.9	7.3
Xiaobo Shao	*	*	*	*	*
Xiaolan Tang	*	*	*	*	*
Xiaohui Liu	*	*	*	*	*
All directors and executive officers as a group	12,115,684	7,206,059	19,321,743	39.1	73.3
<b>Principal Shareholders:</b>					
Lijuan Han <sup>(6)</sup>	2,344,665	7,206,059	9,550,724	19.4	65.3
Theodore Walker Cheng-De King <sup>(7)</sup>	9,226,355	—	9,226,355	18.8	8.1
Connion Capital Limited <sup>(8)</sup>	4,746,618	—	4,746,618	9.7	4.2

Notes:

\* Less than 1%.

\*\* Except for Mr. Jianguang Li, Mr. Shengwen Rong and Ms. Mingjie Sun, the business address of our directors and executive officers is 6/F, No. 1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing 100011, PRC.

† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to ten votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(1) Represents (i) 7,206,059 Class B Ordinary Shares held by Learningon Limited (“Learningon”), (ii) 438,644 restricted ADSs representing 2,193,220 Class A Ordinary Shares held by Learningon, (iii) 53,657 ADSs representing 268,285 Class A Ordinary Shares held by Mr. Shaoyun Han, (iv) 30,289 ADSs representing 151,445 Class A Ordinary Shares held by Ms. Lijuan Han; and (v) 83,000 ADSs representing 415,000 Class A Ordinary Shares that Mr. Shaoyun Han may purchase upon exercise of options within 60 days of February 29, 2024. Learningon is principally an investment holding vehicle. Learningon is a company organized and existing under the laws of the British Virgin Islands, and is ultimately wholly owned by Ms. Lijuan Han, sister of Mr. Shaoyun Han. By virtue of such relationship, Ms. Lijuan Han and Mr. Shaoyun Han undertake to act in concert in accordance with the instructions of Mr. Shaoyun Han with regard to any matter submitted to vote by Ms. Lijuan Han. Therefore, Mr. Shaoyun Han may be deemed to share the voting power with respect to these shares. Ms. Lijuan Han is the sole director of Learningon, which does not have any executive officer. The registered office address of Learningon is the offices of Trident Trust Company, (B.V.I.) Ltd., Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

(2) The business address of Mr. Li is 6/F., COFCO Plaza, No.8 Jianguomennei Ave, Jiannei St, Dongcheng District, Beijing, 100020, PRC.

(3) The business address of Mr. Rong is 182 Pine Ln, Los Altos, CA 94022, USA.



- (4) The business address of Ms. Sun is AsiaInfo Plaza, Courtyard 10 East, Zhongguancun Software Park Phase II, Xibeiwang East Road, Haidian District, Beijing 100193, PRC.
- (5) Represents (i) 718,887 ADSs representing 3,594,435 Class A Ordinary Shares held by Connion Capital Limited (“Connion”), (ii) 1,152,183 Class A Ordinary Shares held by Connion, (iii) 2,000,000 Class A Ordinary Shares held by Moocon Education Limited, (iv) 1,207,106 Class A Ordinary Shares held by Ms. Ying Sun, and (v) 78,900 ADSs representing 394,500 Class A Ordinary Shares that Ms. Ying Sun may purchase upon exercise of options within 60 days of February 29, 2024. Each of Connion and Moocon Education Limited is a company organized and existing under the laws of the British Virgin Islands, and is ultimately wholly owned by Ms. Ying Sun. Ms. Ying Sun is sole director of Connion and Moocon Education Limited, which do not have any executive officer. The registered office address of each of Connion and Moocon Education Limited is the offices of Trident Trust Company, (B.V.I.) Ltd., Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands.
- (6) Represents (i) 7,206,059 Class B ordinary shares held by Learningon, (ii) 438,644 ADSs representing 2,193,220 Class A ordinary shares held by Learningon, and (iii) 30,289 ADSs representing 151,445 Class A Ordinary Shares held by Ms. Lijuan Han. The registered office address of Learningon is the offices of Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, the British Virgin Islands. Learningon is ultimately owned by Ms. Lijuan Han, sister of Mr. Shaoyun Han. By virtue of such relationship, Ms. Lijuan Han and Mr. Shaoyun Han undertake to act in concert in accordance with the instructions of Mr. Shaoyun Han with regard to any matter submitted to vote by Ms. Lijuan Han. Therefore, Mr. Shaoyun Han may be deemed to share the voting power with respect to these shares. Ms. Lijuan Han is the sole director of Learningon, which does not have any executive officer. The registered office address of Learningon is the offices of Trident Trust Company, (B.V.I.) Ltd., Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands.
- (7) Represents (i) 1,845,271 ADSs representing 9,226,355 Class A Ordinary Shares held by Sutro Park Ltd. and Theodore Walker Cheng-De King is the 100% shareholder of Sutro Park Ltd. Information regarding beneficial ownership is reported as of December 31, 2023, based on the information contained in the Schedule 13G filed by Theodore Walker Cheng-De King and Sutro Park Ltd. with the SEC on February 14, 2024. The registered address of Theodore Walker Cheng-De King is the Unit 1502, 15th Floor, 99 Hennessy Road, Wanchai, Hong Kong. The principal business address for Sutro Park Ltd. is Unit 1502, 15th Floor, 99 Hennessy Road, Wanchai, Hong Kong.
- (8) Represents (i) 718,887 ADSs representing 3,594,435 Class A Ordinary Shares and (ii) 1,152,183 Class A Ordinary Shares held by Connion. The registered office address of Connion is the offices of Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, the British Virgin Islands. Connion is ultimately owned by Ms. Ying Sun.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering in April 2014. Holders of our Class B ordinary shares may choose to convert their Class B ordinary shares into the same number of Class A ordinary shares at any time. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance.

To our knowledge, other than Mr. Shaoyun Han, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

To our knowledge, as of February 29, 2024, a total of 9,486,415 ADSs (equivalent to 47,432,075 Class A ordinary shares) are outstanding (among which 8,328,883 are unrestricted ADSs while 1,157,532 are restricted ADSs) after a new ADS-to-share ratio change (from the previous ratio of one ADS to one Class A ordinary share to a new ratio of one ADS to five Class A ordinary shares) was effected in December 2021, representing 80.5% of our total issued and outstanding Class A ordinary shares as of such date. To our knowledge, there is one record holder in the United States which is CEDE & CO. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders in the United States. As of February 29, 2024, none of our Class B ordinary shares are held by any record holder in the United States.

For options and restricted share unit granted to our officers, directors and employees, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

#### **F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation**

Not applicable.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

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

### B. Related Party Transactions

#### Contractual Arrangements with the VIE

See “Item 4. Information on the Company—C. Organizational Structure.”

#### Transactions with Shareholders and Affiliates

*Transactions with Chuanbang.* Chuanbang Business Consulting (Beijing) Co., Ltd., or Chuanbang, is a company owned by our chairman, Mr. Shaoyun Han. Pursuant to our agreement with Chuanbang, Chuanbang provided cash collection service on our accounts receivable to better manage our cash collection since August 2013. The fee is calculated based on 2%~20% of the amount collected. Employees of Chuanbang include former employees of the Company who worked in the credit evaluation department. Chuanbang also provides similar cash collection service to other financial institutions. The cash collection service fees were RMB0.04 million for 2021, while no cash collection service occurred in 2022 and 2023.

*Disposal of interest in Gaohuiqiangxue.* Gaohuiqiangxue Software (Hainan) Co., Ltd. is a wholly-owned subsidiary of the former VIE, Beijing Tarena, or the Target Company, through which we cooperate with universities and colleges in mainland China to offer joint-major degree programs and related peripheral services to colleges and students in accordance with the higher education reform policies of each province, or the Target Business. On April 28, 2023, we entered into agreements to dispose of our controlling interest in the Target Business to a consortium led by Beijing Weike Xinneng Education Technology Ltd, or Beijing Weike. Mr. Shaoyun Han, our founder and chairman, is member of the investor consortium and has an interest in the disposal of the Target Business. Pursuant to the agreements entered into on April 28, 2023, Beijing Weike invested RMB43,750,000 in the Target Company in exchange for 70% of the equity in the Target Company and Mr. Shaoyun Han invested RMB6,250,000 in the Target Company in exchange for 10% of the equity in the Target Company. Upon the completion of such investments on May 31, 2023, the equity interest of Beijing Tarena in the Target Company was diluted to 20%.

*Disposal of interest in professional education business.* On December 24, 2023, Tarena Software Technology (Hangzhou) Co., Ltd. entered into an equity transfer agreement with Tarena Technologies Inc. to dispose of the company’s equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd, or the Divestiture. Ms. Lijuan Han, sister of the company’s founder and chairman Mr. Shaoyun Han, is a member of the buyer consortium and has an interest in the Divestiture. The Divestiture was closed on March 31, 2024. See Exhibit 4.15 to this annual report for the equity transfer agreement.

#### Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

#### Share Option Grants

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

### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

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

## **Legal Proceedings**

We and certain of our current and former officers and directors have been named as defendants in a putative securities class action captioned *Yili Qiu v. Tarena International, Inc. et al.*, (Case No. 1:21-cv-03502) filed on June 22, 2021, in the U.S. District Court for the Eastern District of New York. The complaint asserts that defendants made false or misleading statements in certain SEC filings between August 16, 2016, and November 1, 2019, related to the Company's business and operating results in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On September 1, 2021, the court entered an order appointing lead plaintiff in this action. On September 14, 2021, the parties filed a joint status report and proposed scheduling stipulation, pursuant to which, the lead plaintiff filed an amended complaint on November 1, 2021. On January 18, 2022, we moved to dismiss the complaint. On April 4, 2022, lead plaintiff served its opposition to the motion. Briefing was completed on May 19, 2022. While the motion to dismiss was pending, Plaintiff and the Company reached an agreement in principle to settle all claims. On July 13, 2022, Plaintiff filed a letter informing the court of the settlement in principle. On August 31, 2022, the parties filed a motion for preliminary approval of the proposed settlement agreement. Preliminary approval hearing took place on November 8, 2022, and the Court reserved judgement on the motion pending submission of additional information. In December 2022, the parties submitted revised settlement materials to the court. On August 3, 2023, the court ordered additional revisions to the settlement papers, which the parties submitted on August 18, 2023. On September 5, 2023, the court granted preliminary approval for the settlement agreement with us. The final fairness hearing is scheduled for February 9, 2024. The parties are awaiting the court's ruling. We are currently unable to estimate the potential loss, if any, associated with the resolution of the lawsuit.

Except for the above, we are currently not a party to, and are not aware of any threat of, any other legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. From time to time, we have become, and may in the future become, a party to various legal or administrative proceedings or claims arising in the ordinary course of our business. Regardless of the outcome, legal or administrative proceedings or claims may have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

## **Dividend Policy**

We have not declared or paid any dividends on our ordinary shares since the beginning of 2019, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and develop our business.

Our board of directors has complete discretion whether to declare dividends, subject to the Companies Act, our fifth amended and restated memorandum and articles of association, and the common law of the Cayman Islands. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to declare dividends, their 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. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

Holders of our ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as the holders of our Class A common shares. Cash dividends will be paid to the depository of our ADSs in U.S. dollars, which will distribute them to the holders of ADSs after fees according to the terms of the deposit agreement. Other distributions, if any, will be paid by the depository to the holders of ADSs in any means it deems legal, fair and practical.

We are a holding company incorporated in the Cayman Islands. Regulations of mainland China may restrict the ability of our subsidiaries in mainland China to pay dividends to us. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Dividend Distribution."

## **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.

See “Item 9. The Offer and Listing—C. Markets.”

### B. Plan of Distribution

Not applicable.

### C. Markets

Our ADSs have been listed and traded on Nasdaq Global Select Market since April 3, 2014, and on Nasdaq Capital Market since November 17, 2023. Our ticker symbol was “TEDU” through January 10, 2024, at which date it has been changed to “TCTM.”

### D. Selling Shareholders

Not applicable.

### E. Dilution

Not applicable.

### F. Expenses of the Issue

Not applicable.

## ITEM 10. ADDITIONAL INFORMATION

### A. Share Capital

Not applicable.

### B. Memorandum and Articles of Association

The following are summaries of material provisions of our currently effective fifth amended and restated memorandum and articles of association, as well as the Companies Act, Cap 22 Act 3 of 1961, as consolidated and revised, of the Cayman Islands insofar as they relate to the material terms of our ordinary shares. The information set forth in Exhibit 1.1 to this annual report on Form 20-F is incorporated herein by reference.

#### Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. As set forth in article 3 of our fifth amended and restated memorandum of association, the objects for which our company is established are unrestricted.

#### Board of Directors

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

#### Ordinary Shares

**General.** Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

**Dividends.** The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors, provided that dividends may be declared and paid out of funds legally available therefor, namely, out of either profit, our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. Holders of Class A ordinary shares and Class B ordinary shares will be entitled to the same amount of dividends, if declared.

**Voting Rights.** In respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes, voting together as one class. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy.

A quorum required for a meeting of shareholders consists of two shareholders who hold at least 50% of all voting power of our share capital in issue at the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings may be held annually. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Extraordinary general meetings may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than 1/3 of the aggregate voting power of our company. Advance notice of at least ten calendar days is required for the convening of our annual general meeting and other general meetings.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than 2/3 of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our fifth amended and restated memorandum and articles of association.

**Conversion.** Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equivalent number of Class A ordinary shares.

**Transfer of Ordinary Shares.** Subject to the restrictions set out below and the provisions above in respect of Class B ordinary shares, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NASDAQ Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the NASDAQ Global Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than thirty days in any year as our board may determine.

**Liquidation.** On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. 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 proportionately. Any distribution of assets or capital to a holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

**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 of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

**Repurchase and Redemption of Ordinary Shares.** The Companies Act and our fifth amended and restated articles of association permit us to purchase our own shares. In accordance with our fifth amended and restated articles of association and provided that the necessary shareholders or board approval has been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

**Variations of Rights of Shares.** All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

**Inspection of Books and Records.** Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Item 10. Additional Information—H. Documents on Display.”

**Issuance of Additional Shares.** Our fifth amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our fifth amended and restated memorandum of association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

**Anti-Takeover Provisions.** Some provisions of our fifth amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

**Exempted Company.** We are an exempted company with limited liability under the Companies Act. “Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company. 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 the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may apply to be registered as a special economic zone company;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

Our fifth amended and restated memorandum and articles of association do not provide provisions that are different from those that are applicable to an exempted company as set forth above, except that they do not permit us to issue shares with no par value.

#### **Differences in Corporate Law**

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow many recent English law statutory enactments and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware and their shareholders.

##### **(a) Mergers and Similar Arrangements**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which she or he might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (i) seventy-five per cent in value of the members or class of members, as the case may be, with whom the arrangement is to be made and/or (ii) a majority in number of each class of creditors with whom the arrangement is to be made, and who must in addition represent seventy-five per cent in value of each such class of creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the Grand Court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its members or an express power in its articles of association. On hearing such a petition, the Cayman Islands court may, among other things, make an order appointing a restructuring officer or make any other order as the court thinks fit.



**(b) Shareholders' Suits**

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than the number of votes which have actually been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

**(c) Indemnification of Directors and Executive Officers and Limitation of Liability**

Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our fifth amended and restated memorandum and articles of association provide that that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our Company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including, without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**(d) Directors’ Fiduciary Duties**

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he or she owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

**(e) Shareholder Action by Written Consent**

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our post-offering amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

**(f) Shareholder Proposals**

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act does not provide shareholders with any right to requisition a general meeting or to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our fifth amended and restated memorandum and articles of association allow any one or more of our shareholders holding shares which carry in aggregate not less than one-third of the total number of votes attaching to all issued and the outstanding shares of our Company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our fifth amended and restated memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

**(g) Cumulative Voting**

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our fifth amended and restated memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

**(h) Removal of Directors**

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our fifth amended and restated memorandum and articles of association, directors may be removed by an ordinary resolution of our shareholders.

**(i) Transactions with Interested Shareholders**

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

**(j) Dissolution; Winding Up**

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

**(k) Variation of Rights of Shares**

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our fifth amended and restated memorandum and articles of association, if our share capital is divided into more than one class of shares, we may materially adversely vary the rights attached to any class only with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

**(l) Amendment of Governing Documents**

Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our fifth amended and restated memorandum and articles of association may only be amended by a special resolution of our shareholders.

**(m) Rights of Non-resident or Foreign Shareholders**

There are no limitations imposed by our fifth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our fifth amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

**C. Material Contracts**

Other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

## **D. Exchange Controls**

See “Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Foreign Exchange Registration of Overseas Investment by Mainland China Residents,” “Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Foreign Currency Exchange” and “Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Dividend Distribution.”

## **E. Taxation**

*The following summary of Cayman Islands, mainland China and United States federal income tax considerations of an investment in our ADSs or ordinary shares is based upon laws and interpretations thereof in effect as of the date of this annual report, all of which are subject to change or differing interpretation, possibly with retroactive effect. This summary does not deal with all possible tax considerations relating to an investment in our ADSs or ordinary shares, such as the tax considerations under other federal, state, local and other tax laws not addressed herein. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion relates to matters of tax laws of mainland China, it represents the opinion of Han Kun Law Offices, 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 levied by the Government of the Cayman Islands that are likely to be material to holders of ADSs or ordinary shares. The Cayman Islands is a party to double taxation treaty with the United Kingdom but otherwise is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Act (2011 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from March 25, 2014.

### **Mainland China Taxation**

Under the EIT Law, an enterprise established outside mainland China with “de facto management bodies” within mainland China is considered a “resident enterprise” for mainland China enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income as well as tax reporting obligations. Under the *Implementation Rules to the EIT 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, *Circular 82* issued by the State Administration of Taxation in April 2009, as amended in December 2017, specifies that certain offshore-incorporated enterprises controlled by mainland China enterprises or mainland China enterprise groups will be classified as mainland China resident enterprises if the following are located or resident in mainland China: 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 *Circular 82*, the State Administration of Taxation issued the Bulletin 45, which took effect in September 2011 and amended respectively in 2015, 2016 and 2018, to provide more guidance on the implementation of *Circular 82*. Bulletin 45 provides for procedures and administration details of determination on mainland China resident enterprise status and administration on post-determination matters. We do not believe that TCTM Kids IT Education Inc. is a mainland China resident enterprise. If the PRC tax authorities determine that TCTM Kids IT Education Inc. is a mainland China resident enterprise for mainland China enterprise income tax purposes, a number of unfavorable mainland China tax consequences could follow. One example is that a 10% withholding tax would be imposed on dividends we pay to our non-mainland China enterprise shareholders and with respect to gains derived by our non-mainland China enterprise shareholders from transferring our shares or ADSs and potentially a 20% of withholding tax would be imposed on dividends we pay to our non-mainland China individual shareholders and with respect to gains derived by our non-mainland China individual shareholders from transferring our shares or ADSs.

Under the EIT Law and its implementation rules, dividends generated from retained earnings from a mainland China company and distributed to a foreign parent company are subject to a withholding tax rate of 10% unless the foreign parent's jurisdiction of incorporation has a tax treaty with mainland China that provides for a preferential withholding arrangement. Pursuant to the Hong Kong Tax Treaty, which was promulgated on August 21, 2006, a company incorporated in Hong Kong, such as Kids IT Education (HK), will be subject to withholding income tax at a rate of 5% on dividends it receives from its subsidiary in mainland China if it holds a 25% or more interest in that particular subsidiary in mainland China, or 10% if it holds less than a 25% interest in that subsidiary. However, based on Circular 81, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong enterprise must be the beneficial owner of the dividends; and (b) the Hong Kong enterprise must directly hold at least 25% share ownership in the mainland China enterprise during the 12 consecutive months preceding its receipt of the dividends. However, a transaction or arrangement entered into for the primary purpose of enjoying a preferential tax treatment should not be a reason for the application of the preferential tax treatment under the Hong Kong Tax Treaty. If a taxpayer inappropriately is entitled to such preferential tax treatment, the competent tax authority has the power to make appropriate adjustments. According to the Circular 9, effective from April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties levies any tax or grants tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and such determination will be analyzed according to the actual circumstances of the specific cases. Circular 9 further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the tax authority according to Circular 60, which was replaced and repealed by Circular 35. Circular 35 sets forth that non-resident enterprises and their withholding agents shall enjoy treaty benefit by means of "self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference." However, if a competent tax authority finds out that it is necessary to apply the general anti-tax avoidance rules, it may start general investigation procedures for anti-tax avoidance and adopt corresponding measures for subsequent administration.

The State Administration of Tax issued the *Notice on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures*, or Notice 6, on March 17, 2017. Notice 6 further regulates and strengthens the transfer pricing administration on outbound payments by a mainland China enterprise to its overseas related parties. In addition to emphasizing that outbound payments by a mainland China enterprise to its overseas related parties must comply with arm's-length principles, Notice 6 specifies certain circumstances whereby such payments that do not comply with arm's-length principles may be subject to the special tax adjustments by the tax authority, including payments to an overseas related party which does not undertake any function, bear any risk or has no substantial operation or activities, payments for services which do not enable the mainland China enterprise to obtain direct or indirect economic benefits, royalties paid to an overseas related party which only owns the legal rights of the intangible assets but has no contribution to the value of such intangible assets, royalties paid to an overseas related party for the transfer of the right to use of the intangible assets with no economic benefits, and royalties paid to an overseas related party for the incidental benefits generated from the listing activities. Although we believe all our related party transactions, including all payments by our mainland China subsidiaries and consolidated affiliated entities to our non-mainland China entities, are made on an arm's-length basis and our estimates are reasonable, the ultimate decisions by the tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

It is unclear whether, if we are considered a mainland China resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We are affected by the PRC Enterprise Income Tax Law, and we may be classified as a mainland China 'resident enterprise' for mainland China enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-mainland China shareholders and have a material adverse effect on our results of operations and the value of your investment."

The State Administration of Taxation issued a Circular 59, which became effective retroactively as of January 1, 2008. On February 3, 2015, the State Administration of Taxation issued a *Public Notice 2015 No.7*, or Public Notice 7. Under Public Notice 7, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests in a mainland China “resident enterprise” or other taxable assets indirectly by disposing of the equity interests in an overseas holding company, the non-resident enterprise, being the transferor, may be subject to mainland China enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. In addition, Public Notice 7 provides clear criteria 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 mainland China tax and to file or withhold the mainland China tax accordingly. In October 2017, the State Administration of Taxation promulgated the *Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source*, or Circular 37, amended in June 2018, which provides certain changes to the current withholding regime and amends certain provisions in Public Notice 7. For example, Circular 37 requires that the transferor shall declare to the competent tax authority for payment of tax within seven days after the tax payment obligation comes into being if the withholding agent fails to withhold the tax due or withhold the tax due in full. However, according to Circular 37, if the withholding agent fails to withhold and remit the income tax payable, or is unable to perform its obligation in this regard, as long as the non-resident enterprise that earns the income voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time. There is little guidance and practical experience as to the application of Public Notice 7 or Circular 37. Where non-resident investors were involved in our private equity financing, if such transactions were determined by the tax authorities to lack reasonable commercial purpose, we and our non-resident investors may become at risk of being taxed under Public Notice 7 or Circular 37 and may be required to expend valuable resources to comply with Public Notice 7 or Circular 37 or to establish that we should not be taxed under Public Notice 7 or Circular 37. The PRC tax authorities have the discretion under Circular 59, Public Notice 7 or Circular 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face uncertainty regarding the mainland China tax reporting obligations and consequences for certain indirect transfers of our operating company’s equity interests. Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.”

#### **United States Federal Income Taxation**

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect, and there can be no assurance that the Internal Revenue Service, or the IRS, or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift and minimum tax considerations; the Medicare tax on certain net investment income; or any state, local and non-U.S. tax considerations relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;

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- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of the total combined voting power or value of our stock; or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities, all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

### ***General***

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity subject to tax as a corporation for U.S. federal income tax purposes) created in or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

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. Accordingly for U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying Class A ordinary shares represented by our ADSs, and therefore deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

### ***Passive Foreign Investment Company Considerations***

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income, or the asset test. A separate determination must be made after the close of each taxable year as to whether a non-United States corporation is a PFIC for that year. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s unbooked intangibles associated with active business activity are taken into account as nonpassive assets.

In addition, a non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock. Although the law in this regard is not entirely clear, we treat the VIEs as being owned by us for U.S. federal income tax purposes because we control the management decisions and are entitled to substantially all of the economic benefits associated with these entities. As a result, we consolidate the entities' results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the VIEs for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year.

Based on the market price of our ADSs and outstanding Class A ordinary shares, the value of our assets and the composition of our assets and income, we do not believe that we were a PFIC for our taxable year ended December 31, 2023. No assurances can be given with regard to our PFIC status for the current taxable year or the foreseeable future because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the characterization and composition of our income, assets and liabilities. It is possible that the IRS may challenge our classification of certain items of income, assets and liabilities, which may result in our company being or becoming a PFIC.

The determination of whether we will be or become a PFIC will depend upon the composition of our income and assets and the value of our assets from time to time, including, in particular the value of our unbooked intangibles (which may depend upon the market value of our ADSs or Class A ordinary shares from time to time, which may be volatile). It is also possible that the IRS may challenge our classification or valuation of our unbooked intangibles or determine that such assets should not be included in the determination of whether we are classified as a PFIC, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years. Recent declines in the market price of our ADSs significantly increased our risk of being or becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year.

The determination of whether we will be or become a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets. Under circumstances where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the rules, and because PFIC status is a fact-intensive determination made on an annual basis, there can be no assurance that we will not be or become a PFIC for the current or any future taxable year. If we were classified as a PFIC for any year during which a U.S. Holder held our ADSs or Class A ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder held our ADSs or Class A ordinary shares.

The discussion below under “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Dividends” and “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Sale or Other Disposition” is written on the basis that we will not be classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Rules.”

### ***Dividends***

Subject to the discussion below under “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Rules,” any cash distributions (including the amount of any mainland China tax withheld) paid on the ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on the ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.



Individuals and other non-corporate U.S. Holders will be subject to tax at the lower capital gains tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) the ADSs or Class A ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a mainland China resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-mainland China income tax treaty, or the Treaty, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year, (3) certain holding period requirements are met, and (4) such non-corporate U.S. Holders are not under an obligation to make related payments with respect to positions in substantially similar or related property. For this purpose, ADSs listed on the Nasdaq Capital Market will generally be considered to be readily tradable on an established securities market in the United States, and the ADSs are expected to be readily tradable for so long as they continue to be listed on the Nasdaq, although there can be no assurance in this regard. However, as mentioned above, on July 28, 2023, we received a written notification from Nasdaq advising us that we were not in compliance with certain continued listing requirements but we have regained compliance since November 17, 2023. However, there can be no assurance that we will meet all of the requirements for continued listing. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs.” If our ADSs are delisted from the Nasdaq and are not otherwise readily tradable on an established securities market in the United States, dividends received on our ADSs would generally not be eligible to be taxed as dividend income from a qualified foreign corporation. Each U.S. Holder should consult its tax advisors regarding the availability of the lower rate for dividends paid with respect to the ADSs or Class A ordinary shares.

In the event that we are deemed to be a mainland China resident enterprise under the PRC Enterprise Income Tax Law (see “Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulation on Tax—PRC Enterprise Income Tax Law”), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, and regardless of whether our ADSs are readily tradable on an established securities market in the United States, would be eligible for the reduced rates of taxation applicable to qualified dividend income, as described in the preceding paragraph.

For U.S. foreign tax credit purposes, dividends paid on the ADSs or Class A ordinary shares generally will be treated as income from foreign sources and generally will constitute passive category income. If mainland China withholding taxes apply to dividends paid to a U.S. Holder with respect to the ADSs or Class A ordinary shares, such holder may be able to obtain a reduced rate of mainland China withholding taxes under the Treaty if certain requirements are met. In addition, subject to certain conditions and limitations, mainland China withholding taxes on dividends that are nonrefundable under the income tax treaty between the United States and the PRC may be treated as foreign taxes eligible for credit against a U.S. Holder’s U.S. federal income tax liability. If a U.S. Holder does not elect to claim a foreign tax credit, such holder may instead claim a deduction for U.S. federal income tax purposes in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. Each U.S. Holder should consult its tax advisors regarding the creditability of any mainland China tax.

#### ***Sale or Other Disposition***

Subject to the discussion below under “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of our ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. The gain or loss will generally be capital gain or loss. Individuals and other non-corporate U.S. Holders who have held the ADS or Class A ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of a capital loss may be subject to limitations. Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits.

As described in “Item 10. Additional Information—E. Taxation—Mainland China Taxation,” if we are deemed to be a mainland China resident enterprise under the EIT Law, gains from the disposition of the ADSs or Class A ordinary shares may be subject to mainland China income tax and will generally be U.S.-source, which may limit the ability to receive a foreign tax credit. If a U.S. Holder is eligible for the benefits of the Treaty, such holder may be able to elect to treat such gain as mainland China-source income under the Treaty. Pursuant to U.S. Treasury regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any mainland China tax imposed on the disposition of the ADSs or Class A ordinary shares. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of a foreign tax credit or deduction in light of their particular circumstances, their eligibility for benefits under the Treaty, and the potential impact of the U.S. Treasury regulations.

### ***Passive Foreign Investment Company Rules***

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries, the VIEs or any of the subsidiaries of the VIEs is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the VIEs or any of the subsidiaries of the VIEs.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to the ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of the ADSs and we cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. However, as mentioned above, on July 28, 2023, we received a written notification from Nasdaq advising us that we were not in compliance with certain continued listing requirements but we have regained compliance since November 17, 2023. However, there can be no assurance that we will meet all of the requirements for continued listing. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs." If our ADSs are delisted from the Nasdaq and are not otherwise listed on a qualified exchange or other market, as described above, our ADSs would not be treated as "marketable stock" for these purposes and a U.S. Holder would not be eligible to make a mark-to-market election with respect to our ADSs. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury regulations. We expect that our ADSs will continue to be listed on the NASDAQ Capital Market, which is a qualified exchange for these purposes, and, consequently, assuming that our ADSs are regularly traded, it is expected that the mark-to-market election would be available to a U.S. Holder of our ADSs if we were to become a PFIC, but no assurances are given in this regard.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual report containing such information as the United States Treasury Department may require. Each U.S. Holder should consult its tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC.

**F. Dividends and Paying Agents**

Not Applicable.

**G. Statement by Experts**

Not Applicable.

**H. Documents on Display**

We are subject to the periodic reporting and other informational requirements of the Exchange Act, and 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, which is December 31. All information filed with the SEC can be obtained over the internet at the SEC's website at [www.sec.gov](http://www.sec.gov). As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A., 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.

In accordance with NASDAQ Stock Market Rules 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.tctm.cn>.

**I. Subsidiary Information**

Not applicable.

**J. Annual Report to Security Holders**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Foreign Exchange Risk***

Substantially all of our net revenues, costs and expenses are denominated in Renminbi. The Renminbi is not freely convertible into foreign currencies for capital account transactions. Our exposure to foreign exchange risk primarily relates to the U.S. dollar proceeds of the offerings of our equity securities. We had a net foreign exchange loss of RMB0.9 million (US\$0.1 million) in 2023.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. 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 Renminbi and U.S. dollar in the future.

To the extent that we need to convert the U.S. dollars we received from our equity offerings into Renminbi to fund our operations, acquisitions, or for other uses within mainland China, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. To the extent that we seek to convert Renminbi into U.S. dollars, depreciation of the Renminbi against the U.S. dollar would have an adverse effect on the U.S. dollar amount we receive from the conversion. On the other hand, a decline in the value of the Renminbi against the U.S. dollar could reduce the value of your investment in the company and the dividends that we may pay in the future, if any, all of which may have a material adverse effect on the prices of our ADS.

A hypothetical 10% decrease or increase in the exchange rate of the U.S. dollar against the RMB would have resulted in an increase or decrease of RMB57.5 million in the value of our U.S. dollar-denominated financial assets at December 31, 2023.

**Interest Rate Risk**

Our exposure to interest rate risk primarily relates to interest income generated by excess cash invested in demand deposits with original maturities of one months to five years. Interest-earning instruments carry a degree of interest rate risk. We have not used any significant derivative financial instruments to manage our interest rate risk exposure. We have not been exposed, nor do we anticipate being exposed to, material risks due to changes in interest rates. However, our future interest income may be different from expectations due to changes in market interest rates.

**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**

Holders of our ADSs will be required to pay the following service fees to the depository bank:

<b>Service</b>	<b>Fees</b>
Issuance of ADSs	Up to U.S. 5¢ per ADS issued
Cancellation of ADSs	Up to U.S. 5¢ per ADS canceled
Distribution of cash dividends or other cash distributions	Up to U.S. 5¢ per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise rights to purchase additional ADSs	Up to U.S. \$ 5¢ per ADS held on applicable record date(s) established by the Depository.
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
Depository Services	Up to U.S. 50 per ADS held on the applicable record date(s) established by the depository bank

Holders of our ADSs will also be responsible to pay certain fees and expenses incurred by the depository bank and certain taxes and governmental charges such as:

- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit); and
- fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depository bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository banks.

In the event of refusal to pay the depository fees, the depository bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to the ADS holder.

The fees and charges holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depository bank.

#### **Fees and Other Payments Made by the Depository to Us**

The depository has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADS program upon such terms and conditions as we and the depository may agree from time to time. In 2023, we received US\$216,239 from the depository for expenses incurred in connection with the establishment and maintenance of the ADS program.

## **PART II.**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

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

#### **Material Modifications to the Rights of Security Holders**

None.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this annual report, our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act.

Based upon this evaluation, our management concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### **Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. 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 U.S. GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable details, 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 the 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 management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework).

Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Attestation Report of the Independent Registered Public Accounting Firm**

Our independent registered public accounting firm, Marcum Asia CPAs LLP, has audited the effectiveness of our company’s internal control over financial reporting as of December 31, 2023, and its attestation report is set forth as follows.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders and Board of Directors of

TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.)

**Opinion on Internal Control over Financial Reporting**

We have audited TCTM Kids IT Education Inc.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive (loss) income, changes in equity, and cash flows and the related notes for each of the three years in the period ended December 31, 2023, of the Company, and our report dated April 19, 2024 expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management Annual Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's 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 generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the 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 degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

Beijing, China

April 19, 2024

**ITEM 16. [RESERVED]**

**ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Mr. Shengwen Rong, an independent director and the chairman of our audit committee, is an audit committee financial expert.

**ITEM 16.B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to all of our directors, officers and employees, whether they work for us on a full-time, part-time, consultative, or temporary basis. Certain provisions of the code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.tctm.cn/>.

**ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by the categories specified below in connection with certain professional services rendered by Marcum Asia CPAs LLP for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	2022	2023
	(RMB in thousands)	
Audit Fees <sup>(1)</sup>	8,880	5,997

Note:

- (1) "Audit fees" means the aggregate fees billed or payable, in each of the fiscal years listed, for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or services that are normally provided by the auditors in connection with and regulatory filing or engagements.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firms, including audit services, audit-related services, tax services and other services as described above.

**ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not Applicable.

**ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On November 28, 2022, our board of directors authorized a share repurchase program over the next twelve months, pursuant to which we may repurchase up to US\$3.0 million of our shares during the 12-month period beginning from November 28, 2022, or the 2023 Share Repurchase Program.



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The table below is a summary of our repurchases in 2023, which were all conducted in the open market pursuant to our 2023 Share Repurchase Program.

Period	Total Number of ADSs Purchased	Average Price Paid per ADS (US\$)	Total Number of ADSs Purchased as Part of Share Repurchase Program	Approximate Dollar Value of ADSs that May Yet be Purchased Under the Share Repurchase Program
January (January 1 to January 31)	5,053	5.29	5,053	26,743
February (February 1 to February 28)	6,306	5.43	6,306	34,246
March (March 1 to March 31)	6,654	4.19	6,654	27,883
April (April 1 to April 30)	11,756	3.55	11,756	41,682
May (May 1 to May 31)	30,243	3.31	30,243	100,197
June (June 1 to June 30)	16,173	3.06	16,173	49,441
July (July 1 to July 31)	7,005	2.50	7,005	17,538
August (August 1 to August 31)	6,296	2.47	6,296	15,564
September (September 1 to September 30)	4,424	2.16	4,424	9,536
October (October 1 to October 31)	1,975	1.86	1,975	3,669
November (November 1 to November 30)	2,740	1.32	2,740	3,619
<b>Total</b>	<b>98,625</b>	<b>3.35</b>	<b>98,625</b>	<b>330,117</b>

In January 2024, we also entered into a share repurchase agreement with Talent Fortune Investment Limited, an affiliate of KKR & Co. Inc., pursuant to which the Company agreed to repurchase 5,119,698 of its Class A ordinary shares beneficially owned by Talent Fortune Investment Limited at a repurchase price of \$0.2 per share. The sale and repurchase of the 5,119,698 Class A ordinary shares has been closed in February 2024.

#### ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

#### ITEM 16.G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NASDAQ Capital Market, we are subject to the NASDAQ corporate governance listing standards. However, NASDAQ rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ corporate governance listing standards.

We relied on the exemption available to foreign private issuers for the requirement that it hold an annual general meeting of shareholders no later than December 31, 2023, in 2023. In this respect, we elected to follow home country practice and did not hold an annual general meeting of shareholders in 2023. In addition, in lieu of the requirements of Rule 5635(c) of the Nasdaq Rules that shareholder approval be required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, we elected to follow our home country practices with respect to the adoption of the 2024 Plan. If we continue to rely on these and other exemptions available to foreign private issuers in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our 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 United States domestic public companies."

#### ITEM 16.H. MINE SAFETY DISCLOSURE

Not applicable.

#### ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

## **ITEM 16.J. INSIDER TRADING POLICIES**

Not applicable.

## **ITEM 16.K. CYBERSECURITY**

### **Risk Management and Strategy**

We have implemented robust processes for assessing, identifying and managing material risks from cybersecurity threats and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have established a comprehensive cybersecurity defense system to effectively mitigate both internal and external cyber threats. This system spans multiple security domains, including network, host, and application layers. It integrates a range of security capabilities such as threat defense, continuous monitoring, in-depth analysis, rapid response, as well as strategic deception and countermeasures. Our approach to managing cybersecurity risks and safeguarding sensitive data is multi-faceted, involving technological safeguards, procedural protocols, an extensive program of surveillance on our corporate network, continuous testing of our security posture both internally and with third parties, a solid incident response framework, and regular cybersecurity training sessions for our employees. Our IT department is actively engaged in continuous monitoring of our applications, platforms and infrastructure to ensure prompt identification and response to potential issues, including emerging cybersecurity threats.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

### **Governance**

The cybersecurity committee of our board of directors, or cybersecurity committee, is responsible for overseeing our cybersecurity risk management. Our cybersecurity committee shall (i) maintain oversight of the disclosure related to cybersecurity matters in current reports or periodic reports of our company, (ii) review updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the relevant disclosure issues, if any, presented by our chief executive officer, chief financial officer and cybersecurity officer on a regular basis, and (iii) review disclosure concerning cybersecurity matters in our annual report on Form 20-F presented by our chief executive officer, chief financial officer and cybersecurity officer.

At management level, our chief executive officer, chief financial officer and cybersecurity officer, or the Cybersecurity Risk Management Officers, are responsible for assessing, identifying and managing material risks from cybersecurity threats to our company and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident. Our Cybersecurity Risk Management Officers report to our cybersecurity committee on (i) a regular basis on updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the relevant disclosure issues, if any, and (ii) on disclosure concerning cybersecurity matters in our annual report on Form 20-F.

If a cybersecurity incident occurs, our Cybersecurity Risk Management Officers will promptly organize relevant personnel for internal assessment and if it is determined that the incident could potentially be a material cybersecurity event, our Cybersecurity Risk Management Officers will promptly report the incident and assessment results to our disclosure committee, our cybersecurity committee, and other members of senior management and external legal counsel, to the extent appropriate. Our Cybersecurity Risk Management Officers shall prepare disclosure material on the cybersecurity incident for review and approval by the disclosure committee and cybersecurity committee, and other members of senior management (if necessary), before it is disseminated to the public.

**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 TCTM Kids IT Education Inc., its subsidiaries and the variable interest entities are included at the end of this annual report.

**ITEM 19. EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1*	<a href="#">Fifth Amended and Restated Memorandum and Articles of Association of the Registrant, as amended</a>
2.1	<a href="#">Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)</a>
2.2	<a href="#">Registrant's Specimen Certificate for Class A ordinary shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-194191), as amended, initially filed with the SEC on February 27, 2014)</a>
2.3	<a href="#">Deposit Agreement, among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-197226) filed with the SEC on July 3, 2014)</a>
2.4*	<a href="#">Description of Securities registered under Section 12 of the Exchange Act</a>
4.1	<a href="#">2014 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-194191), as amended, initially filed with the SEC on February 27, 2014)</a>
4.2	<a href="#">2024 Share Incentive Plan (incorporated by reference to Exhibit 99.1 of the current report on Form 6-K filed with the Securities and Exchange Commission on February 28, 2024)</a>
4.3	<a href="#">Form of Indemnification Agreement with the Registrant's directors (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-194191), as amended, initially filed with the SEC on February 27, 2014)</a>
4.4	<a href="#">Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-194191), as amended, initially filed with the SEC on February 27, 2014)</a>
4.5	<a href="#">Exclusive Business Cooperation Agreement dated August 29, 2022 between Tongcheng Shidai and Beijing Tongcheng (incorporated by reference to Exhibit 4.17 of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023)</a>
4.6	<a href="#">Power of Attorney dated August 29, 2022 granted to Tongcheng Shidai by Mr. Shaoyun Han and acknowledged by Beijing Tongcheng (incorporated by reference to Exhibit 4.18 of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023)</a>
4.7	<a href="#">Exclusive Option Agreement dated August 29, 2022 among Tongcheng Shidai, Mr. Shaoyun Han and Beijing Tongcheng (incorporated by reference to Exhibit 4.20 of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023)</a>
4.8	<a href="#">Loan Agreement dated August 29, 2022 between Tongcheng Shidai and Mr. Shaoyun Han in connection with Beijing Tongcheng (incorporated by reference to Exhibit 4.22 of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023)</a>

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4.9	<a href="#">Share Pledge Agreement dated August 29, 2022 among Tongcheng Shidai, Mr. Shaoyun Han and Beijing Tongcheng (incorporated by reference to Exhibit 4.24 of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023).</a>
4.10*	<a href="#">Power of Attorney dated July 24, 2023 granted to Tongcheng Shidai by Mr. Jin Li and acknowledged by Beijing Tongcheng.</a>
4.11*	<a href="#">Exclusive Option Agreement dated July 24, 2023 among Tongcheng Shidai, Mr. Jin Li and Beijing Tongcheng.</a>
4.12*	<a href="#">Loan Agreement dated July 24, 2023 between Tongcheng Shidai and Mr. Jin Li in connection with Beijing Tongcheng.</a>
4.13*	<a href="#">Share Pledge Agreement dated July 24, 2023 among Tongcheng Shidai, Mr. Jin Li and Beijing Tongcheng.</a>
4.14*	<a href="#">Spousal consent letter dated July 24, 2023 signed by Ms. Xiaomei Niu in connection with Beijing Tongcheng.</a>
4.15*	<a href="#">Translation of Equity Transfer Agreement between Tarena Software Technology (Hangzhou) Co., Ltd. and Tarena Technologies Inc. dated on December 24, 2023.</a>
8.1*	<a href="#">List of Subsidiaries and Variable Interest Entities of the Registrant</a>
11.1	<a href="#">Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-194191), as amended, initially filed with the SEC on February 27, 2014).</a>
12.1*	<a href="#">CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
12.2*	<a href="#">CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
13.1**	<a href="#">CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
13.2**	<a href="#">CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
15.1*	<a href="#">Consent of Conyers Dill &amp; Pearman</a>
15.2*	<a href="#">Consent of Han Kun Law Offices</a>
15.3*	<a href="#">Consent of Marcum Asia CPAs LLP</a>
97.1*	<a href="#">Clawback Policy</a>
101.INS*	Inline XBRL Instance Document—this instance document does not appear in the Interactive Data File because its XBRL tags embedded within the Inline XBRL 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—the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set

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\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

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

TCTM Kids IT Education Inc.

By: /s/ Ying Sun

Name: Ying Sun

Title: Chief Executive Officer

Date: April 19, 2024

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.)

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TCTM Kids IT Education Inc. (the “Company”) as of December 31, 2022 and 2023, the related consolidated statements of comprehensive (loss) income, changes in deficit and cash flows for each of the three years in the period ended December 31, 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 December 31, 2022 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated April 19, 2024, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

### 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 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. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### 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.

#### *Realizability of Deferred Tax Assets*

##### *Critical Audit Matter Description*

As described in Note 10 to the consolidated financial statements, the Company’s balance of deferred tax assets, net of a RMB135 million valuation allowance was RMB28 million as of December 31, 2023. The gross deferred tax assets are reduced by a valuation allowance if, based upon the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

Auditing management’s analysis of the realizability of its deferred tax assets is a critical audit matter, as it involved especially subjective judgment and assumptions in relation to estimating the projections of future taxable income that may be affected by future market or economic conditions.

*How the Critical Audit Matter was Addressed in the Audit*

Our principal audit procedures included, among others:

- obtaining an understanding, evaluating the design, and testing the operating effectiveness of controls that address the risks of material misstatement relating to the realizability of deferred tax assets. This included controls over management’s evaluation of the schedule of the future reversal pattern of existing taxable temporary differences that have been identified as a source of future taxable income; and
- testing the Company’s calculation of future taxable income from the reversal of existing temporary taxable differences and evaluating the schedule of the reversal patterns. In addition, we considered the feasibility of tax planning strategies; and, evaluated projected future taxable income exclusive of reversing temporary differences and carryforwards. We also involved our tax professionals to assist in evaluating the Company’s consideration of the future taxable income.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company’s auditor since 2019.

Beijing China

April 19, 2024



**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands of Renminbi (“RMB”) and US Dollar (“US\$”),  
except for number of shares and per share data)

	Note	December 31,		
		2022	2023	2023
		RMB	RMB	US\$
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	2(e)	198,529	220,689	31,083
Time deposits	2(e)	—	300	42
Restricted cash	2(e)	—	6,575	926
Amounts due from related parties		92	44	6
Prepaid expenses and other current assets, net	4	38,656	57,385	8,083
Current assets of discontinued operations held for sale	3	430,276	275,603	38,818
<b>Total current assets</b>		<b>667,553</b>	<b>560,596</b>	<b>78,958</b>
Time deposits-non current	2(e)	104	—	—
Amounts due from related parties-non current		701	732	103
Property and equipment, net	5	77,996	66,064	9,305
Intangible assets, net		7,030	5,287	745
Right-of-use assets		248,704	237,059	33,389
Goodwill		49,416	49,416	6,960
Long-term investments	6	46,183	41,860	5,896
Deferred income tax assets		18,632	28,476	4,011
Other non-current assets	7	34,395	28,753	4,050
Non-current assets of discontinued operations held for sale	3	186,786	—	—
<b>Total assets</b>		<b>1,337,500</b>	<b>1,018,243</b>	<b>143,417</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Short-term bank loans	8	30,000	—	—
Accounts payable		5,259	4,988	704
Operating lease liabilities-current	15	148,583	111,840	15,752
Income taxes payable	10	4,281	6,105	860
Deferred revenue- current	2(j)	1,314,877	1,210,536	170,500
Accrued expenses and other current liabilities	9	416,911	517,096	72,831
Current liabilities of discontinued operations held for sale	3	737,035	560,791	78,986
<b>Total current liabilities</b>		<b>2,656,946</b>	<b>2,411,356</b>	<b>339,633</b>
Operating lease liabilities-non current	15	109,111	107,804	15,184
Other non-current liabilities		750	433	61
Non-current liabilities of discontinued operations held for sale	3	77,374	—	—
<b>Total liabilities</b>		<b>2,844,181</b>	<b>2,519,593</b>	<b>354,878</b>
<b>Commitments and contingencies</b>				
	16	—	—	—
<b>Deficit:</b>				
Class A ordinary shares (US\$0.001 par value, 860,000,000 shares authorized, 57,176,842 and 57,861,327 shares issued, 46,567,892 and 46,756,137 shares outstanding as of December 31, 2022 and 2023, respectively)		359	364	51
Class B ordinary shares (US\$0.001 par value, 40,000,000 shares authorized, 7,206,059 shares issued and outstanding as of December 31, 2022 and 2023, respectively)		74	74	10
Treasury shares (10,608,950 and 11,105,190 Class A ordinary shares as of December 31, 2022 and 2023, at cost)	12	(476,918)	(479,346)	(67,514)
Additional paid-in capital		1,363,845	1,360,901	191,679
Accumulated other comprehensive income		49,664	48,216	6,791
Accumulated deficit		(2,436,918)	(2,427,992)	(341,976)
<b>Total deficit attributable to the shareholders of TCTM Kids IT Education Inc.</b>		<b>(1,499,894)</b>	<b>(1,497,783)</b>	<b>(210,959)</b>
Non-controlling interest		(6,787)	(3,567)	(502)
<b>Total deficit</b>		<b>(1,506,681)</b>	<b>(1,501,350)</b>	<b>(211,461)</b>
<b>Total liabilities and deficit</b>		<b>1,337,500</b>	<b>1,018,243</b>	<b>143,417</b>

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

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(Amounts in thousands of RMB and US\$,  
except for number of shares and per share data)

	Note	Year Ended December 31,			
		2021	2022	2023	2023
		RMB	RMB	RMB	US\$
Net revenues	2(j)	1,236,273	1,399,844	1,375,192	193,692
Cost of revenues <sup>(a)</sup>		(795,669)	(728,416)	(750,840)	(105,754)
<b>Gross profit</b>		<b>440,604</b>	<b>671,428</b>	<b>624,352</b>	<b>87,938</b>
Selling and marketing expenses <sup>(a)</sup>		(437,487)	(280,093)	(268,399)	(37,803)
General and administrative expenses <sup>(a)</sup>		(359,453)	(397,440)	(330,848)	(46,599)
Research and development expenses <sup>(a)</sup>		(40,311)	(20,248)	(11,654)	(1,641)
<b>Operating (loss) income</b>		<b>(396,647)</b>	<b>(26,353)</b>	<b>13,451</b>	<b>1,895</b>
Interest income, net		2,611	1,962	1,089	153
Other income, net		1,466	8,150	723	102
Foreign currency exchange loss, net		(267)	(325)	(901)	(127)
<b>(Loss) income before income taxes</b>		<b>(392,837)</b>	<b>(16,566)</b>	<b>14,362</b>	<b>2,023</b>
Income tax (expense) benefit	10	(116,451)	14,504	7,972	1,123
<b>Net (loss) income from continuing operations</b>		<b>(509,288)</b>	<b>(2,062)</b>	<b>22,334</b>	<b>3,146</b>
Income (loss) before income taxes from discontinued operation		31,114	122,633	(5,431)	(765)
Income tax benefit (expense)		2,394	(35,338)	(6,549)	(922)
<b>Net income (loss) from discontinued operation</b>		<b>33,508</b>	<b>87,295</b>	<b>(11,980)</b>	<b>(1,687)</b>
<b>Net (loss) income</b>		<b>(475,780)</b>	<b>85,233</b>	<b>10,354</b>	<b>1,459</b>
Less: Net (loss) income attributable to non-controlling interests from continuing operations		(1,233)	1,713	1,428	201
<b>Net (loss) income attributable to Class A and Class B ordinary shareholders</b>		<b>(474,547)</b>	<b>83,520</b>	<b>8,926</b>	<b>1,258</b>
Weighted average number of ordinary shares used in computing basic (loss) income per share		56,260,925	54,657,222	53,873,945	53,873,945
Weighted average number of ordinary shares used in computing diluted (loss) income per share		57,630,365	57,730,672	55,334,574	55,334,574
Basic (loss) income per ADS attributable to ordinary shareholder from continuing operations	14	(45.15)	(0.35)	1.94	0.27
Diluted (loss) income per ADS attributable to ordinary shareholder from continuing operations	14	(45.15)	(0.35)	1.89	0.27
Basic income (loss) per ADS attributable to ordinary shareholder from discontinued operation	14	2.98	7.99	(1.11)	(0.16)
Diluted income (loss) per ADS attributable to ordinary shareholder from discontinued operation	14	2.91	7.56	(1.11)	(0.16)
<b>Other comprehensive (loss) income</b>					
Foreign currency translation adjustment		(421)	965	(1,448)	(204)
<b>Comprehensive (loss) income</b>		<b>(476,201)</b>	<b>86,198</b>	<b>8,906</b>	<b>1,255</b>
Less: Comprehensive (loss) income attributable to non-controlling interests		(1,233)	1,713	1,428	201
<b>Comprehensive (loss) income attributable to Class A and Class B ordinary shareholders</b>		<b>(474,968)</b>	<b>84,485</b>	<b>7,478</b>	<b>1,054</b>
(a) Includes share-based compensation expense as follows (note 13):					
Cost of revenues		(18)	(244)	(19)	(3)
Selling and marketing expenses		(206)	(227)	(24)	(3)
General and administrative expenses		(13,514)	(10,179)	(2,551)	(359)
Research and development expenses		(375)	(734)	(149)	(21)

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

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT**  
(Amounts in thousands of RMB, except for number of shares and per share data)

	Ordinary Shares				Treasury Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated deficit	Non-controlling Interest	Total deficit
	Number of Class A Ordinary Shares	Number of Class B Ordinary Shares		Amount						
	RMB	Shares	RMB	RMB						
<b>Balance as of December 31, 2020</b>	<u>55,546,254</u>	<u>349</u>	<u>7,206,059</u>	<u>74</u>	<u>(459,815)</u>	<u>1,324,161</u>	<u>49,120</u>	<u>(2,045,891)</u>	<u>(7,267)</u>	<u>(1,139,269)</u>
Net loss	—	—	—	—	—	—	—	(474,547)	(1,233)	(475,780)
Issuance of Class A ordinary shares upon exercise of share options and vesting of non-vested shares	1,046,903	6	—	—	—	3,941	—	—	—	3,947
Foreign currency translation adjustment	—	—	—	—	—	—	(421)	—	—	(421)
Share-based compensation	—	—	—	—	—	19,103	—	—	—	19,103
<b>Balance as of December 31, 2021</b>	<u>56,593,157</u>	<u>355</u>	<u>7,206,059</u>	<u>74</u>	<u>(459,815)</u>	<u>1,347,205</u>	<u>48,699</u>	<u>(2,520,438)</u>	<u>(8,500)</u>	<u>(1,592,420)</u>
Net income	—	—	—	—	—	—	—	83,520	1,713	85,233
Issuance of Class A ordinary shares upon exercise of share options and vesting of non-vested shares	583,685	4	—	—	—	103	—	—	—	107
Foreign currency translation adjustment	—	—	—	—	—	—	965	—	—	965
Share-based compensation	—	—	—	—	—	16,537	—	—	—	16,537
Treasury shares	—	—	—	—	(17,103)	—	—	—	—	(17,103)
<b>Balance as of December 31, 2022</b>	<u>57,176,842</u>	<u>359</u>	<u>7,206,059</u>	<u>74</u>	<u>(476,918)</u>	<u>1,363,845</u>	<u>49,664</u>	<u>(2,436,918)</u>	<u>(6,787)</u>	<u>(1,506,681)</u>
Net income	—	—	—	—	—	—	—	8,926	1,428	10,354
Issuance of Class A ordinary shares upon exercise of share options and vesting of non-vested shares	684,485	5	—	—	—	222	—	—	—	227
Foreign currency translation adjustment	—	—	—	—	—	—	(1,448)	—	—	(1,448)
Share-based compensation	—	—	—	—	—	3,887	—	—	—	3,887
Acquisition of noncontrolling interest	—	—	—	—	—	(7,053)	—	—	1,792	(5,261)
Treasury shares	—	—	—	—	(2,428)	—	—	—	—	(2,428)
<b>Balance as of December 31, 2023</b>	<u>57,861,327</u>	<u>364</u>	<u>7,206,059</u>	<u>74</u>	<u>(479,346)</u>	<u>1,360,901</u>	<u>48,216</u>	<u>(2,427,992)</u>	<u>(3,567)</u>	<u>(1,501,350)</u>

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



**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS**

**(a) Description of business**

TCTM Kids IT Education Inc. (“TCTM”, formerly known as Tarena International, Inc.), through its wholly-owned subsidiaries and consolidated variable interest entities or VIEs (collectively referred to hereinafter as the “Company”), is principally engaged in providing IT-focused supplementary STEM education service (“IT-focused Supplementary STEM Education”) for students aged between three and eighteen. The Company is also engaged mainly in providing professional education services (“IT Professional Education”) including professional information technology (“IT”) training courses and non-IT training courses. All of the Company’s operations are located in the PRC with nearly all of its customers located in the PRC.

The Company cooperated with universities and colleges in mainland China to offer joint-major degree programs and related peripheral services to colleges and students (the “Target Business”) in accordance with the higher education reform policies of each province. On April 28, 2023, the Company entered into agreements to dispose of the controlling interest in the Company’s university and college joint academic programs and related peripheral services to colleges and students, to a consortium (the “2023 April Disposal”). Mr. Shaoyun Han, the founder and chairman of the Company, is member of the investor consortium and has a minority interest in Target Business.

On December 24, 2023, the Company entered into an equity transfer agreement to dispose of its equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd (the “Divestiture”). The net transfer consideration, based on third party independent appraiser, for the Disposal amounted to RMB1 and RMB1 in exchange of the equity interest of Tarena Technologies and Tarena Hangzhou in cash, respectively. Ms. Lijuan Han, sister of the Company’s founder and chairman Mr. Shaoyun Han, is a member of the buyer consortium and has an interest in the Divestiture. The Divestiture had been consummated at the end of March 2024. Upon consummation of the divestiture of the professional education business, the Company has no ownership interest in professional education business. The Company deconsolidated the financial statements of professional education business from its consolidated financial statements since March 31, 2024.

The Divestiture represents a strategic shift and has a major impact on the Company’s result of operations. Accordingly, assets, liabilities, results of operations, and cash flows related to professional education business have been reflected in the accompanying consolidated financial statements as discontinued operation for all periods presented. The consolidated balance sheets as of December 31, 2022 and 2023, consolidated statements of comprehensive (loss) income and consolidated statements of cash flows for the years ended December 31, 2021, 2022 and 2023 have been adjusted to reflect this change (See Note 3).

On January 10, 2024, the Company changed its ticker symbol from “TEDU” to “TCTM”. On February 20, 2024, TCTM held an Extraordinary General Meeting of Shareholders in Beijing where the Company adopted a special resolution to approve the name change of the holding Company from “Tarena International, Inc.” to “TCTM Kids IT Education Inc.” The name change took effect on February 21, 2024.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization**

TCTM is a holding company that was incorporated in the Cayman Islands on October 8, 2003 by Mr. Shaoyun Han (“Mr. Han”), the founder and former chief executive officer of the Company, and five other individuals. TCTM is the parent company of a number of wholly-owned subsidiaries that are engaged in the provision of educational products and services. The Company’s education services in certain locations of the PRC were previously conducted through Beijing Tarena Jinqiao Technology Co., Ltd. (“Beijing Tarena”) and Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (“Beijing Tongcheng”), and their subsidiaries, in order to comply with laws and regulations of mainland China which restricted foreign investments in companies that were engaged in education products and services.

Pursuant to the VIE Agreement as described below, TCTM has effective financial control over Beijing Tarena, Beijing Tongcheng and their initial capital funding were provided by Tarena Technologies Inc., (a wholly-owned subsidiary of TCTM) or “Tarena Tech”, formerly known as Beijing Tarena Technology Co., Ltd.) and Tongcheng Shidai Technology Inc., (a wholly-owned subsidiary of TCTM) or “Tongcheng Shidai”, formerly known as Tongcheng Shidai Technology Co., Ltd.). The recognized and unrecognized revenue-producing assets that were held by Beijing Tarena, Beijing Tongcheng and their subsidiaries primarily consists of property and equipment, operating leases for the learning premises, ICP license, www.tmooc.cn website and assembled workforce in those learning centers.

All of the equity interests of Beijing Tarena are legally held by Mr. Han and Mr. Jianguang Li (“Mr. Li”), a director of TCTM. Both individuals are nominee equity holders of Beijing Tarena and holding their equity interests on behalf of TCTM. Through a series of contractual agreements and arrangements (the “VIE Agreement”), among TCTM, Tarena Tech, Beijing Tarena and its nominee equity holders, the nominee equity holders of Beijing Tarena have granted all their legal rights including voting rights and disposition rights of their equity interests in Beijing Tarena to TCTM. The nominee equity holders of Beijing Tarena do not participate significantly in income and loss and do not have the power to direct the activities of Beijing Tarena that most significantly impact its economic performance. Accordingly, Beijing Tarena and its subsidiaries are considered as VIEs.

Meanwhile, all of the equity interests of Beijing Tongcheng are legally held by Mr. Han and Mr. Jing Li, a manager of TCTM. Both individuals are nominee equity holders of Beijing Tongcheng and holding their equity interests on behalf of TCTM. Through a series of contractual agreements and arrangements (the “VIE Agreement”), among TCTM, Tongcheng Shidai, Beijing Tongcheng and its nominee equity holders, the nominee equity holders of Beijing Tongcheng have granted all their legal rights including voting rights and disposition rights of their equity interests in Beijing Tongcheng to TCTM. The nominee equity holders of Beijing Tongcheng do not participate significantly in income and loss and do not have the power to direct the activities of Beijing Tongcheng that most significantly impact its economic performance. Accordingly, Beijing Tongcheng and its subsidiaries are considered as VIEs.

In accordance with Accounting Standards Codification (“ASC”) 810-10-25-38A, TCTM has a controlling financial interest in Beijing Tarena and Beijing Tongcheng because TCTM has (i) the power to direct activities of Beijing Tarena and Beijing Tongcheng that most significantly impact the economic performance of Beijing Tarena and Beijing Tongcheng; and (ii) the obligation to absorb the expected losses and the right to receive expected residual return of Beijing Tarena and Beijing Tongcheng that could potentially be significant to Beijing Tarena and Beijing Tongcheng. Thus, TCTM is the primary beneficiary of the Beijing Tarena and Beijing Tongcheng.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization (Continued)**

Under the terms of the VIE Agreement, TCTM has (i) the right to receive economic benefits that could potentially be significant to Beijing Tarena and Beijing Tongcheng in the form of service fees under the exclusive business cooperation agreements; (ii) the right to receive all dividends declared by Beijing Tarena and Beijing Tongcheng, and the right to all undistributed earnings of Beijing Tarena and Beijing Tongcheng; and (iii) the right to receive the residual benefits of Beijing Tarena and Beijing Tongcheng through their exclusive option to acquire 100% of the equity interests in Beijing Tarena and Beijing Tongcheng, to the extent permitted under laws of mainland China. Accordingly, TCTM is the primary beneficiary of Beijing Tarena and Beijing Tongcheng, and the financial statements of Beijing Tarena, Beijing Tongcheng and their subsidiaries are consolidated in TCTM's consolidated financial statements.

Under the terms of the VIE Agreement, Beijing Tarena and Beijing Tongcheng's nominee equity holders have no rights to the net assets nor have the obligations to fund the deficit, and such rights and obligations have been vested to TCTM. All of the equity (net assets) and net income of Beijing Tarena and Beijing Tongcheng are attributed to TCTM.

The key terms of the VIE Agreement are as follows:

**Loan Agreements:** Tarena Tech provided RMB6,000 loans in aggregate to Beijing Tarena's nominee equity holders for the sole purpose of their contribution of Beijing Tarena's registered capital. The nominee equity holders of Beijing Tarena can only repay the loans by transferring all of their legal equity interest in Beijing Tarena to the Tarena Tech or its designated representatives pursuant to the exclusive option agreements. The loans shall be interest-free, unless the transfer price exceeds the principal of the loans when each nominee equity holder of Beijing Tarena transfers his equity interests in Beijing Tarena to TCTM or its designated representatives. Such excess over the principal of the loan shall be deemed as the interest of the loans to the extent permitted under the law of mainland China. The initial term of the loans, which will be expired in 2026, can be extended with the written notice of both the Tarena Tech and Beijing Tarena before expiration.

Meanwhile, Tongcheng Shidai provided RMB5,000 loans in aggregate to Beijing Tongcheng's nominee equity holders for the sole purpose of their contribution of Beijing Tongcheng's registered capital. The nominee equity holders of Beijing Tongcheng can only repay the loans by transferring all of their legal equity interest in Beijing Tongcheng to the Tongcheng Shidai or its designated representatives pursuant to the exclusive option agreements. The loans shall be interest-free, unless the transfer price exceeds the principal of the loans when each nominee equity holder of Beijing Tongcheng transfers his equity interests in Beijing Tongcheng to TCTM or its designated representatives. Such excess over the principal of the loan shall be deemed as the interest of the loans to the extent permitted under the law of mainland China. The initial term of the loans, which will be expired in 2032, can be extended with the written notice of both the Tongcheng Shidai and Beijing Tongcheng before expiration.

**Exclusive Option Agreements:** Each of the nominee equity holders irrevocably granted TCTM Kids IT Education Inc. or its designated representatives an exclusive option to purchase, to the extent permitted under law of mainland China, all or part of his equity interests in Beijing Tarena. In addition, TCTM has the option to acquire the equity interests of Beijing Tarena for a specified price equal to the loan provided by the Tarena Tech to the nominee equity holders. If the lowest price permitted under law of mainland China is higher than the above price, the lowest price permitted under law of mainland China shall apply. Without TCTM's prior written consent, the nominee equity holders shall not sell, transfer, mortgage, or otherwise dispose of any equity interests in Beijing Tarena. These agreements will remain effective until all equity interests held in Beijing Tarena by the nominee equity holders are transferred or assigned to TCTM or its designated representatives.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization (Continued)**

Meanwhile, each of the nominee equity holders irrevocably granted the Tongcheng Shidai or its designated representatives an exclusive option to purchase, to the extent permitted under law of mainland China, all or part of his equity interests in Beijing Tongcheng. In addition, Tongcheng Shidai has the option to acquire the equity interests of Beijing Tongcheng for a specified price equal to the loan provided by the Tongcheng Shidai to the nominee equity holders. If the lowest price permitted under law of mainland China is higher than the above price, the lowest price permitted under law of mainland China shall apply. Without the Tongcheng Shidai's prior written consent, the nominee equity holders shall not sell, transfer, mortgage, or otherwise dispose any equity interests in Beijing Tongcheng. These agreements will remain effective until all equity interests held in Beijing Tongcheng by the nominee equity holders are transferred or assigned to the Tongcheng Shidai or its designated representatives.

**Exclusive Business Cooperation Agreement:** Tarena Tech has the exclusive right to provide, among other things, technical support, business support and related consulting services to Beijing Tarena and Beijing Tarena agrees to accept all the consultation and services provided by Tarena Tech. Without Tarena Tech's prior written consent, Beijing Tarena is prohibited from engaging any third party to provide any of the services under this agreement. In addition, Tarena Tech exclusively owns all intellectual property rights arising out of or created during the performance of this agreement. Beijing Tarena agrees to pay a monthly service fee to Tarena Tech at an amount determined solely by Tarena Tech after taking into account factors including the complexity and difficulty of the services provided, the time consumed, the seniority of Tarena Tech's employees providing services to Beijing Tarena, the value of services provided, the market price of comparable services and the operating conditions of Beijing Tarena. Furthermore, to the extent permitted under the law of mainland China, Tarena Tech agrees to provide financial support to Beijing Tarena. The term of the agreement will remain effective unless Tarena Tech terminates the agreement in writing or a competent governmental authority rejects the renewal applications by either Beijing Tarena or Tarena Tech to renew its respective business license upon expiration. Beijing Tarena is not permitted to terminate this agreement in any event unless required by applicable laws.

Meanwhile, Tongcheng Shidai has the exclusive right to provide comprehensive technical support, consulting services and other services to Beijing Tongcheng agree to accept all the consultation and services provided by Tongcheng Shidai. Without Tongcheng Shidai's prior written consent, Beijing Tongcheng is prohibited establish similar corporation relationship with any third party to provide any of the services under this agreement. In addition, Tongcheng Shidai has exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this agreement. Beijing Tongcheng agrees to pay a monthly service fee to Tongcheng Shidai at an amount determined solely by Tongcheng Shidai after taking into account factors including the complexity and difficulty of the services provided, title of and time consumed by Tongcheng Shidai employees providing services to Beijing Tongcheng, the value of services provided, the market price of the same type of services and the operating conditions of Beijing Tongcheng. The term of the agreement will remain effective unless Tongcheng Shidai terminates the agreement in writing or a relevant governmental authority rejects the renewal applications by Beijing Tongcheng or Tongcheng Shidai to renew its respective business license upon expiration. Beijing Tongcheng is not permitted to terminate this agreement in any event unless required by applicable laws.

**Power of Attorney:** Each nominee equity holder of Beijing Tarena appointed Tarena Tech as the attorney-in-fact to act on all matters pertaining to Beijing Tarena and to exercise all of his rights as an equity holder of Beijing Tarena, including but not limited to attend shareholders' meetings, vote on his behalf on all matters of Beijing Tarena requiring shareholders' approval under laws and regulations of mainland China and the articles of association of Beijing Tarena, designate and appoint directors and senior management members. Tarena Tech may authorize or assign its rights under this appointment to any other person or entity at its sole discretion without prior notice to the nominee equity holders of Beijing Tarena. Each power of attorney will remain effective until the nominee equity holder ceases to hold any equity interest in Beijing Tarena.



**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
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(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization (Continued)**

Meanwhile, each nominee equity holder of Beijing Tongcheng appointed Tongcheng Shidai as the attorney-in-fact to act on all matters pertaining to Beijing Tongcheng and to exercise all of their rights as an equity holder of Beijing Tongcheng, including but not limited to attend shareholders' meetings, vote on their behalf on all matters of Beijing Tongcheng requiring shareholders' approval under laws and regulations of mainland China and the articles of association of Beijing Tongcheng, designate and appoint directors and senior management members. Tongcheng Shidai may authorize or assign its rights under this appointment to any other person or entity at its sole discretion without prior notice to the nominee equity holders of Beijing Tongcheng. Each power of attorney will remain effective until the nominee equity holder ceases to hold any equity interest in Beijing Tongcheng.

**Equity Interest Pledge Agreements:** Pursuant to the equity interest pledge agreements, Beijing Tarena's nominee equity holders pledged all of their equity interests in Beijing Tarena to Tarena Tech to guarantee their performance of the obligations under the contractual arrangements including but not limited to, the service fees due to Tarena Tech. If Beijing Tarena or any of Beijing Tarena's nominee equity holders breaches its contractual obligations under the contractual arrangements, Tarena Tech, as the pledgee, will be entitled to certain rights and entitlements, including receiving proceeds from the auction or sale of whole or part of the pledged equity interests of Beijing Tarena in accordance with legal procedures. Tarena Tech has the right to receive dividends generated by the pledged equity interests during the term of the pledge. If any event of default as provided in the contractual arrangements occurs, Tarena Tech, as the pledgee, will be entitled to dispose of the pledged equity interests in accordance with laws and regulations of mainland China. The equity interest pledge agreements became effective on the date when the agreements were duly executed. The pledge was registered with the relevant local administration for industry and commerce in December 2013 and April 2017 and will remain binding until Beijing Tarena and their nominee equity holders discharge all their obligations under the contractual arrangements. The registration of the equity pledge enables Tarena Tech to enforce the equity pledge against third parties who acquire the equity interests of Beijing Tarena in good faith. Pursuant to the share pledge agreement, Beijing Tongcheng's nominee equity holders pledged all of their shares in Beijing Tongcheng to Tongcheng Shidai to guarantee their performance of the obligations under the contractual arrangements including but not limited to, the service fees due to Tongcheng Shidai. If Beijing Tongcheng is liquidated or dissolved under law of mainland China, Tongcheng Shidai, as the pledgee, has the right receive any interest distributed by Beijing Tongcheng. Tongcheng Shidai has the right to receive dividends generated by the pledged equity interests during the term of the pledge. Without the written consent of Tongcheng Shidai, the rights and obligations under this agreement is prohibited to assign or delegated. The equity interest pledge agreements became effective on the date when the agreements were duly executed. The pledge was registered with the relevant local administration for industry and commerce in 2022 and will remain binding until Beijing Tongcheng and its nominee equity holders have fully performed all contract obligations and fully paid all secured indebtedness under the contractual arrangements.

TCTM relies on the VIE Agreement to operate and control the Beijing Tarena and Beijing Tongcheng. However, these contractual arrangements may not be as effective as direct equity ownership in providing TCTM with control over Beijing Tarena and Beijing Tongcheng. Any failure by Beijing Tarena and Beijing Tongcheng or the nominee equity holders to perform their obligations under the VIE Agreement would have a material adverse effect on the consolidated financial position and consolidated financial performance of the Company. All the VIE Agreement is governed by law of mainland China and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with law of mainland China and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit TCTM's ability to enforce these contractual arrangements. In addition, if the legal structure and the VIE Agreement was found to be in violation of any existing or future laws and regulations of mainland China, TCTM may be subject to fines or other legal or administrative sanctions.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

***(b) Organization (Continued)***

In the opinion of management, based on the legal opinion obtained from the Company's PRC legal counsel, the above contractual arrangements are legally binding and enforceable and do not violate current laws and regulations of mainland China. However, there are uncertainties regarding the interpretation and application of existing and future laws and regulations of mainland China. Accordingly, TCTM cannot be assured that PRC regulatory authorities will not ultimately take a contrary view to its opinion. If the current ownership structure of the Company and the VIE Agreement is found to be in violation of any existing or future laws and regulations of mainland China, the PRC government could:

- revoke the business and operating licenses of Tarena Tech and Tongcheng Shidai, their subsidiaries, Beijing Tarena and Beijing Tongcheng;
- discontinue or restrict the conduct of any transactions between Tarena Tech and Tongcheng Shidai, their subsidiaries, Beijing Tarena and Beijing Tongcheng;
- impose fines, confiscate the income from Beijing Tarena and Beijing Tongcheng, or impose other requirements with which the Company may not be able to comply;
- require TCTM to restructure its ownership structure or operations, including terminating the contractual arrangements with Beijing Tarena and Beijing Tongcheng, and deregistering the equity pledges of Beijing Tarena and Beijing Tongcheng; and
- restrict or prohibit the use of the proceeds of future offering to finance the Company's business and operations in the PRC.

If the imposition of any of these government actions causes TCTM to lose its right to direct the activities of Beijing Tarena and Beijing Tongcheng or their rights to receive substantially all the economic benefits and residual returns from Beijing Tarena, Beijing Tongcheng and TCTM is not able to restructure its ownership structure and operations in a satisfactory manner, TCTM would no longer be able to consolidate the financial results of Beijing Tarena, Beijing Tongcheng and their subsidiaries. In the opinion of management, the likelihood of deconsolidation of the Beijing Tarena, Beijing Tongcheng and their subsidiaries is remote based on current facts and circumstances.

The equity interests of Beijing Tarena are legally held by Mr. Han and Mr. Li as nominee equity holders on behalf of the Company. Mr. Han and Mr. Li are also directors of TCTM. Mr. Han and Mr. Li each holds 62.7% and 0.4% of the total voting rights of TCTM as of December 31, 2023, respectively, assuming the exercise of all outstanding options held by Mr. Han and Mr. Li as of such date. Meanwhile, Mr. Han held 70% voting power and was the ultimate controlling shareholder of Beijing Tongcheng and he held 69.0% and 62.7% voting power in TCTM on December 31, 2022 and 2023, respectively. The Company cannot assure that when conflicts of interest arise, either of the nominee equity holders will act in the best interests of the Company or such conflicts will be resolved in the Company's favor. Currently, the Company does not have any arrangements to address potential conflicts of interest between the nominee equity holders and the Company, except that TCTM could exercise the purchase option under the exclusive option agreements with the nominee equity holders to request them to transfer all of their equity ownership in Beijing Tarena and Beijing Tongcheng to a PRC entity or individual designated by TCTM. The Company relies on the nominee equity holders, who are both TCTM's directors and who owe a fiduciary duty to TCTM, to comply with the terms and conditions of the contractual arrangements. Such fiduciary duty requires directors to act in good faith and in the best interests of TCTM and not to use their positions for personal gains. If the Company cannot resolve any conflict of interest or dispute between the Company and the nominee equity holders of Beijing Tarena and Beijing Tongcheng, the Company would have to rely on legal proceedings, which could result in disruption of the Company's business and subject the Company to substantial uncertainty as to the outcome of any such legal proceedings. The Company's involvement with Beijing Tarena and Beijing Tongcheng under the VIE Agreement affected the Company's consolidated financial position, results of operations and cash flows as indicated below.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
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**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization (Continued)**

The assets and liabilities of Beijing Tarena, Beijing Tongcheng and their subsidiaries that were included in the accompanying consolidated financial statements as of December 31, 2022 and 2023 are as follows:

	December 31,	
	2022 RMB	2023 RMB
Cash and cash equivalents	16,031	2,520
Amounts due from TCTM and its wholly-owned subsidiaries	120,746	104,642
Prepaid expenses and other current assets	1,191	62,550
Current assets of discontinued operations held for sale	9,127	36,779
<b>Total current assets</b>	<b>147,095</b>	<b>206,491</b>
Property and equipment, net	1,977	2,052
Long term investments	27,000	34,852
Right-of-use assets	8,405	9,209
Other non-current assets	322	258
Non-current assets of discontinued operations held for sale	1,690	—
<b>Total assets</b>	<b>186,489</b>	<b>252,862</b>
Accounts payable	42	2,713
Deferred revenue-current	70,284	114,975
Operating lease liabilities-current	4,124	4,440
Income taxes payable	12	79
Accrued expenses and other current liabilities	59,729	30,762
Amounts due to TCTM and its wholly-owned subsidiaries	7,631	23,676
Current liabilities of discontinued operations held for sale	72,267	100,392
<b>Total current liabilities</b>	<b>214,089</b>	<b>277,037</b>
Operating lease liabilities-non current	4,176	4,252
Non-current liabilities of discontinued operations held for sale	257	—
<b>Total liabilities</b>	<b>218,522</b>	<b>281,289</b>

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**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

**(b) Organization (Continued)**

The financial performance and cash flows of Beijing Tarena, Beijing Tongcheng and their subsidiaries that were included in the accompanying consolidated financial statements before elimination of intercompany balances and transactions between the parent company, non-VIE subsidiaries, VIEs and VIEs' subsidiaries for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net revenues	16,673	40,755	90,661
<b>Net (loss) income from continuing operations</b>	<b>(21,541)</b>	<b>8,554</b>	<b>(7,241)</b>
<b>Net (loss) income from discontinued operation</b>	<b>(17,531)</b>	<b>(7,299)</b>	<b>10,847</b>
<b>Net (loss) income</b>	<b>(39,072)</b>	<b>1,255</b>	<b>3,606</b>
Net cash provided by (used in) operating activities	10,308	7,722	(17,817)
Net cash provided by investing activities	—	19,975	—
Net cash (used in) provided by financing activities	(3,437)	5,762	(7,192)

All of the assets of Beijing Tarena, Beijing Tongcheng and their subsidiaries can be used only to settle obligations of Beijing Tarena, Beijing Tongcheng and their subsidiaries. None of the assets of Beijing Tarena, Beijing Tongcheng and their subsidiaries have been pledged or collateralized. The creditors of Beijing Tarena, Beijing Tongcheng and their subsidiaries do not have recourse to the general credit of TCTM and its wholly-owned subsidiaries. Assets of Beijing Tarena, Beijing Tongcheng and their subsidiaries that can be used only to settle obligations of Beijing Tarena, Beijing Tongcheng and their subsidiaries and liabilities of Beijing Tarena, Beijing Tongcheng and their subsidiaries for which creditors (or beneficial interest holders) do not have recourse to the general credit of TCTM and its wholly owned subsidiaries have been presented parenthetically alongside each balance sheet caption on the face of the consolidated balance sheets.

During the periods presented, TCTM and its wholly-owned subsidiaries provided financial support to Beijing Tarena and Beijing Tongcheng that it was not previously contractually required to provide in the form of advances. To the extent Beijing Tarena and Beijing Tongcheng requires financial support, pursuant to the exclusive business cooperation agreement, Tarena Tech and Tongcheng Shidai may, at its option and to the extent permitted under the laws of mainland China, provide such support to Beijing Tarena and Beijing Tongcheng through loans to Beijing Tarena and Beijing Tongcheng's nominee equity holders or entrustment loans to Beijing Tarena and Beijing Tongcheng.

**(c) Basis of presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). All amounts in the accompanying consolidated financial statements and notes are expressed in Renminbi ("RMB"). Amounts in United States dollars ("US\$") are presented solely for the convenience of readers and use an exchange rate of US\$1.00 = RMB7.0999, representing the exchange rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board as of December 29, 2023. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

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**1 DESCRIPTION OF BUSINESS, ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT CONCENTRATIONS AND RISKS (CONTINUED)**

*(d) Comparability and Reclassification Adjustment*

The Company has reclassified certain comparative balances in the consolidated balance sheet as of December 31, 2022, and certain comparative amounts in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021, 2022 to conform to the current year's presentation. The assets and liabilities of the discontinued operation have been classified as assets of discontinued operations held for sale and liabilities of discontinued operations held for sale in the consolidated balance sheets as of December 31, 2022 and 2023. The results of discontinued operation for the years ended December 31, 2021, 2022 and 2023 have been reflected separately in the consolidated statements of comprehensive (loss) income as single line items for all periods presented in accordance with U.S. GAAP. Cash flows from discontinued operation of the three categories for the years ended December 31, 2021, 2022 and 2023 were separately presented in the consolidated statements of cash flows for all periods presented in accordance with U.S. GAAP.

*(e) Significant concentrations and risks*

*Revenue concentration*

A substantial portion of the Company's total net revenues from continuing operation were generated from Childhood & adolescent Robotics Programming, Childhood & adolescent Computer Programming courses. The percentages of the Company's total net revenues from Childhood & adolescent Robotics Programming, Childhood & adolescent Computer Programming courses are as follows:

	Year Ended December 31,		
	2021	2022	2023
Childhood & adolescent Robotics Programming	30.3 %	49.2 %	46.4 %
Childhood & adolescent Computer Programming	39.8 %	34.2 %	24.1 %
<b>Total net revenues from continuing operation</b>	<b>70.1 %</b>	<b>83.4 %</b>	<b>70.5 %</b>

The Company expects net revenues from these two training courses to continue to represent a majority portion of its total net revenues in the future. Negative factors that adversely affect net revenues generated by these two training courses will have a material adverse effect on the Company's business, financial condition and results of operations. There were no other courses that represented net revenues greater than 10% of total net revenues from continuing operation.

*Geographic concentration*

The percentages of the Company's total net revenues generated from continuing operations in Beijing are 11.2%, 10.6% and 17.5% for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company expects revenues derived from its business operations in Beijing to continue to be greater than 10% of total net revenues in the future. Negative factors that adversely affect its business operations in Beijing will have a material adverse effect on the Company's business, financial condition and results of operations.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Principles of consolidation**

The consolidated financial statements include the financial statements of TCTM, its wholly-owned subsidiaries, and VIEs which TCTM is the primary beneficiary. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders. A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. All significant intercompany balances and transactions have been eliminated upon consolidation.

**(b) Use of estimates**

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include goodwill impairment and long-term investments, the allowance for credit losses of amounts due from related parties, prepaid expenses and other current assets and other non-current assets, the realizability of deferred income tax assets, the accruals for other contingencies, the useful lives of property and equipment and the recoverability of the carrying amounts of property and equipment and right-of-use assets. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**(c) Discontinued operation**

A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operation if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) the component of an entity or group of components of an entity meets the criteria to be classified as held-for-sale; (2) the component of an entity or group of components of an entity is disposed of by sale; (3) the component of an entity or group of components of an entity is disposed of other than by sale.

For any component classified as held for sale or disposed of by sale or other than by sale that qualify for presentation as a discontinued operation in the period, the Company has reclassified certain comparative balances in the consolidated balance sheet as of December 31, 2022 and certain comparative amounts in the consolidated statements of operations for the years ended December 31, 2021 and 2022 to conform to the current year's presentation. The results of discontinued operations for the years ended December 31, 2022, and 2021 have been reflected separately in the consolidated statement of operations as a single line item for all periods presented in accordance with U.S. GAAP. Cash flows from discontinued operations of the three categories for the years ended December 31, 2022 and 2021 were separately presented in the consolidated statements of cash flows for all periods presented in accordance with U.S. GAAP.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Foreign currency**

The functional currency of TCTM and Tarena Hong Kong Limited (“Tarena HK”) is the USD. The functional currency of Techarena Canada Inc. is the Canadian Dollar (“CAD”). The functional currency of Taiwan Tarena Counseling Software Co., Ltd. is the Taiwan New Dollar (“TWD”). The functional currency of TCTM’s PRC subsidiaries, consolidated VIEs, and the subsidiaries of the VIE is the RMB. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rate at the balance sheet date. The resulting exchange differences are recorded in foreign currency exchange loss in the consolidated statements of comprehensive loss.

Assets and liabilities of entities with functional currencies other than RMB are translated into RMB using the exchange rate on the balance sheet date. Revenues and expenses are translated into RMB at average rates prevailing during the reporting period. The resulting foreign currency translation adjustment are recorded in accumulated other comprehensive loss within shareholders’ equity.

Since the RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People’s Bank of China (the “PBOC”) or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC.

**(e) Cash, cash equivalents, restricted cash and time deposits**

Cash consists of cash in bank and deposits placed in third party payment processors of Alipay, Wechat wallet and Baidu wallet, which are unrestricted as to withdrawal.

Time deposits, which mature within one year as of the balance sheet date, represent interest-bearing certificates of deposit with an initial term of greater than three months when purchased. Time deposits which mature over one year as of the balance sheet date are included in non-current assets.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Cash, cash equivalents, restricted cash and time deposits (Continued)**

As of December 31, 2023, restricted cash was the cash deposits in the escrow account as required by the local education committee.

Cash, cash equivalents, time deposits and restricted cash maintained generated from continuing operations at financial institutions consist of the following:

	December 31,	
	2022	2023
	RMB	RMB
RMB denominated bank deposits with financial institutions in the PRC	195,774	220,864
US dollar denominated bank deposits with financial institutions in the PRC	354	360
US dollar denominated bank deposits with financial institutions in Hong Kong Special Administrative Region (“HK SAR”)	574	4,519
HK dollar denominated bank deposits with financial institutions in HK SAR	37	48
RMB denominated bank deposits with a financial institution in HK SAR	797	114
US dollar denominated bank deposits with a financial institution in the U.S.	251	255
USD denominated bank deposits with a financial institution in Canada	—	2
CAD denominated bank deposits with financial institutions in HK SAR	2	—
CAD denominated bank deposits with a financial institution in Canada	844	1,402
<b>Total</b>	<b>198,633</b>	<b>227,564</b>

To limit exposure to credit risk relating to bank deposits, the Company primarily places bank deposits only with large financial institutions in the PRC, HK SAR, Canada and the U.S.

**(f) Prepaid expenses and other current assets**

Prepaid expenses and other current assets primarily represent prepaid deposits, advance to suppliers, inventories, prepaid rental expenses and so on. Prepaid expenses and other current assets which are due over one year as of the balance sheet date are presented as other non-current assets. The Company maintains an allowance for credit losses for the part that is not expected to be recovered. In establishing the allowance, management considers overdue employee loan upon the use of the Current Expected Credit Loss Model (“CECL Model”) in accordance with ASC Topic 326. Prepaid expenses and other current assets that are deemed to be uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There is a time lag between when the Company estimates a portion of or the entire account balances to be uncollectible and when a write off of the account balances is taken. The Company takes a write off of the account balances when the Company can demonstrate all means of collection on the outstanding balances have been exhausted.

**(g) Property and equipment**

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of property and equipment is as follows:

Furniture	5 years
Office equipment	3 to 5 years
Leasehold improvements	Shorter of the lease term or the estimated useful life of the assets



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Property and equipment (Continued)**

Ordinary maintenance and repairs are charged to expenses as incurred, while replacements and betterments are capitalized. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value of the item disposed of and proceeds realized thereon. Property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying value of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment loss is recognized by the amount that the carrying value exceeds the estimated fair value of the asset or asset group. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated. No impairment of long-lived assets was recognized for any of the years presented.

**(h) Goodwill**

In January 2017, the FASB issued ASU 2017-04, simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The Company adopted this guidance on a prospective basis on January 1, 2020 with no material impact on its consolidated financial statements and related disclosures as a result of adopting the new standard.

The Company assess goodwill for impairment on annual basis in accordance with ASC 350-20, *Intangibles – Goodwill and Other: Goodwill*, which permits the Company to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative impairment test. If this is the case, the quantitative goodwill impairment test is required. If it is more likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the quantitative goodwill impairment test is not required.

Quantitative goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired. If the fair value of the reporting unit is less than its carrying amount, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company performs the annual goodwill impairment assessment using qualitative impairment test on December 31, 2023 and no impairment recorded for the years ended 2023.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Long-term investments**

- *Equity investments without readily determinable fair values*

Equity investments without readily determinable fair values are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes in accordance with ASC Topic 321, Investments – Equity Securities.

- *Equity method investments*

For an investee company over which the Company has the ability to exercise significant influence, but does not have a controlling interest, the Company accounted for those using the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock of the investee between 20% and 50%.

Under the equity method, the Company's share of the post-acquisition profits or losses of the equity investment is recognized in the consolidated statements of comprehensive (loss) income; and the Company's share of post-acquisition movements in equity is recognized in equity in the consolidated balance sheets. Unrealized gains on transactions between the Company and an entity in which it has recorded an equity investment are eliminated to the extent of the Company's interest in the entity. To the extent of the Company's interest in the investment, unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Company's share of losses in an entity in which it has recorded an equity investment equal or exceeds the Company's interest in the entity, it does not recognize further losses, unless it has incurred obligations or made payments on behalf of the equity investee.

The Company evaluates the equity method investments for impairment. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

**(j) Revenue recognition**

The Company evaluated and recognized revenue based on the five steps set forth in ASC 606 by:

- identifying the contract(s) with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control").

These criteria as they relate to each of the following major revenue generating activities are described below. Revenue is presented net of value added taxes ("VAT") at rates ranging between 1% and 13%, and surcharges. VAT to be collected from customers, net of VAT paid for purchases, is recorded as a liability in the consolidated balance sheets until it is paid to the tax authorities.

*Tuition revenue*

The Company provides IT related training courses to IT-focused supplementary STEM education services.

The contract of tuition service is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition fees are recognized as revenue proportionately as the training courses are delivered, with unearned portion of tuition fees being recorded as deferred revenue.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Revenue recognition (Continued)**

Refunds are provided to students if they withdraw from classes, and usually only those unearned portions of the fee which is available will be refunded. A refund liability represents the amounts of consideration received but are not expected to be entitled to earn, and thus are not included in the transaction price because these amounts are expected to be eventually refunded to students. The Company determines the transaction price to be earned by estimating the refund liability based on historical refund ratio on a portfolio basis using the expected value method. Reclassification was made from deferred revenue to refund liabilities, which was recorded under accrued expenses and other current liabilities.

*Certification service revenue*

The Company provides certification service to students who complete the training course and enroll for the exams. The Company is responsible for the certification service, including organization, proctoring and grading of exams, and providing the certificates to students. All certificates are issued by third parties to the students who pass the exam.

The Company is the principal to end customers. The Company acts as the principal in providing the certificate service to the students and recognizes revenue on gross basis because the Company is able to determine the price, acts as the main obligor in the arrangement, and, is responsible for fulfilling the services ordered by the students. Cash received before the students receive the certificates is recorded as deferred revenue.

Each contract of certification service is accounted for as a single performance obligation which is satisfied at a point in time. The performance obligation is satisfied when the certificates are provided to the students and the consideration are received, then the received consideration is recognized as certification service revenue.

Net revenues from continuing operations recognized under ASC Topic 606 for the years ended December 31, 2021, 2022 and 2023 consist of the following:

	Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Tuition fee	1,223,760	1,384,602	1,372,460
Certification service fee	4,184	13,158	3,482
Others	11,594	4,993	2,885
Business taxes and surcharges	(3,265)	(2,909)	(3,635)
<b>Total net revenues</b>	<b><u>1,236,273</u></b>	<b><u>1,399,844</u></b>	<b><u>1,375,192</u></b>

	Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
<b>Timing of revenue recognition</b>			
Services transferred at a point in time	15,736	18,113	6,350
Services transferred over time	1,220,537	1,381,731	1,368,842
<b>Total net revenues</b>	<b><u>1,236,273</u></b>	<b><u>1,399,844</u></b>	<b><u>1,375,192</u></b>

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Revenue recognition (Continued)**

*Contract liability*

The Company does not have amounts of contract assets since the Company transfers the promised services to customers and have the billing right or after the customers pay consideration.

The contract liabilities consist of deferred revenue, which represent the Company has received consideration but has not satisfied the related performance obligations. The revenue recognized from continuing operations for years ended December 31, 2022 and 2023 that was previously included in the deferred revenue balances as of December 31, 2021 and December 31, 2022 was RMB989,572 and RMB902,011, respectively.

The Company's deferred revenue from continuing operations amounted to RMB1,314,877 and RMB1,210,536 as of December 31, 2022 and 2023, respectively.

The Company has selected to apply the practical expedient in paragraph ASC 606-10-50-14 and does not disclose information about remaining performance obligations in contracts that have an original expected length of one year or less.

**(k) Cost of revenues**

Cost of revenues consists of payroll and employee benefits, rent expenses of learning centers, depreciation relating to property and equipment used for operating the learning centers, and other operating costs that are directly attributed to the provision of training services.

**(l) Selling and marketing expenses**

Selling and marketing expenses are expensed as incurred. Selling and marketing expenses primarily consist of compensation expenses relating to personnel involved in selling and marketing, including enrollment advisors and university cooperation representatives based at learning centers, advertising expenses relating to marketing activities, and, to a lesser extent, rental expenses relating to selling and marketing functions. Among them, advertising costs were RMB77,948, RMB42,015 and RMB43,480 for the years ended December 31, 2021, 2022 and 2023, respectively.

**(m) Operating leases**

The Company adopted Accounting Standards Update ("ASU") 2016-02 Leases ("ASC 842") as of January 1, 2019, using the non-comparative transition option pursuant to ASU 2018-11. Therefore, the Company has not restated comparative period financial information for the effects of ASC 842, and will not make the new required lease disclosures for comparative periods beginning before January 1, 2019. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things (i) allowed the Company to carry forward the historical lease classification; (ii) did not require the Company to reassess whether any expired or existing contracts are or contain leases; (iii) did not require the Company to reassess initial direct costs for any existing leases.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Operating leases (Continued)**

The Company identifies lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. For all operating leases except for short-term leases, the Company recognizes operating right-of-use assets and operating lease liabilities. Leases with an initial term of 12 months or less are short-term lease and not recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. The Company recognizes lease expense for short-term leases on a straight-line basis over the lease term. The operating lease liabilities are recognized based on the present value of the lease payments not yet paid, discounted using the Company's incremental borrowing rate over a similar term of the lease payments at lease commencement. Some of the Company's lease agreements contain renewal options; however, the Company do not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that the Company is reasonably certain of renewing the lease at inception or when a triggering event occurs. The right-of-use assets consist of the amount of the measurement of the lease liabilities and any prepaid lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**(n) Government grant**

Government grant is recognized when there is reasonable assurance that the Company will comply with the conditions attached to it and the grant will be received. Government grant for the purpose of giving immediate financial support to the Company with no future related costs or obligation is recognized in the Company's consolidated statements of comprehensive (loss) income when the grant becomes receivable. Government grants of RMB1,293, RMB5,303 and RMB724 were recognized and included in other income for the years ended December 31, 2021, 2022 and 2023, respectively.

**(o) Research and development costs**

Research and development costs are expensed as incurred. Research and development expenses primarily consist of a portion of the personnel costs of instructors as determined based on the amount of time that they devote to research and development-related activities, as well as the personnel costs of software engineers. Research and development expenses were RMB40,311, RMB20,248 and RMB11,654 for the years ended December 31, 2021, 2022 and 2023, respectively.

**(p) Employee benefits**

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 16.3% to 26.5% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of comprehensive (loss) income when the related service is provided. For the years ended December 31, 2021, 2022 and 2023, the costs of the Company's obligations to the defined contribution plans for employees from continuing and discontinued operation amounted to RMB133,012, RMB133,013, and RMB119,548, respectively. The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

**(q) Income taxes**

The Company follows the asset and liability method in accounting for income taxes in accordance to ASC Topic 740 "Taxation" ("ASC 740"), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets if, based on 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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) *Income taxes (Continued)***

The Company adopted ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Company recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to an unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of comprehensive loss. For the year ended December 31, 2023, there were no uncertain tax positions and the Company does not expect that the position of unrecognized tax benefits will materially change within the next twelve months.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. In case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on above.

**(r) *Share based compensation***

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, net of estimated forfeitures, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date. Forfeiture rates are estimated based on historical of employee turnover rates.

**(s) *Commitments and contingencies***

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) (Loss) Earnings per share**

Basic (loss) earnings per Class A and Class B ordinary share is computed by dividing net (loss) earnings attributable to TCTM's Class A and Class B ordinary shareholders by the weighted average number of Class A and Class B ordinary shares outstanding during the year using the two-class method. Under the two-class method, net (loss) earnings attributable to TCTM's Class A and Class B ordinary shareholders is allocated between Class A and Class B ordinary shares and other participating securities, if any, based on participating rights in undistributed loss.

Diluted (loss) earnings per share is calculated by dividing net (loss) earnings attributable to TCTM's Class A and Class B ordinary shareholders as adjusted for the effect of dilutive Class A and Class B ordinary share equivalents, if any, by the weighted average number of Class A and Class B ordinary and dilutive Class A and Class B ordinary share equivalents outstanding during the year. Class A and Class B ordinary share equivalents include the Class A and Class B ordinary shares issuable upon the exercise of the outstanding share options (using the treasury stock method). Potential dilutive securities are not included in the calculation of diluted (loss) earnings per Class A and Class B ordinary share if the impact is anti-dilutive. If there is a loss from continuing operations, diluted earnings per share ("EPS") would be computed in the same manner as basic EPS is computed, even if an entity has net income after adjusting for a discontinued operation or an extraordinary item.

**(u) Segment reporting**

The Company uses the management approach in determining its operating segments. The management approach considers the internal reporting used by the Company's chief operating decision maker ("CODM"). The Company's CODM has been identified as the CEO who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing performance of the Company. Management has determined that the Company has two operating segments, which is the IT Professional Education segment and IT-focused Supplementary STEM Education Services segment.

As described in Note 3, on December 24, 2023, the Company entered into an equity transfer agreement to dispose of its equity interests in the professional education business. As a result of the Divestiture, the Company has realigned its corporate and management reporting structure to focus solely on its IT-focused Supplementary STEM Education Services business. Upon the completion of the Divestiture, the Company reorganized its business to become a single reportable segment: (1) IT-focused Supplementary STEM Education Services. This segment structure reflects the financial information and reports used by the Company's management, specifically its Chief Operating Decision Maker ("CODM"), to make decisions regarding the Company's business, including resource allocations and performance assessments. All assets and continuing operations of the Company are physically located or domiciled in the PRC. Consequently, no geographic information is presented.

**(v) Fair value measurements**

The Company applies the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell 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 Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Fair value measurements (Continued)**

ASC Topic 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

*Fair value measurements on a recurring basis*

The carrying amounts of cash and cash equivalents, current time deposits, accounts receivable, loans to employees, amounts due from related parties, accounts payable, amounts due to related parties, short-term bank loans, accrued expenses and other current liabilities as of December 31, 2022 and 2023 approximate their fair value because of short maturity of these instruments.

The carrying amounts of non-current time deposits as of December 31, 2022 and 2023 approximate their fair value since the interest rates of the time deposits did not differ significantly from the market interest rates for similar types of time deposits.

*Fair value measurements on a non-recurring basis*

The Company measures certain financial assets, including the long-term investments at fair value on a non-recurring basis only if an impairment charge were to be recognized. The Company's non-financial assets, such as property and equipment, intangible assets, right-of-use assets and goodwill, would be measured at fair value only if they were determined to be impaired.

**(w) Recently issued accounting standards**

In March 2023, the FASB issued new accounting guidance, ASU 2023-01, for leasehold improvements associated with common control leases, which is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. The new guidance introduced two issues: terms and conditions to be considered with leases between related parties under common control and accounting for leasehold improvements. The goals for the new issues are to reduce the cost associated with implementing and applying Topic 842 and to promote diversity in practice by entities within the scope when applying lease accounting requirements. ASU 2023-01 is effective for the Company for annual and interim reporting periods beginning after December 15, 2023. The Company concluded that no effect of the adoption of this ASU.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(w) Recently issued accounting standards (Continued)*

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements — codification amendments in response to SEC’s disclosure Update and Simplification initiative which amend the disclosure or presentation requirements of codification subtopic 230-10 Statement of Cash Flows—Overall, 250-10 Accounting Changes and Error Corrections— Overall, 260-10 Earnings Per Share— Overall, 270-10 Interim Reporting— Overall, 440-10 Commitments—Overall, 470-10 Debt—Overall, 505-10 Equity— Overall, 815-10 Derivatives and Hedging—Overall, 860-30 Transfers and Servicing—Secured Borrowing and Collateral, 932-235 Extractive Activities— Oil and Gas—Notes to Financial Statements, 946-20 Financial Services— Investment Companies— Investment Company Activities, and 974-10 Real Estate— Real Estate Investment Trusts—Overall. Many of the amendments allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the SEC’s requirements. Also, the amendments align the requirements in the Codification with the SEC’s regulations. For entities subject to existing SEC disclosure requirements or those that must provide financial statements to the SEC for securities purposes without contractual transfer restrictions, the effective date aligns with the date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. Early adoption is not allowed. For all other entities, the amendments will be effective two years later from the date of the SEC’s removal. The Company is in the process of evaluating the effect of the adoption of this ASU.

In November 2023, the FASB issued ASU 2023-07, which is an update to Topic 280, Segment Reporting. The amendments in this Update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update: (1) require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (collectively referred to as the “significant expense principle”), (2) Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss, (3) Require that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by Topic 280 in interim periods, and (4) Clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial statements. In other words, in addition to the measure that is most consistent with the measurement principles under generally accepted accounting principles (GAAP), a public entity is not precluded from reporting additional measures of a segment’s profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources, (5) Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources, and (6) Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this Update and all existing segment disclosures in Topic 280. The amendments in this Update also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in this Update retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is evaluating the effect this guidance will have on the Company’s segment disclosures.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(w) Recently issued accounting standards (Continued)*

In December 2023, the FASB issued ASU 2023-09, which is an update to Topic 740, Income Taxes. The amendments in this update related to the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. The amendments allow investors to better assess, in their capital allocation decisions, how an entity's worldwide operations and related tax risks and tax planning and operational opportunities affect its income tax rate and prospects for future cash flows. The other amendments in this Update improve the effectiveness and comparability of disclosures by (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and (2) removing disclosures that no longer are considered cost beneficial or relevant. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this Update should be applied on a prospective basis. Retrospective application is permitted. The Company is evaluating the effect this guidance will have on tax disclosures.

Other accounting standards that have been issued by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent standards that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

**3 DISCONTINUED OPERATION**

*Divestiture of professional education business*

On December 24, 2023, the Company entered into an equity transfer agreement to dispose of its equity interests in the professional education business (Note 1). Upon the consummation of the Divestiture on March 31, 2024, the Company lost its control over the professional education business while the primary focus has shifted to providing IT-focused supplementary STEM education services.

The Divestiture represented a strategic shift that had a major effect on the Company's operations and financial results. And the professional education business met the criteria to be classified as held-for sale as of December 31, 2023 and was accounted for as discontinued operation. Accordingly, assets, liabilities, results of operations, and cash flows related to professional education business have been reflected in the accompanying consolidated financial statements as discontinued operation for all periods presented. As of December 31, 2023, all assets and liabilities of the professional education business are presented as current in the Consolidated Balance Sheet as the Divestiture has completed within one year.

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**3 DISCONTINUED OPERATION (CONTINUED)**

*Divestiture of professional education business (Continued)*

The assets and liabilities are included in the captions “Current assets of discontinued operations held for sale”, “Non-current assets of discontinued operations held for sale”, “Current liabilities of discontinued operations held for sale” and “Non-current liabilities of discontinued operations held for sale”, in the accompanying balance sheets at December 31, 2022 and 2023 and consist of the following:

	December 31,	
	2022 RMB	2023 RMB
Cash and cash equivalents	157,708	59,068
Time deposits	6,277	—
Restricted cash	17,730	3,520
Accounts receivable, net of allowance for credit losses-current	68,733	12,472
Amounts due from related parties	606	313
Assets held-for-sale	106,539	—
Prepaid expenses and others current assets	72,683	64,250
Time deposits-non current	124	120
Accounts receivable, net of allowance for credit losses-non-current	182	—
Property and equipment, net	44,838	34,991
Intangible assets, net	512	148
Right-of-use assets	101,797	49,671
Goodwill	3,366	3,366
Long-term investments	—	11,859
Deferred income tax assets	21,495	18,848
Other non-current assets, net	14,472	16,977
<b>Total assets of discontinued operations held for sale</b>	<b>617,062</b>	<b>275,603</b>
<b>Balance sheet classification:</b>		
Current assets of discontinued operations held for sale	430,276	275,603
Non-current assets of discontinued operations held for sale	186,786	—
<b>Total assets of discontinued operations held for sale</b>	<b>617,062</b>	<b>275,603</b>
Short-term bank loans	22,000	20,000
Accounts payable	1,071	116
Amounts due to related parties	87	3,596
Operating lease liabilities-current	49,386	21,872
Income taxes payable	104,153	106,944
Deferred revenue-current	373,733	265,132
Accrued expenses and other current liabilities	186,605	107,127
Deferred revenue-non current	14,051	7,363
Operating lease liabilities-non-current	59,625	25,130
Other non-current liabilities	3,698	3,511
<b>Total liabilities of discontinued operations held for sale</b>	<b>814,409</b>	<b>560,791</b>
<b>Balance sheet classification:</b>		
Current liabilities of discontinued operations held for sale	737,035	560,791
Non-current liabilities of discontinued operations held for sale	77,374	—
<b>Total liabilities of discontinued operations held for sale</b>	<b>814,409</b>	<b>560,791</b>

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**3 DISCONTINUED OPERATION (CONTINUED)**

*Divestiture of professional education business (Continued)*

The condensed cash flows of professional education business were as follows for the years ended December 31, 2021, 2022 and 2023, are included in the consolidated statements of cash flows of the Company as cash flow from discontinued operation:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Net cash provided by/(used in) operating activities	79,173	(28,574)	(140,403)
Net cash provided by investing activities	79,651	6,109	106,592
Net cash provided by/(used in) financing activities	—	22,000	(2,000)

Professional education business results of operations for the years ended December 31, 2021, 2022 and 2023, shown in the table below, are included in the consolidated comprehensive (loss) income as “net income (loss) from the discontinued operation” for those respective periods, after intercompany eliminations, as applicable.

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Net revenues	1,150,247	1,068,230	624,586
Cost of revenues	(405,750)	(327,627)	(226,214)
<b>Gross profit</b>	<b>744,497</b>	<b>740,603</b>	<b>398,372</b>
Selling and marketing expenses	(440,643)	(362,844)	(252,192)
General and administrative expenses	(210,532)	(206,588)	(149,828)
Research and development expenses	(65,787)	(51,780)	(28,434)
Operating income (loss)	<b>27,535</b>	<b>119,391</b>	<b>(32,082)</b>
Interest(expense) income, net	(276)	738	185
<b>Income (loss) from discontinued operation</b>	<b>27,259</b>	<b>120,129</b>	<b>(31,897)</b>
Gain on disposal of subsidiary (Note b)	—	—	26,797
Other income	4,106	3,133	64
Foreign currency exchange loss, net	(251)	(629)	(395)
<b>Income/(loss) before income taxes</b>	<b>31,114</b>	<b>122,633</b>	<b>(5,431)</b>
Income tax benefit (expense)	2,394	(35,338)	(6,549)
<b>Net income (loss) from discontinued operation</b>	<b>33,508</b>	<b>87,295</b>	<b>(11,980)</b>

The significant accounting policy of discontinued operation, except those disclosed in Note 2 are summarized as below.

*a. Revenue recognition*

The Company evaluated and recognized revenue based on the five steps set forth in ASC 606 by:

- identifying the contract(s) with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

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**3 DISCONTINUED OPERATION (CONTINUED)**

**a. Revenue recognition (Continued)**

These criteria as they relate to each of the following major revenue generating activities are described below. Revenue is presented net of value added taxes (“VAT”) at rates ranging between 1% and 13%, and surcharges. VAT to be collected from customers, net of VAT paid for purchases, is recorded as a liability in the consolidated balance sheets until it is paid to the tax authorities.

*Tuition revenue*

The Company provides IT and non-IT related training courses to IT professional education. The Company also cooperate with universities and colleges in China to offer joint-major degree programs in accordance with the higher education reform policies of each province. The Company integrates its selected courses into universities and colleges’ standard undergraduate curriculum for students enrolled in such joint-major programs. Students can attend part of the courses in the Company’s established on-campus learning sites and part of the courses at the Company’s learning centers.

A majority of contract of tuition service is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition fees are recognized as revenue proportionately as the training courses are delivered, with unearned portion of tuition fees being recorded as deferred revenue. For certain students who borrow the tuition fee from financial service providers, the Company also provides a guarantee service to financial service providers whereas in the event of default, the financial service providers are entitled to receive unpaid interest and principal from the Company. Given that the Company effectively takes on all of the credit risk of the borrowers and are compensated by the tuition fees charged, the guarantee is deemed as a service and the guarantee exposure is recognized as a stand-ready obligation in accordance with ASC Topic 460, Guarantees (see accounting policy for Guarantee Liabilities). The Company first allocates the transaction price to the guarantee liabilities, if any, in accordance with ASC Topic 460, Guarantees, which requires the guarantee to be measured initially at fair value based on the stand ready obligation. Then the remaining considerations are allocated to the tuition fees consistent with the guidance in ASC 606.

Certain qualified students are allowed to pay their tuition fees on installment for a period of time exceeding one year. When tuition services are sold on installment terms that exceeds one year beyond the point in time that revenue is recognized, the contract contains a significant financing component, and the consideration promised by the customer is variable. The receivable, and therefore the revenue is recorded at the present value of the payments. The difference between the present value of the receivable and the nominal or principal value of the tuition fees is recognized as interest income over the contractual repayment period using the effective interest rate method. The interest rate used to determine the present value of total amount receivable is the rate subject to management decision on the date of the transaction and it reflects the rate that the students can obtain financing of a similar nature from other sources at the date of the transaction.

The Company enters into arrangements with certain students that purchase multiple services. The performance obligations identified include tuition service and practical tutoring service. The Company treats training contracts with multiple performance obligations as separate units of accounting for revenue recognition purposes and recognizes revenue during the contract period when each performance obligation is satisfied. The Company allocates the transaction price to each performance obligations based on stand-alone selling price.

*AI and software development revenue*

The Company provides AI and software development service to universities and colleges. The Company is responsible for the installation, debugging and development of AI software.

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**3 DISCONTINUED OPERATION (CONTINUED)**

**a. Revenue recognition (Continued)**

The Company is the principal to end customers. The Company acts as the principal in providing the AI and software development service to universities and colleges and recognizes revenue on gross basis because the Company is able to determine the price, acts as the main obligor in the arrangement, and, is responsible for fulfilling the services ordered by the universities and colleges. Cash received before inspection and acceptance is recorded as deferred revenue.

Each contract of AI and software development service is accounted for as a single performance obligation which is satisfied at a point in time. The performance obligation is satisfied when the AI and software development service are inspected and accepted, then AI and software development service revenue is recognized.

	December 31,		
	2021 RMB	2022 RMB	2023 RMB
<b>Timing of revenue recognition</b>			
Services transferred over time	1,053,853	929,693	576,324
Services transferred at a point in time	96,394	138,537	48,262
<b>Total net revenues</b>	<b>1,150,247</b>	<b>1,068,230</b>	<b>624,586</b>

Net revenues recognized under ASC Topic 460 for the years ended December 31, 2021, 2022 and 2023 consist of the following:

	December 31,		
	2021 RMB	2022 RMB	2023 RMB
Guarantee service	7,885	12,503	15,630

**b. Disposal of subsidiary**

Gaohuiqiangxue Software (Hainan) Co.,Ltd., (“the Gaohui group”), is a wholly-owned subsidiary of Beijing Tarena through the cooperation with universities and colleges in mainland China to offer joint-major degree programs and related peripheral services to colleges and students (the “Target Business”) in accordance with the higher education reform policies of each province. On April 28, 2023, the Company entered into agreements to dispose of its controlling interest in Target Business to a consortium led by Beijing Weike Xinneng Education Technology Ltd (“Beijing Weike”). Mr. Shaoyun Han is member of the investor consortium and has an interest in the disposal of our Target Business. Pursuant to the agreements, Beijing Weike shall invest RMB43,750 in the Gaohui group in exchange for 70% of the equity in the Beijing Tarena and Mr. Shaoyun Han shall invest RMB6,250 in the Gaohui group in exchange for 10% of the equity in the Beijing Tarena. Upon the completion of such investments on May 31, 2023, Beijing Tarena’s equity share in the Gaohui group has been diluted to 20%, Beijing Tarena lost control of Gaohui group then after. The Company engaged independent appraiser to evaluate the fair value of the Gaohui group and recognized a gain on disposal of subsidiary of RMB26,797. The Company then recognized the Gaohui group as the long-term investment and subsequent measured by equity method.

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**3 DISCONTINUED OPERATION (CONTINUED)**

*c. Accounts receivable*

Accounts receivable primarily represent tuition fees due from students, universities and colleges and financial service providers. Accounts receivable which are due over one year as of the balance sheet date are presented as non-current assets. The unearned interest on accounts receivable which are due over one year is reported in the consolidated balance sheets as a direct deduction from the principal amount of accounts receivable. The Company maintains an allowance for credit losses for estimated losses resulting from the inability of its students, universities and colleges or financial service providers to make required payments. Accounts receivable is considered past due based on its contractual terms. In establishing the allowance, management considers historical losses, the financial condition, the accounts receivable aging, the payment patterns and the forecasted information in pooling basis upon the use of the Current Expected Credit Loss Model (“CECL Model”) in accordance with ASC Topic 326. Accounts receivable that are deemed to be uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There is a time lag between when the Company estimates a portion of or the entire account balances to be uncollectible and when a write off of the account balances is taken. The Company takes a write off of the account balances when the Company can demonstrate all means of collection on the outstanding balances have been exhausted.

*d. Guarantee liabilities*

For certain students who borrow the tuition fee from financial service providers, the Company provides a guarantee service to financial service providers whereas in the event of default, the financial service providers are entitled to receive unpaid interest and principal from the Company. In general, any unpaid interest and principal are paid when the borrower does not repay as scheduled.

For accounting purposes, at the inception of each loan, the Company recognizes the guarantee liability in accrued expenses and other current liabilities at fair value in accordance with ASC 460-10, which incorporates the expectation of potential future payments under the guarantee and takes into both non-contingent and contingent aspects of the guarantee. Subsequent to the loan’s inception, the guarantee liability is composed of two components: (i) ASC Topic 460 component; and (ii) ASC Topic 450 component. The liability recorded based on ASC Topic 460 is determined on a loan by loan basis and it is reduced when the Company is released from the underlying risk, i.e. as the loan is repaid by the borrower or when the investor is compensated in the event of a default. This component is a stand ready obligation which is not subject to the probable threshold used to record a contingent obligation. The guarantee liabilities are generally reduced by recording a credit to guarantee service revenue as the guarantor is released from the underlying guaranteed risk. Subsequent to initial recognition, the guarantee obligation’s release from risk has typically been recognized over the term of the guarantee using a rational amortization method. The other component is a contingent liability determined based on probable loss considering the actual historical performance and current conditions, representing the obligation to make future payouts under the guarantee liability in excess of the stand-ready liability, measured using the guidance in ASC Topic 450, loans with similar risk characteristics are pooled into cohorts. The ASC 450 contingent component is recognized as part of operating expenses. At all times the recognized liability (including the stand ready liability and contingent liability) is at least equal to the probable estimated losses of the guarantee portfolio.

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**4 PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET**

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2022 RMB	2023 RMB
<b>Prepaid expenses and other current assets:</b>		
Prepaid deposits (a)	13,849	16,952
Advance to suppliers	2,956	14,325
Inventories	7,181	9,363
Prepaid rental expenses	3,256	6,750
Prepaid professional fee	3,374	2,436
Prepaid advertising expenses	1,049	2,043
Prepaid value-added tax	2,836	1,594
Others	4,533	4,300
<b>Total prepaid expenses and other current assets</b>	<b>39,034</b>	<b>57,763</b>
Less: allowance for credit losses	(378)	(378)
<b>Prepaid expenses and other current assets, net</b>	<b>38,656</b>	<b>57,385</b>

(a) It mainly included prepaid rental deposits.

The movements of the allowance for credit losses are as follows:

	December 31,		
	2021 RMB	2022 RMB	2023 RMB
Balance at the beginning of the year	—	—	378
Additions charged to bad debt expense	—	378	—
<b>Balance at the end of the year</b>	<b>—</b>	<b>378</b>	<b>378</b>

**5 PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following:

	December 31,	
	2022 RMB	2023 RMB
Furniture	19,592	18,277
Office equipment	161,001	164,261
Leasehold improvements	134,782	80,782
<b>Total property and equipment</b>	<b>315,375</b>	<b>263,320</b>
Less: accumulated depreciation	(237,379)	(197,256)
<b>Property and equipment, net</b>	<b>77,996</b>	<b>66,064</b>

Depreciation expense for property and equipment was allocated to the following:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Cost of revenues	58,097	55,911	38,026
Selling and marketing expenses	4,629	3,390	2,188
General and administrative expenses	8,072	6,456	4,921
Research and development expenses	677	140	2
<b>Total</b>	<b>71,475</b>	<b>65,897</b>	<b>45,137</b>



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**6 LONG-TERM INVESTMENTS**

Long-term investments consist of the following:

	December 31,	
	2022 RMB	2023 RMB
Equity investments without readily determinable fair values		
A company providing mechanic training (a)	12,000	11,992
Other equity investments without readily determinable fair values (b)	15,000	15,000
Impairment of equity investments without readily determinable fair values	—	(4,000)
<b>Total equity investments without readily determinable fair values, net</b>	<b>27,000</b>	<b>22,992</b>
Equity method investments		
Companies providing hockey program management	2,156	2,257
A company providing Internet product solutions (c)	17,551	17,135
Impairment of equity method investments	(524)	(524)
<b>Total equity method investments, net</b>	<b>19,183</b>	<b>18,868</b>
<b>Total long-term investments</b>	<b>46,183</b>	<b>41,860</b>

- (a) In October 2015, the Company paid RMB12,000 in cash to acquire 2.86% of the total equity interest in an education company, which provides training for senior mechanic in vehicle maintenance and repair. In 2023, the Company sold a portion of shares in the education company. No impairment loss was recognized as of December 31, 2021, 2022 and 2023, and for the years then ended.
- (b) During the years ended December 31, 2018 and 2019, the Company acquired minority equity interests in several third-party companies. The Company recognized impairment loss of nil, nil and RMB4,000 for the years ended December 31 2021, 2022 and 2023, respectively. The Company written off impairment balance of 13,000, nil and nil for the years ended December 31 2021, 2022 and 2023, respectively.
- (c) In January 2018, the Company paid RMB14,000 in cash to acquire 20% of equity interest of a company which provides IT consulting services and programming and accounted for the investment using equity method. No impairment loss was recognized as of December 31, 2021, 2022 and 2023, and for the years then ended.

**7 OTHER NON-CURRENT ASSETS**

Other non-current assets consist of the following:

	December 31,	
	2022 RMB	2023 RMB
<b>Other non-current assets:</b>		
Rent and property management deposits	24,445	22,683
Prepayment for equipment and leasehold improvement	2,425	2,831
Others	7,525	3,239
<b>Total other non-current assets</b>	<b>34,395</b>	<b>28,753</b>

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## 8 SHORT-TERM BANK LOANS

On August 7, 2021, the Company signed a credit extension contract with the China Merchants Bank. As of December 31, 2021, the Company has drawn RMB 30,000, which will mature during the period from August 2022 to November 2022 and the annual interest rate is 5.3%.

On October 12, 2022, the Company signed a credit extension contract with the China Merchants Bank with a limit of RMB 30,000. As of December 31, 2022, the Company has drawn RMB30,000, which will mature in 12 months from the drawdown date. The applicable interest rate for the loan is 4.9% per annum. The Company fully repaid the bank loans in May 2023.

Interest expenses of the loans were RMB117, RMB2,812 and RMB929 for the years ended December 31, 2021, 2022 and 2023, respectively.

## 9 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

		December 31,	
		2022	2023
		RMB	RMB
Recharge card	(a)	156,003	228,655
Refund liability		128,940	190,591
Accrued payroll and employee benefits		83,955	72,715
VAT and other tax payables		4,629	10,680
Accrued compensation for minority shareholder litigation		20,894	—
Professional service fee		9,454	5,881
Payable for advertisement		5,611	—
Others		7,425	8,574
<b>Total</b>		<b>416,911</b>	<b>517,096</b>

(a) Recharge card is the amount that customers paid in advance without designated enrollment contract for IT-focused supplementary STEM education training courses.

## 10 INCOME TAXES

Under the current laws of the Cayman Islands, TCTM is not subject to tax on its income or capital gains. For the period from its inception on October 22, 2012 to December 31, 2023, Tarena HK did not have any assessable profits arising in or derived from HK SAR. TCTM's PRC subsidiaries and consolidated VIEs and the subsidiaries of the VIEs file separate tax returns in the PRC. Effective from January 1, 2008, the PRC statutory income tax rate is 25% according to the Corporate Income Tax ("CIT") Law which was passed by the National People's Congress on March 16, 2007.

Certain TCTM's subsidiaries and branches in China have been qualified as "Small Profit Enterprises" since 2017 and 2018, and therefore are entitled to enjoy a preferential income tax rate of 20% on 50% of the assessable profit before tax. From January 1, 2021 to December 31, 2021, 12.5% of the first RMB 1.0 million of the assessable profit before tax is subject to preferential tax rate of 20% and the 50% of the assessable profit before tax exceeding RMB 1.0 million but not exceeding RMB 3.0 million is subject to preferential tax rate of 20%. From January 1, 2022 to December 31, 2022, 12.5% of the first RMB 1.0 million of the assessable profit before tax is subject to preferential tax rate of 20% and the 25% of the assessable profit before tax exceeding RMB 1.0 million but not exceeding RMB 3.0 million is subject to preferential tax rate of 20%. From January 1, 2023 to December 31, 2027, 25% of the first RMB 3.0 million of the assessable profit before tax is subject to the tax rate of 20% for the Company's subsidiaries that are qualified as "Small Profit Enterprises".

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**10 INCOME TAXES (CONTINUED)**

Since the Company wound up some PRC subsidiaries for the year ended December 31, 2023, deferred tax assets consisting mainly of net operating loss carryforwards will no longer be utilizable in the future due to their cancellation. As a result, these deferred tax assets of RMB988 along with related full valuation allowance provided from prior years were written-off by the management as of December 31, 2023.

The components of (loss) income before income taxes are as follows:

	Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
PRC	(375,963)	36,389	34,810
Hong Kong	(1,751)	(669)	(2,385)
Cayman Islands	(13,562)	(50,283)	(15,410)
Canada	(1,561)	(2,003)	(2,653)
<b>Total (loss) income before income taxes</b>	<b>(392,837)</b>	<b>(16,566)</b>	<b>14,362</b>

Income tax (expense) benefit consists of the following:

	Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Current income tax expense	(663)	(3,796)	(1,872)
Deferred income tax (expense) benefit	(115,788)	18,300	9,844
<b>Total</b>	<b>(116,451)</b>	<b>14,504</b>	<b>7,972</b>

The actual income tax expense from continuing operations reported in the consolidated statements of comprehensive (loss) income for each of the years ended December 31, 2021, 2022 and 2023 differs from the amount computed by applying the PRC statutory income tax rate to income before income taxes due to the following:

	Year Ended December 31,		
	2021	2022	2023
PRC statutory income tax rate	25.0 %	25.0 %	25.0 %
Increase (decrease) in effective income tax rate resulting from:			
Impact of different tax rates in other jurisdictions	(0.9)%	(76.2)%	28.2 %
Research and development bonus deduction	0.7 %	(12.9)%	(10.8)%
Non-deductible shared expenses from discontinued operations	— %	— %	114.9 %
Non-deductible expenses	— %	(1.9)%	1.6 %
Tax impact of investment loss	— %	90.6 %	— %
Preferential tax rates	(14.4)%	21.0 %	17.3 %
Tax effect of expired tax attribute carryforwards	— %	— %	15.6 %
Change of tax rates	(5.2)%	(1.5)%	(0.2)%
Change in valuation allowance	(34.8)%	43.5 %	(246.9)%
<b>Actual income tax expense</b>	<b>(29.6)%</b>	<b>87.6 %</b>	<b>(55.3)%</b>

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**10 INCOME TAXES (CONTINUED)**

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. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2022 RMB	2023 RMB
Deferred income tax assets:		
Tax loss carry forwards	176,296	163,331
Others	1,148	520
<b>Total deferred income tax assets</b>	<b>177,444</b>	<b>163,851</b>
Valuation allowance	(158,812)	(135,375)
<b>Deferred income tax assets, net</b>	<b>18,632</b>	<b>28,476</b>
Deferred income tax liabilities:		
Valuation appreciation of intangible assets	750	433
<b>Deferred income tax liabilities*</b>	<b>750</b>	<b>433</b>

\* Deferred income tax liabilities are combined in other non-current liabilities.

The movements of the valuation allowance are as follows:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Balance at the beginning of the year	4,551	140,621	158,812
Additions of valuation allowance	136,490	14,068	3,250
Reduction of valuation allowance	107	(10,000)	(6,384)
Reversal of valuation allowance	—	(11,280)	(32,342)
Change of tax rates	(527)	25,445	13,027
Change of decrease related to subsidiary disposals and expiration	—	(42)	(988)
<b>Balance at the end of the year</b>	<b>140,621</b>	<b>158,812</b>	<b>135,375</b>

The valuation allowance as of December 31, 2022 and 2023 was primarily provided for the deferred income tax assets of certain TCTM's PRC subsidiaries, consolidated VIEs, and the subsidiaries of the VIEs, which were at cumulative loss positions. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilizable. Management has considered projected future taxable income and tax planning strategies in making this assessment. As of December 31, 2023, the Company had tax losses carryforwards of RMB1,263,133, including which from Hong Kong subsidiary of RMB6,560 that does not have an expiring date. Tax losses of RMB280,201, RMB336,215, RMB271,151, RMB184,458, and RMB184,548 will expire, if unused, by 2024, 2025, 2026, 2027 and 2028, respectively.

The CIT Law and its implementation rules impose a withholding income tax at 10%, unless reduced by a tax treaty or arrangement, on the amount of dividends distributed by a PRC-resident enterprise to its immediate holding company in Hong Kong that are related to earnings accumulated beginning on January 1, 2008. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding income tax. The Company did not distribute any dividend for the years ended December 31, 2022 and 2023.

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**10 INCOME TAXES (CONTINUED)**

The Company has considered temporary differences on the book to tax differences pertaining to all investment in subsidiaries including the determination of the indefinite reinvestment assertion that would apply to each foreign subsidiary. The Company evaluated each entity's historical, current business environment and plans to indefinitely reinvest all earnings accumulated in its respective jurisdiction for purpose of future business expansion.

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2023, the Company did not have any unrecognized uncertain tax positions and the Company does not believe that its unrecognized tax benefits will change over the next twelve months. For the years ended December 31, 2023, the Company did not incur any interest and penalties related to potential underpaid income tax expenses. As of December 31, 2023, the tax years ended December 31, 2018 through 2022 for the Company's subsidiaries in the PRC and the VIEs are generally subject to examination by the PRC tax authorities.

**11 RELATED PARTY TRANSACTIONS**

The following is a list of related parties from continuing operations which the Company has major transactions with:

- (1) Ms. Han Lijuan, a sister of Mr. Han.
- (2) Tarena Weishang Technology (Hainan) Co., Ltd., a company controlled by Mr. Han's sister.

Related party transactions

On December 24, 2023, the Company entered into an equity transfer agreement to dispose of our equity interests in the professional education business to a buyer consortium led by Tarena Weishang Technology (Hainan) Co., Ltd, a company controlled by Mr. Han's sister. (Note 1 & Note 3). The net transfer consideration, based on third party independent appraiser, for the Disposal amounted to RMB1 and RMB1 in exchange of the equity interest of Tarena Technologies and Tarena Hangzhou in cash, respectively.

**12 ORDINARY SHARES AND STATUTORY RESERVE**

**(a) Treasury shares**

No ordinary shares were repurchased for the year ended December 31, 2021.

For the year ended December 31, 2022, 3,409,080 ordinary shares were repurchased on the open market with the amount of RMB17,103.

For the year ended December 31, 2023, 496,240 ordinary shares were repurchased on the open market with the amount of RMB2,428.

**(b) Statutory reserves and restricted net assets**

Under PRC rules and regulations, TCTM's PRC subsidiaries, consolidated VIEs, and the subsidiaries of the VIEs (the "PRC Entities") are required to appropriate 10% of their net profit, as determined in accordance with PRC accounting rules and regulations, to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. In addition, private schools (held by the PRC Entities) which require reasonable returns are required to appropriate 25% of their net profit, as determined in accordance with PRC accounting rules and regulations, to a statutory development fund, whereas in the case of private schools which do not require reasonable return, 25% of the annual increase of their net assets. The appropriation to these statutory reserves must be made before distribution of dividends to TCTM can be made.

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**12 ORDINARY SHARES AND STATUTORY RESERVE (CONTINUED)**

**(b) Statutory reserves and restricted net assets (Continued)**

For the years ended December 31, 2021, 2022 and 2023, the PRC Entities made appropriations to the statutory reserves of RMB16,736, RMB19,037 and RMB6,780, respectively. As of December 31, 2022 and 2023, the accumulated balance of the statutory reserves was RMB194,601 and RMB201,381, respectively, which is combined in accumulated deficit.

Relevant laws and regulations of mainland China restrict the WFOE, VIE and VIE's subsidiary from transferring a portion of their net assets, equivalent to the balance of their paid-in-capital, additional paid-in-capital and statutory reserves to the Company in the form of loans, advances or cash dividends. Relevant PRC statutory laws and regulations restrict the payments of dividends by the Company's VIE and VIE's subsidiary from their respective retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

The balances of restricted net assets as of December 31, 2022 and 2023 were RMB1,558,879 and RMB1,228,153 respectively. Under applicable laws of mainland China, loans from PRC companies to their offshore affiliated entities require governmental approval, and advances by PRC companies to their offshore affiliated entities must be supported by bona fide business transactions.

**(c) Dividend**

No cash dividend was declared for the years ended December 31, 2021, 2022 and 2023.

**13 SHARE BASED COMPENSATION**

*Share incentive plans*

On February 1, 2014, TCTM adopted the 2014 Share Plan (the "2014 Plan"), pursuant to which TCTM was authorized to issue options, non-vested shares and non-vested share units to qualified employees, directors and consultants of the Company. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan, or the Award Pool, is 1,833,696, provided that the shares reserved in the Award Pool shall be increased on the first day of each fiscal year, commencing with January 1, 2015, if the unissued shares reserved in the Award Pool on such day account for less than 2% of the total number of shares issued and outstanding on a fully-diluted basis on December 31 of the immediately preceding fiscal year, as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal 2% of the total number of shares issued and outstanding on a fully-diluted basis on December 31 of the immediately preceding fiscal year.

*Share options*

During the year ended December 31, 2021, the board of the directors of TCTM approved the grant of options to certain officers and employees to purchase 879,000 ordinary shares of TCTM at exercise prices ranging from US\$0.00 to US\$0.37 per share. These options vest over a period ranging between 1 and 2 years. The options have a contractual term of ten years.

During the year ended December 31, 2022, the board of the directors of TCTM approved the grant of options to certain officers and employees to purchase 1,166,980 ordinary shares of TCTM at exercise price of US\$0.01 per share. These options vest over a period ranging between 0.00 and 10 years. The options have a contractual term of ten years.

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**13 SHARE BASED COMPENSATION (CONTINUED)**

*Share options (Continued)*

During the year ended December 31, 2023, the board of the directors of TCTM approved the grant of options to certain officers and employees to purchase 200,000 ordinary shares of TCTM at exercise price of US\$0.01 per share. These options vest within 1 year. The options have a contractual term of ten years.

A summary of share options activity for the year ended December 31, 2023 is as follows:

	Number of Share Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Years	Aggregate Intrinsic Value US\$
<b>Outstanding at December 31, 2022</b>	<b>3,356,635</b>	<b>0.10</b>	<b>6.89</b>	<b>2,994</b>
Granted	200,000	0.01	—	—
Exercised	(499,145)	0.01	—	—
Forfeited	(762,605)	0.20	—	—
<b>Outstanding at December 31, 2023</b>	<b>2,294,885</b>	<b>0.07</b>	<b>5.16</b>	<b>448</b>
<b>Vested and expected to vest as of December 31, 2023</b>	<b>4,665,092</b>	<b>0.30</b>	<b>4.30</b>	<b>919</b>
<b>Exercisable as of December 31, 2023</b>	<b>2,275,775</b>	<b>0.37</b>	<b>5.15</b>	<b>444</b>

The total intrinsic value of options exercised during the years ended December 31, 2021, 2022 and 2023 were RMB6,261, RMB2,543 and RMB711, respectively.

The Company calculated the fair value of the share options on the grant date using the Binomial option-pricing valuation model. The assumptions used in the valuation model are summarized in the following table.

	Year Ended December 31,		
	2021	2022	2023
Expected volatility	73.76%-75.78%	75.77%-77.77%	77.77%
Expected dividends yield	0%	0%	0%
Exercise multiple	2.2-2.8	2.2-2.8	2.8
Risk-free interest rate per annum	1.09%-1.66%	1.66%-4.10%	4.10%
The fair value of underlying ordinary shares (per share)	US\$0.20-US\$2.92	US\$0.36-US\$1.13	US\$0.92

The expected volatility was based on the historical volatilities of the Company and comparable publicly traded companies engaged in the similar industry.

No income tax benefit was recognized in the consolidated statements of comprehensive loss as the share-based compensation expense was not tax deductible.

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**13 SHARE BASED COMPENSATION (CONTINUED)**

*Share options (Continued)*

The fair values of the options granted for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year Ended December 31,		
	2021	2022	2023
	US\$	US\$	US\$
Weighted average grant date fair value of option per share	0.82	0.92	0.92
Aggregate grant date fair value of options	720	1,079	184

As of December 31, 2023, there was approximately RMB706 of total unrecognized compensation cost related to unvested share options and the unrecognized compensation costs are expected to be recognized over a weighted average period of approximately 1.32 years.

*Non-vested shares*

On March 1, 2021, the board of directors of TCTM approved the grant of 69,355 non-vested shares to 1 independent director and 1 executive officer, of which the vesting period is one year. On April 9, 2021, the board of directors of TCTM approved the grant of 48,690 non-vested shares to 1 independent director and 1 executive director, of which the vesting period is one year.

On March 1, 2022, the board of directors of TCTM approved the grant of 50,000 non-vested shares to 1 former independent director, of which the vesting period is one year. On April 9, 2022, the board of directors of TCTM approved the grant of 337,170 non-vested shares to 1 independent director and 1 former independent director, of which the vesting period is one year.

On April 9, 2023, the board of directors of TCTM approved the grant of 115,050 non-vested shares to 1 independent director, of which the vesting period is one year.

A summary of the non-vested shares activity under the 2014 Share Plan for the year ended December 31, 2023 is summarized as follows:

	Number of Non-vested Shares	Weighted Average Grant Date Fair Value
		US\$
<b>Outstanding as of December 31, 2022</b>	<b>144,920</b>	<b>4.38</b>
Granted	115,050	0.66
Vested	(185,340)	2.22
Forfeited	(9,485)	9.50
<b>Outstanding as of December 31, 2023</b>	<b>65,145</b>	<b>2.28</b>

As of December 31, 2023, there was approximately RMB1,054 of total unrecognized compensation cost related to non-vested shares, which is expected to be recognized over a weighted average period of approximately 0.45 year. The total fair value of shares vested during the years ended December 31, 2021, 2022 and 2023 was RMB5,930, RMB3,358 and RMB2,916, respectively.



**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**14 (LOSS) EARNINGS PER SHARE**

Basic and diluted (loss) earnings per share is calculated as follows:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
<b>Numerator:</b>			
Net income (loss) from discontinued operation	33,508	87,295	(11,980)
<b>Denominator:</b>			
Denominator for basic earnings per share:			
Weighted average number of Class A and Class B ordinary shares outstanding			
—basic	56,260,925	54,657,222	53,873,945
Dilutive effect of outstanding share options	1,369,440	3,073,450	1,460,629
Denominator for diluted (loss) earnings per share			
—diluted	57,630,365	57,730,672	55,334,574
<b>Basic earnings(loss) from discontinued operation per ADS</b>	<b>2.98</b>	<b>7.99</b>	<b>(1.11)</b>
<b>Diluted earnings(loss) from discontinued operation per ADS</b>	<b>2.91</b>	<b>7.56</b>	<b>(1.11)</b>
<b>Numerator:</b>			
Net (loss) income from continuing operations	(509,288)	(2,062)	22,334
<b>Denominator:</b>			
Denominator for basic earnings per share:			
Weighted average number of Class A and Class B ordinary shares outstanding			
—basic	56,260,925	54,657,222	53,873,945
Dilutive effect of outstanding share options	1,369,440	3,073,450	1,460,629
Denominator for diluted (loss) earnings per share			
—diluted	57,630,365	57,730,672	55,334,574
<b>Basic (loss) earnings from continuing operations per ADS</b>	<b>(45.15)</b>	<b>(0.35)</b>	<b>1.94</b>
<b>Diluted (loss) earnings from continuing operations per ADS</b>	<b>(45.15)</b>	<b>(0.35)</b>	<b>1.89</b>

**15 LEASES**

The Company's leases consist of operating leases for learning centers and office spaces in different cities in the PRC. The Company reviews all options to extend, terminate, or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised. As of December 31, 2023, the Company had no long-term leases that were classified as a financing lease, and the Company's lease contracts only contain fixed lease payments and do not contain any residual value guarantee. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets. The Company recognizes rental expense on a straight-line basis over the lease term.

The components of rental expense from continuing operations for the years ended December 31, 2021, 2022 and 2023 consist as follows:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Short-term rental expense	14,116	7,411	9,961
Operating lease expense excluding short-term rental expense	169,613	148,867	133,106

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**15 LEASES (CONTINUED)**

Other information related to operating leases is as follows:

	Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Cash paid for amounts included in the measurement of lease liabilities:	119,932	123,263	143,602
Right-of-use assets obtained in exchange for new lease liabilities:	144,601	80,403	132,001

As of December 31, 2022 and 2023, the weighted average remaining lease term was 2.42 years and 3.48 years, respectively, and the weighted average discount rate was 5.62% and 5.58% for the Company's operating leases, respectively.

The Company's lease agreements do not have a discount rate that is readily determinable. The incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment. The weighted-average discount rate was calculated using the discount rate for the lease that was used to calculate the lease liability balance for each lease and the remaining balance of the lease payments for each lease as of December 31, 2022 and 2023.

The weighted-average remaining lease terms were calculated by using the remaining lease term and the lease liability balance for each lease as of December 31, 2022 and 2023.

As of December 31, 2023, maturities of lease liabilities were as follows:

	RMB
Year ending December 31,	
2024	113,686
2025	66,914
2026	37,027
2027	11,620
2028 and thereafter	6,326
Total lease payments	235,573
Less: imputed interest	15,929
<b>Total</b>	<b>219,644</b>
Less: current portion	111,840
Non-current portion	107,804

Gross rental expenses incurred under operating leases were RMB183,729, RMB156,278 and RMB143,067 for the years ended December 31, 2021, 2022 and 2023, respectively.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**16 COMMITMENTS AND CONTINGENCIES**

The Company and certain of its current and former officers and directors have been named as defendants in a putative securities class action captioned Yili Qiu v. TCTM, Inc. et al., (Case No. 1:21-cv-03502) filed on June 22, 2021 in the U.S. District Court for the Eastern District of New York. The complaint asserts that defendants made false or misleading statements in certain SEC filings between August 16, 2016 and November 1, 2019 related to the Company's business and operating results in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On September 1, 2021, the court entered an order appointing lead plaintiff in this action. On September 14, 2021, the parties filed a joint status report and proposed scheduling stipulation, pursuant to which, the lead plaintiff filed an amended complaint on November 1, 2021. On December 16, 2021, the Company filed its pre-motion letter and the plaintiffs filed their opposition on December 23, 2021. On January 18, 2022, the Company moved to dismiss the complaint. On April 4, 2022, lead plaintiff served its opposition to the motion. Briefing was completed on May 19, 2022. While the motion to dismiss was pending, Plaintiff and the Company reached an agreement in principle to settle all claims. On July 13, 2022, Plaintiff filed a letter informing the court of the settlement in principle. On August 31, 2022, the parties filed a motion for preliminary approval of the proposed settlement agreement. Preliminary approval hearing took place on November 8, 2022, and the Court reserved judgement on the motion pending submission of additional information. In December 2022, the parties submitted revised settlement materials to the Court. On August 3, 2023, the Court ordered additional revisions to the settlement papers, which the parties submitted on August 18, 2023. On September 5, 2023, the Court granted preliminary approval for the TCTM settlement agreement. The Company settled the payment on September 23, 2023, and the plaintiff have filed their motions to approve the settlement and their proposed awards of attorney's fees, etc. On February 9, 2024, the Court held the fairness hearing. The parties are awaiting the Court's ruling.

There will have no material adverse effect on the Company's financial position, results of operations or liquidity.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**17 PARENT ONLY FINANCIAL INFORMATION**

The following presents condensed parent company financial information of TCTM.

**Condensed Balance Sheets**

	December 31,		
	2022 RMB	2023 RMB	2023 US\$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	1,844	5,251	740
Prepaid expenses and other current assets	550	226	32
Due from subsidiaries	437,987	380,470	53,588
<b>Total current assets</b>	<b>440,381</b>	<b>385,947</b>	<b>54,360</b>
Investment in subsidiaries	(1,574,974)	(1,560,377)	(219,775)
<b>Total assets</b>	<b>(1,134,593)</b>	<b>(1,174,430)</b>	<b>(165,415)</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
<b>Current liabilities:</b>			
Accrued expenses and other current liabilities <sup>(1)</sup>	30,392	4,155	585
Due to subsidiaries	334,909	319,198	44,959
<b>Total current liabilities</b>	<b>365,301</b>	<b>323,353</b>	<b>45,544</b>
<b>Total liabilities</b>	<b>365,301</b>	<b>323,353</b>	<b>45,544</b>
Commitments and contingencies	—	—	—
<b>Shareholders' deficit:</b>			
Class A ordinary shares (US\$0.001 par value, 860,000,000 shares authorized, 57,176,842 and 57,861,327 shares issued, 46,567,892 and 46,756,137 shares outstanding as of December 31, 2022 and 2023, respectively)	359	364	51
Class B ordinary shares (US\$0.001 par value, 40,000,000 shares authorized, 7,206,059 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	74	74	10
Treasury shares (10,608,950 and 11,105,190 Class A ordinary shares as of December 31, 2022 and 2023, at cost)	(476,918)	(479,346)	(67,514)
Additional paid-in capital	1,363,845	1,360,901	191,679
Accumulated other comprehensive income	49,664	48,216	6,791
Accumulated deficit	(2,436,918)	(2,427,992)	(341,976)
<b>Total shareholders' deficit</b>	<b>(1,499,894)</b>	<b>(1,497,783)</b>	<b>(210,959)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>(1,134,593)</b>	<b>(1,174,430)</b>	<b>(165,415)</b>

(1) Mainly related to repurchase of treasury shares.

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**17 PARENT ONLY FINANCIAL INFORMATION (CONTINUED)**

**Condensed Statements of Comprehensive (Loss) Income**

	Year Ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Selling and marketing expenses	(323)	(8)	—	—
General and administrative expenses	5,955	(34,558)	(11,625)	(1,637)
<b>Operating income (loss)</b>	<b>5,632</b>	<b>(34,566)</b>	<b>(11,625)</b>	<b>(1,637)</b>
Equity in (loss) income of subsidiaries	(480,114)	117,266	20,415	2,875
Foreign currency exchange (loss) gains	(268)	2,480	106	15
Interest income (expense)	203	(1,660)	30	5
<b>(Loss) income before income taxes</b>	<b>(474,547)</b>	<b>83,520</b>	<b>8,926</b>	<b>1,258</b>
Income tax expense	—	—	—	—
<b>Net (loss) income</b>	<b>(474,547)</b>	<b>83,520</b>	<b>8,926</b>	<b>1,258</b>
<b>Other comprehensive (loss) income</b>				
Foreign currency translation adjustment	(421)	965	(1,448)	(204)
<b>Comprehensive (loss) income</b>	<b>(474,968)</b>	<b>84,485</b>	<b>7,478</b>	<b>1,054</b>

**Condensed Statements of Cash Flows**

	Year Ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
<b>Operating activities:</b>				
Net cash provided by (used in) operating activities	14,458	(5,699)	4,902	690
<b>Financing activities:</b>				
Issuance of Class A ordinary shares in connection with exercise of share options	3,947	107	227	32
Repurchase of treasury shares	—	(17,103)	(2,428)	(342)
<b>Net cash provided by (used in) financing activities</b>	<b>3,947</b>	<b>(16,996)</b>	<b>(2,201)</b>	<b>(310)</b>
Changes in cash and cash equivalents	18,405	(22,695)	2,701	380
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,308	1,033	706	100
Net increase (decrease) in cash and cash equivalents	19,713	(21,662)	3,407	480
Cash and cash equivalents at beginning of year	3,793	23,506	1,844	260
Cash and cash equivalents at end of year	23,506	1,844	5,251	740

**TCTM KIDS IT EDUCATION INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**18 SUBSEQUENT EVENTS**

A Proposed Disposal

On December 24, 2023, the Company held board meeting to approve the Proposed Disposal related the professional education business (the “Divestiture”). Upon consummation of the Divestiture on March 31, 2024, the Company lost its control over the professional education business while the primary focus has shifted to providing IT-focused supplementary STEM education services. Accordingly, the Company deconsolidated the professional education business financial statements, effective since March 31, 2024.

Repurchase Shares from Affiliate of KKR & Co. Inc. (“KKR”)

In January 2024, the Company entered into a share repurchase agreement with Talent Fortune Investment Limited, an affiliate of KKR, pursuant to which the Company agreed to repurchase 5,119,698 of its Class A ordinary shares beneficially owned by Talent Fortune Investment Limited at a repurchase price of \$0.2 per share. The sale and repurchase of the 5,119,698 Class A ordinary shares has been closed in February 2024.

2024 Share Plan

On February 28, 2024, TCTM adopted the 2024 Share Plan (the “2024 Plan”), pursuant to which TCTM was authorized to issue options, non-vested shares and non-vested share units to qualified employees, directors and consultants of the Company. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2024 Plan, or the Award Pool, is 3,500,000, provided that the shares reserved in the Award Pool shall be increased on the first day of each fiscal year, commencing with January 1, 2025, if the unissued shares reserved in the Award Pool on such day account for less than 2% of the total number of shares issued and outstanding on a fully-diluted basis on December 31 of the immediately preceding fiscal year, as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal 2% of the total number of shares issued and outstanding on a fully-diluted basis on December 31 of the immediately preceding fiscal year.

The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements. Other than the matters noted above, there are no any other subsequent events with material financial impact on the Company’s consolidated financial statements.

CT-204994

# Certificate of Incorporation on Change of Name

*I DO HEREBY CERTIFY that*

**Tarena International, Inc.**

*having by Special resolution dated 20th day of February Two Thousand Twenty-Four changed its name, is now incorporated under name of*

**TCTM Kids IT Education Inc.**

*Given under my hand and Seal at George Town in  
the  
Island of Grand Cayman this 21st day of February  
Two Thousand Twenty-Four*



**An Authorised Officer,  
Registry of Companies,  
Cayman Islands.**



Authorisation Code : 528421558883  
www.verify.gov.ky  
22 February 2024

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**THE COMPANIES LAW (2013 REVISION)**  
**OF THE CAYMAN ISLANDS**  
**COMPANY LIMITED BY SHARES**  
**FIFTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION**  
**OF**  
**TARENA INTERNATIONAL, INC.**

(adopted by a Special Resolution passed on March 3, 2014 and effective conditional and immediately upon the effectiveness of the Registration Statement on Form F-1 relating to the initial public offering of the Company's American Depositary Shares representing its Class A Ordinary Shares)

1. The name of the Company is Tarena International, Inc.
  2. The Registered Office of the Company will be situated at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands, or at such other location within the Cayman Islands as the Directors may from time to time determine.
  3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.
  4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Law.
  5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
  6. The liability of each Shareholder is limited to the amount, if any, unpaid on the Shares held by such Shareholder.
  7. The authorised share capital of the Company is US\$1,000,000 divided into 1,000,000,000 shares comprising of (i) 860,000,000 Class A Ordinary Shares of a par value of US\$0.001 each, (ii) 40,000,000 Class B Ordinary Shares of a par value of US\$0.001 each and (iii) 100,000,000 shares of a par value of US\$0.001 each of such class or classes (however designated) as the Board may determine in accordance with Article 8 of the Articles. Subject to the Companies Law and the Articles, the Company shall have power to redeem or purchase any of its Shares and to increase or reduce its authorised share capital and to sub-divide or consolidate the said Shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
  8. The Company has the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.
  9. Capitalized terms that are not defined in this Memorandum of Association bear the same meanings as those given in the Articles of Association of the Company.
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**THE COMPANIES LAW (2013 REVISION)**

**OF THE CAYMAN ISLANDS**

**COMPANY LIMITED BY SHARES**

**FIFTH AMENDED AND RESTATED**

**ARTICLES OF ASSOCIATION**

**OF**

**TARENA INTERNATIONAL, INC.**

(adopted by a Special Resolution passed on March 3, 2014 and effective conditional and immediately upon the effectiveness of the Registration Statement on Form F-1 relating to the initial public offering of the Company's American Depositary Shares representing its Class A Ordinary Shares)

**TABLE A**

The regulations contained or incorporated in Table 'A' in the First Schedule of the Companies Law shall not apply to the Company and the following Articles shall comprise the Articles of Association of the Company.

**INTERPRETATION**

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

**"ADS"** means an American Depositary Share representing Class A Ordinary Shares;

**"Affiliate"** means in respect of a Person, any other Person that, directly or indirectly, through (1) one or more intermediaries, controls, is controlled by, or is under common control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. The term "control" shall mean the ownership, directly or indirectly, of shares possessing more than fifty per cent (50%) of the voting power of the corporation, or the partnership or other entity (other than, in the case of corporation, shares having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity;

<b>“Articles”</b>	means these articles of association of the Company, as amended or substituted from time to time;
<b>“Board” and “Board of Directors” and “Directors”</b>	means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof;
<b>“Chairman”</b>	means the chairman of the Board of Directors;
<b>“Class” or “Classes”</b>	means any class or classes of Shares as may from time to time be issued by the Company;
<b>“Class A Ordinary Share”</b>	an Ordinary Share of a par value of US\$0.001 in the capital of the Company, designated as a Class A Ordinary Shares and having the rights provided for in these Articles.
<b>“Class B Ordinary Share”</b>	an Ordinary Share of a par value of US\$0.001 in the capital of the Company, designated as a Class B Ordinary Share and having the rights provided for in these Articles.
<b>“Commission”</b>	means the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
<b>“Company”</b>	means Tarena International, Inc., a Cayman Islands exempted company;
<b>“Companies Law”</b>	means the Companies Law (2013 revision) of the Cayman Islands and any statutory amendment or re-enactment thereof;
<b>“Company’s Website”</b>	means the website of the Company, the address or domain name of which has been notified to Shareholders;
<b>“Competitor”</b>	means any entity conducting a business directly or through one or more of its Affiliates, which business is in competition with any business conducted by the Company or any of its Affiliates.
<b>“Designated Stock Exchange”</b>	means the stock exchange in the United States that the ADSs are listed for trading;
<b>“Designated Stock Exchange Rules”</b>	means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any Shares or ADSs on the Designated Stock Exchange;
<b>“electronic”</b>	means the meaning given to it in the Electronic Transactions Law and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;
<b>“electronic communication”</b>	means electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;

<b>“Electronic Transactions Law”</b>	means the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any statutory amendment or re-enactment thereof;
<b>“Independent Director”</b>	means a director who is an independent director as defined in the Designated Stock Exchange Rules;
<b>“Law”</b>	means the Companies Law and every other law and regulation of the Cayman Islands for the time being in force concerning companies and affecting the Company;
<b>“Memorandum of Association”</b>	means the memorandum of association of the Company, as amended or substituted from time to time;
<b>“Month”</b>	means calendar month;
<b>“Ordinary Resolution”</b>	means a resolution: <ul style="list-style-type: none"> <li>(a) passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting held in accordance with these Articles; or</li> <li>(b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;</li> </ul>
<b>“Ordinary Shares”</b>	means a Class A Ordinary Share or a Class B Ordinary Share;
<b>“paid up”</b>	means paid up as to the par value in respect of the issue of any Shares and includes credited as paid up;
<b>“Person”</b>	means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;
<b>“Register”</b>	means the register of Members of the Company maintained in accordance with the Companies Law;
<b>“Registered Office”</b>	means the registered office of the Company as required by the Companies Law;
<b>“Seal”</b>	means the common seal of the Company (if adopted) including any facsimile thereof;

<b>“Secretary”</b>	means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;
<b>“Securities Act”</b>	means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
<b>“Share”</b>	means a share in the capital of the Company. All references to “Shares” herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression “Share” shall include a fraction of a Share;
<b>“Shareholder” or “Member”</b>	means a Person who is registered as the holder of Shares in the Register;
<b>“Share Premium Account”</b>	means the share premium account established in accordance with these Articles and the Companies Law;
<b>“signed”</b>	means bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;
<b>“Special Resolution”</b>	means a special resolution of the Company passed in accordance with the Law, being a resolution: <p>(a) passed by a majority of not less than two-thirds of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given; or</p> <p>(b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed;</p>
<b>“Treasury Share”</b>	means a Share held in the name of the Company as a treasury share in accordance with the Companies Law;
<b>“United States”</b>	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction; and
<b>“year”</b>	means calendar year.

2. In these Articles, save where the context requires otherwise:
  - (a) words importing the singular number shall include the plural number and vice versa;
  - (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
  - (c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
  - (d) reference to a dollar or dollars (or US\$) and to a cent or cents is reference to dollars and cents of the United States of America;
  - (e) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
  - (f) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case;
  - (g) reference to “in writing” shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one and partly another; and
  - (h) Section 8 of the Electronic Transactions Law shall not apply.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

#### **PRELIMINARY**

4. The business of the Company may be conducted as the Directors see fit.
5. The Registered Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
7. The Directors shall keep, or cause to be kept, the Register at such place as the Directors may from time to time determine and, in the absence of any such determination, the Register shall be kept at the Registered Office.

## SHARES

8. Subject to these Articles, all Shares for the time being unissued shall be under the control of the Directors who may, in their absolute discretion and without the approval of the Members, cause the Company to:
- (a) issue, allot and dispose of Shares (including, without limitation, preferred shares) (whether in certificated form or non-certificated form) to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine;
  - (b) grant rights over existing Shares or issue other securities in one or more classes or series as they deem necessary or appropriate and determine the designations, powers, preferences, privileges and other rights attaching to such Shares or securities, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers, preferences, privileges and rights associated with the then issued and outstanding Shares, at such times and on such other terms as they think proper;
  - (c) grant options with respect to Shares and issue warrants or similar instruments with respect thereto, and for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued;
  - (d) provide, notwithstanding Article 17, out of the unissued shares (other than unissued Ordinary Shares), for series of preference shares in their absolute discretion and without approval of the Members; provided, however, before any preference shares of any such series are issued, the Directors shall fix, by resolution or resolutions, the following provisions of the preference shares thereof:
    - (i) the designation of such series, the number of preference shares to constitute such series and the subscription price thereof if different from the par value thereof;
    - (ii) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;
    - (iii) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of any other class or any other series of preference shares; and
    - (iv) whether the preference shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption.

The Company shall not issue Shares to bearer.

9. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or by a Special Resolution. The Directors may issue Shares with such preferred or other rights, all or any of which may be greater than the rights of Ordinary Shares, at such time and on such terms as they may think appropriate.
10. The Company may insofar as may be permitted by law, pay a commission to any Person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also pay such brokerage as may be lawful on any issue of Shares.
11. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

#### **CLASS A ORDINARY SHARES AND CLASS B ORDINARY SHARES**

12. Holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members. Each Class A Ordinary Share shall be entitled to one (1) vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall be entitled to ten (10) votes on all matters subject to vote at general meetings of the Company.
13. Each Class B Ordinary Share is convertible into one (1) Class A Ordinary Share at any time by the holder thereof. The right to convert shall be exercisable by the holder of the Class B Ordinary Share delivering a written notice to the Company that such holder elects to convert a specified number of Class B Ordinary Shares into Class A Ordinary Shares. In no event shall Class A Ordinary Shares be convertible into Class B Ordinary Shares.
14. Any conversion of Class B Ordinary Shares into Class A Ordinary Shares pursuant to these Articles shall be effected by means of the re-designation of each relevant Class B Ordinary Share as a Class A Ordinary Share. Such conversion shall become effective forthwith upon entries being made in the Register of Members to record the re-designation of the relevant Class B Ordinary Shares as Class A Ordinary Shares.
15. Upon any sale, transfer, assignment or disposition of any Class B Ordinary Share by a Shareholder to any person who is not an Affiliate of such Shareholder, such Class B Ordinary Share shall be automatically and immediately converted into one Class A Ordinary Share. For the avoidance of doubt, (i) a sale, transfer, assignment or disposition shall be effective upon the Company's registration of such sale, transfer, assignment or disposition in its Register of Members; and (ii) the creation of any pledge, charge, encumbrance or other third party right of whatever description on any Class B Ordinary Shares to secure a holder's contractual or legal obligations shall not be deemed as a sale, transfer, assignment or disposition unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in the third party holding legal title to the related Class B Ordinary Shares, in which case all the related Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares.

16. Save and except for voting rights and conversion rights as set out in Articles 12 to 16 (inclusive), the Class A Ordinary Shares and the Class B Ordinary Shares shall rank *pari passu* and shall have the same rights, preferences, privileges and restrictions.

#### **MODIFICATION OF RIGHTS**

17. Whenever the capital of the Company is divided into different Classes the rights attached to any such Class may, subject to any rights or restrictions for the time being attached to any Class, only be materially adversely varied with the consent in writing of the holders of three-fourths 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. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons at least holding or representing by proxy one-third in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that Class, every Shareholder of the Class shall on a poll have one vote for each Share of the Class held by him. For the purposes of this Article the Directors may treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate Classes.
18. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the 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.

#### **CERTIFICATES**

19. Every Person whose name is entered as a Member in the Register shall, without payment, be entitled to a certificate within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the Share or Shares held by that Person and the amount paid up thereon, provided that in respect of a Share or Shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a Share to one of several joint holders shall be sufficient delivery to all. All certificates for Shares shall be delivered personally or sent through the post addressed to the Member entitled thereto at the Member's registered address as appearing in the Register.



20. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
21. Any two or more certificates representing Shares of any one Class held by any Member may at the Member's request be cancelled and a single new certificate for such Shares issued in lieu on payment (if the Directors shall so require) of US\$1.00 or such smaller sum as the Directors shall determine.
22. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.
23. In the event that Shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

#### **FRACTIONAL SHARES**

24. The Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

#### **LIEN**

25. The Company has a first and paramount lien on every Share (whether or not fully paid) for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that Share. The Company also has a first and paramount lien on every Share registered in the name of a Person indebted or under liability to the Company (whether he is the sole registered holder of a Share or one of two or more joint holders) for all amounts owing by him or his estate to the Company (whether or not presently payable). The Directors may at any time declare a Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share extends to any amount payable in respect of it, including but not limited to dividends.
26. The Company may sell, in such manner as the Directors in their absolute discretion think fit, any Share on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of fourteen calendar days after a notice in writing, demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the Persons entitled thereto by reason of his death or bankruptcy.

27. For giving effect to any such sale the Directors may authorise a Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
28. The proceeds of the sale after deduction of expenses, fees and commission incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the Person entitled to the Shares immediately prior to the sale.

#### **CALLS ON SHARES**

29. Subject to the terms of the allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares, and each Shareholder shall (subject to receiving at least fourteen calendar days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
30. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.
31. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
32. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.
33. The Directors may make arrangements with respect to the issue of partly paid Shares for a difference between the Shareholders, or the particular Shares, in the amount of calls to be paid and in the times of payment.
34. The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Shareholder paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

## **FORFEITURE OF SHARES**

35. If a Shareholder fails to pay any call or instalment of a call in respect of partly paid Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
36. The notice shall name a further day (not earlier than the expiration of fourteen calendar days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited.
37. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
38. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
39. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.
40. A certificate in writing under the hand of a Director of the Company that a Share has been duly forfeited on a date stated in the certificate, shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share.
41. The Company may receive the consideration, if any, given for a Share on any sale or disposition thereof pursuant to the provisions of these Articles as to forfeiture and may execute a transfer of the Share in favour of the Person to whom the Share is sold or disposed of and that Person shall be registered as the holder of the Share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.
42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

## **TRANSFER OF SHARES**

43. The instrument of transfer of any Share shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares.

44. (a) The Directors may in their absolute discretion decline to register any transfer of Shares which is not fully paid up or on which the Company has a lien.
- (b) The Directors may also decline to register any transfer of any Share unless:
- (i) the instrument of transfer is lodged with the Company, accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
  - (ii) the instrument of transfer is in respect of only one Class of Shares;
  - (iii) the instrument of transfer is properly stamped, if required;
  - (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
  - (v) the Shares transferred are free of any lien in favour of the Company; and
  - (vi) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable, or such lesser sum as the Board of Directors may from time to time require, is paid to the Company in respect thereof.
45. The registration of transfers may, on fourteen calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the Designated Stock Exchange Rules, be suspended and the Register closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the Register of Members closed for more than thirty calendar days in any year.
46. All instruments of transfer that are registered shall be retained by the Company. If the Directors refuse to register a transfer of any Shares, they shall within three months after the date on which the transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.

#### **TRANSMISSION OF SHARES**

47. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only Person recognised by the Company as having any title to the Share.

48. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
49. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety calendar days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

#### **REGISTRATION OF EMPOWERING INSTRUMENTS**

50. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

#### **ALTERATION OF SHARE CAPITAL**

51. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.
52. The Company may by Ordinary Resolution:
  - (a) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
  - (b) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
  - (c) subdivide its existing Shares, or any of them into Shares of a smaller amount 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; and
  - (d) cancel any Shares that, 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 its share capital by the amount of the Shares so cancelled.
53. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

## REDEMPTION, PURCHASE AND SURRENDER OF SHARES

54. Subject to the provisions of the Companies Law and these Articles, the Company may:
- (a) issue Shares that are to be redeemed or are liable to be redeemed at the option of the Shareholder or the Company. The redemption of Shares shall be effected in such manner and upon such terms as may be determined, before the issue of such Shares, by either the Board or by the Shareholders by Special Resolution;
  - (b) purchase its own Shares (including any redeemable Shares) on such terms and in such manner and terms as have been approved by the Board or by the Members by Ordinary Resolution, or are otherwise authorized by these Articles; and
  - (c) make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Companies Law, including out of capital.
55. The purchase of any Share shall not oblige the Company to purchase any other Share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.
56. The holder of the Shares being purchased shall be bound to deliver up to the Company the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.
57. The Directors may accept the surrender for no consideration of any fully paid Share.

### TREASURY SHARES

58. The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
59. The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

### GENERAL MEETINGS

60. All general meetings other than annual general meetings shall be called extraordinary general meetings.
61. (a) The Company may in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.
- (b) At these meetings the report of the Directors (if any) shall be presented.

62. (a) The Chairman or a majority of the Directors may call general meetings, and they shall on a Shareholders' requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (b) A Shareholders' requisition is a requisition of Members holding at the date of deposit of the requisition in aggregate not less than one-third (1/3) of the aggregate number of votes attaching to all issued and outstanding Shares of the Company as at that date of the deposit carries the right of voting at general meetings of the Company.
- (c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.
- (d) If the Directors do not within twenty-one calendar days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one calendar days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one calendar days.
- (e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

#### **NOTICE OF GENERAL MEETINGS**

63. At least ten (10) calendar days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
  - (a) in the case of an annual general meeting by all the Shareholders (or their proxies) entitled to attend and vote thereat; and
  - (b) in the case of an extraordinary general meeting by a majority in number of the Shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent in par value of the Shares giving that right.
64. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

## PROCEEDINGS AT GENERAL MEETINGS

65. No business except for the appointment of a chairman for the meeting shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. At least two holders of Shares being not less than an aggregate of fifty percent (50%) 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 authorised representative, shall be a quorum for all purposes.
66. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.
67. If the Directors wish to make this facility available for a specific general meeting or all general meetings of the Company, participation in any general meeting of the Company may be by means of a telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
68. The chairman, if any, of the Directors shall preside as chairman at every general meeting of the Company.
69. If there is no such chairman, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, any Director or Person nominated by the Directors shall preside as chairman of that meeting, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.
70. The chairman may with the consent of any general meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen calendar days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
71. The Directors may cancel or postpone any duly convened general meeting at any time prior to such meeting, except for general meetings requisitioned by the Shareholders in accordance with these Articles, for any reason or for no reason, upon notice in writing to Shareholders. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
72. 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 any Shareholder present in person or by proxy, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.



73. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
74. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Law. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
75. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

#### **VOTES OF SHAREHOLDERS**

76. Subject to any rights and restrictions for the time being attached to any Share, on a show of hands every Shareholder present in person and every Person representing a Shareholder by proxy shall, at a general meeting of the Company, each have one vote and on a poll every Shareholder and every Person representing a Shareholder by proxy shall have one vote for each Class A Ordinary Share and ten votes for each Class B Ordinary Share of which he or the Person represented by proxy is the holder.
  77. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.
  78. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote in respect of Shares carrying the right to vote held by him, whether on a show of hands or on a poll, by his committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, may vote in respect of such Shares by proxy.
  79. No Shareholder shall be entitled to vote at any general meeting of the Company unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
  80. On a poll votes may be given either personally or by proxy.
  81. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Shareholder.
  82. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
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83. The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:

- (a) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or
- (b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or
- (c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director;

provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the meeting or adjourned meeting) at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The Chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

84. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

85. A resolution in writing signed by all the Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

#### **CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS**

86. Any corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder or Director.

#### **DEPOSITARY AND CLEARING HOUSES**

87. If a recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such Person(s) as it thinks fit to act as its representative(s) at any general meeting of the Company or of any Class of Shareholders provided that, if more than one Person is so authorised, the authorisation shall specify the number and Class of Shares in respect of which each such Person is so authorised. A Person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) or depositary (or its nominee(s)) could exercise if it were an individual Member holding the number and Class of Shares specified in such authorisation, including the right to vote individually on a show of hands.

## DIRECTORS

88. (a) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three (3) Directors, the exact number of Directors to be determined from time to time by the Board of Directors.
- (b) The Board of Directors shall have a Chairman elected and appointed by a majority of the Directors then in office. The period for which the Chairman will hold office will also be determined by a majority of all of the Directors then in office. The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors within fifteen minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.
- (c) The Company may by Ordinary Resolution appoint any person to be a Director.
- (d) The Board may appoint any person as a Director, to fill a casual vacancy on the Board or as an addition to the existing Board.
- (e) An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period; but no such term shall be implied in the absence of express provision. Each Director whose term of office expires shall be eligible for re-election at a meeting of the Shareholders or re-appointment by the Board.
89. A Director may be removed from office by Ordinary Resolution of the Company, notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement). The notice of any meeting at which a resolution to remove a Director shall be proposed or voted upon must contain a statement of the intention to remove that Director and such notice must be served on that Director not less than ten (10) calendar days before the meeting. Such Director is entitled to attend the meeting and be heard on the motion for his removal.
90. The Board may, from time to time, and except as required by applicable law or the listing rules of the recognized stock exchange where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

91. A Director shall not be required to hold any Shares in the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to attend and speak at general meetings.
92. The remuneration of the Directors may be determined by the Directors or by Ordinary Resolution.
93. The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

#### **ALTERNATE DIRECTOR OR PROXY**

94. Any Director may in writing appoint another Person to be his alternate and, save to the extent provided otherwise in the form of appointment, such alternate shall have authority to sign written resolutions on behalf of the appointing Director, but shall not be required to sign such written resolutions where they have been signed by the appointing director, and to act in such Director's place at any meeting of the Directors at which the appointing Director is unable to be present. Every such alternate shall be entitled to attend and vote at meetings of the Directors as a Director when the Director appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall be deemed for all purposes to be a Director of the Company and shall not be deemed to be the agent of the Director appointing him. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.
95. Any Director may appoint any Person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

#### **POWERS AND DUTIES OF DIRECTORS**

96. Subject to the Companies Law, these Articles and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.

97. Subject to these Articles, the Directors may from time to time appoint any natural person or corporation, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any natural person or corporation so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto terminate if any managing director ceases for any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.
98. The Directors may appoint any natural person or corporation to be a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution.
99. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
100. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorised signatory (any such person being an "Attorney" or "Authorised Signatory", respectively) of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.
101. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following Articles shall not limit the general powers conferred by this Article.
102. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any natural person or corporation to be a member of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such natural person or corporation.

103. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any natural person or corporation so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

104. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.

#### **BORROWING POWERS OF DIRECTORS**

105. The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### **THE SEAL**

106. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.

107. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.

108. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

## DISQUALIFICATION OF DIRECTORS

109. The office of Director shall be vacated, if the Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors;
- (b) dies or is found to be or becomes of unsound mind;
- (c) resigns his office by notice in writing to the Company;
- (d) without special leave of absence from the Board, is absent from meetings of the Board for three consecutive meetings and the Board resolves that his office be vacated; or
- (e) is removed from office pursuant to any other provision of these Articles.

## PROCEEDINGS OF DIRECTORS

110. The Directors may meet together (either within or without the Cayman Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. At any meeting of the Directors, each Director present in person or represented by his proxy or alternate shall be entitled to one vote. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and a Secretary or assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.

111. A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.

112. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, the quorum shall be a majority of Directors then in office. A Director represented by proxy or by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.

113. A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated. Subject to the Designated Stock Exchange Rules and disqualification by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or transaction or proposed contract or transaction 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 transaction or proposed contract or transaction shall come before the meeting for consideration.

114. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
115. Any Director may act by himself or through his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
116. The Directors shall cause minutes to be made for the purpose of recording:
- (a) all appointments of officers made by the Directors;
  - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
  - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
117. When the Chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
118. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors, as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his appointer), shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of Directors or committee of Directors, as the case may be. When signed a resolution may consist of several documents each signed by one or more of the Directors or his duly appointed alternate.
119. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.



120. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
121. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
122. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.

#### **PRESUMPTION OF ASSENT**

123. A Director of the Company who is present at a meeting of the Board of Directors at which an action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

#### **DIVIDENDS**

124. Subject to any rights and restrictions for the time being attached to any Shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
125. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
126. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

127. Any dividend payable in cash to the holder of Shares may be paid in any manner determined by the Directors. If paid by cheque it will be sent by mail addressed to the holder at his address in the Register, or addressed to such person and at such addresses as the holder may direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company.
128. With the sanction of an Ordinary Resolution, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Directors may fix the value of such specific assets, may determine that cash payment shall be made to some Shareholders in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.
129. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares dividends may be declared and paid according to the par value of the Shares. No amount paid on a Share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the Share.
130. If several Persons are registered as joint holders of any Share, any of them may give effective receipts for any dividend or other moneys payable on or in respect of the Share.
131. No dividend shall bear interest against the Company.
132. Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

#### **ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION**

133. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
134. The books of account shall be kept at the Registered Office, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
135. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
136. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.

137. The Directors may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.
138. Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
139. The auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.
140. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Companies Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

#### **CAPITALISATION OF RESERVES**

141. Subject to the Companies Law, the Directors may, with the authority of an Ordinary Resolution:
- (a) resolve to capitalise an amount standing to the credit of reserves (including a Share Premium Account, capital redemption reserve and profit and loss account), whether or not available for distribution;
  - (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the nominal amount of Shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
    - (i) paying up the amounts (if any) for the time being unpaid on Shares held by them respectively, or
    - (ii) paying up in full unissued Shares or debentures of a nominal amount equal to that sum,and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other, but the Share Premium Account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid;
  - (c) make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;

- (d) authorise a Person to enter (on behalf of all the Shareholders concerned) into an agreement with the Company providing for either:
- (i) the allotment to the Shareholders respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, or
  - (ii) the payment by the Company on behalf of the Shareholders (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing Shares,
- and any such agreement made under this authority being effective and binding on all those Shareholders; and
- (e) generally do all acts and things required to give effect to the resolution.

#### **SHARE PREMIUM ACCOUNT**

142. The Directors shall in accordance with the Companies Law establish a Share Premium Account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
143. There shall be debited to any Share Premium Account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Companies Law, out of capital.

#### **NOTICES**

144. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it by airmail or air courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the Register, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile or by placing it on the Company's Website should the Directors deem it appropriate provided that the Company has obtained the Member's prior express positive confirmation in writing to receive notices in such manner. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
145. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.
146. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
147. Any notice or other document, if served by:
- (a) post, shall be deemed to have been served five calendar days after the time when the letter containing the same is posted;

- (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
- (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

148. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.

149. Notice of every general meeting of the Company shall be given to:

- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

#### **INFORMATION**

150. No Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the Members of the Company to communicate to the public.

151. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Members including, without limitation, information contained in the Register and transfer books of the Company.

## INDEMNITY

152. Every Director (including for the purposes of this Article any alternate Director appointed pursuant to the provisions of these Articles), Secretary, assistant Secretary, or other officer for the time being and from time to time of the Company (but not including the Company's auditors) and the personal representatives of the same (each an "Indemnified Person") shall be indemnified and secured harmless against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

153. No Indemnified Person shall be liable:

- (a) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Company; or
- (b) for any loss on account of defect of title to any property of the Company; or
- (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or
- (d) for any loss incurred through any bank, broker or other similar Person; or
- (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Indemnified Person's part; or
- (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of such Indemnified Person's office or in relation thereto;

unless the same shall happen through such Indemnified Person's own dishonesty, wilful default or fraud.

## FINANCIAL YEAR

154. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

## NON-RECOGNITION OF TRUSTS

155. No Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Companies Law requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register.

## WINDING UP

156. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Law, divide amongst the Members in species or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.
157. If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members 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 the Members 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 the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

### AMENDMENT OF ARTICLES OF ASSOCIATION

158. Subject to the Companies Law, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

### CLOSING OF REGISTER OR FIXING RECORD DATE

159. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case forty calendar days. If the Register shall be so closed for the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders the Register shall be so closed for at least ten calendar days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.
160. In lieu of or apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any dividend the Directors may, at or within ninety calendar days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.

161. If the Register is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

#### **REGISTRATION BY WAY OF CONTINUATION**

162. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

#### **DISCLOSURE**

163. The Directors, or any service providers (including the officers, the Secretary and the registered office agent of the Company) specifically authorised by the Directors, shall be entitled to disclose to any regulatory or judicial authority any information regarding the affairs of the Company including without limitation information contained in the Register and books of the Company.



**Description of rights of each class of securities  
registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)**

American Depositary Shares (“ADSs”) each representing five Class A ordinary shares of TCTM Kids IT Education Inc. (the “we,” “our,” “our company,” or “us”) are listed and traded on the Nasdaq Capital Market and are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by Citibank, N.A., as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

**Description of Ordinary Shares**

The following is a summary of material provisions of our currently effective fifth amended and restated memorandum and articles of association (the “Memorandum and Articles of Association”), as well as the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Act”) insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our Registration Statement on Form F-1 (File No. 331-194191).

***Preemptive Rights (Item 9.A.3 of Form 20-F)***

Our shareholders do not have preemptive rights.

***Type and Class of Securities (Item 9.A.5 of Form 20-F)***

Each Class A ordinary share has US\$0.001 par value. The number of Class A ordinary shares that have been issued as of the last day of the financial year ended December 31, 2023 is provided on the cover of the annual report on Form 20-F filed on April 19, 2024 (the “2023 Form 20-F”). Our Class A ordinary shares may be held in either certificated or uncertificated form.

***Limitations or Qualifications (Item 9.A.6 of Form 20-F)***

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall entitle the holder thereof to ten votes on all matters subject to vote at general meetings of the Company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

***Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)***

Not applicable.

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***Rights of Ordinary Shares (Item 10.B.3 of Form 20-F)***

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors, provided that dividends may be declared and paid out of funds legally available therefor, namely out of either profit, our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. Holders of Class A ordinary shares and Class B ordinary shares will be entitled to the same amount of dividends, if declared.

*Voting Rights.* Holders of our ordinary shares are entitled to ten calendar days notice of meetings of our shareholders. In respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes, voting together as one class. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholders present in person or by proxy.

A quorum required for a meeting of shareholders consists of two shareholders who hold at least 50% of all voting power of our share capital in issue at the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings may be held annually. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Extraordinary general meetings may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than 1/3 of the aggregate voting power of our company. Advance notice of at least ten calendar days is required for the convening of our annual general meeting and other general meetings.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than 2/3 of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association.

*Conversion.* Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equivalent number of Class A ordinary shares.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below and the provisions above in respect of Class B ordinary shares, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NASDAQ Capital Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the NASDAQ Capital Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than thirty days in any year as our board may determine.

*Liquidation.* On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. 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 proportionately. Any distribution of assets or capital to a holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

*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 of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

*Repurchase and Redemption of Ordinary Shares.* The Companies Act and the Memorandum and Articles of Association permit us to purchase our own shares. In accordance with the Memorandum and Articles of Association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

*Inspection of Books and Records.* Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

***Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)***

*Variations of Rights of Shares.* All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

***Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)***

There are no limitations under the laws of the Cayman Islands or under our Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares, other than anti-takeover provisions contained in the Memorandum and Articles of Association to limit the ability of others to acquire control of our company or cause our company to engage in change-of-control transactions.

***Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)***

*Anti-Takeover Provisions.* Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

***Ownership Threshold (Item 10.B.8 of Form 20-F)***

There are no provisions under the laws of the Cayman Islands or under our Memorandum and Articles of Association that govern the ownership threshold above which shareholder ownership must be disclosed.

***Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)***

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the comparable provisions of the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a statement of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures. The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors (representing 75% by value) with whom the arrangement is to be made and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder or creditor has the right to express to the court the view that the transaction ought not to be approved, the court would nevertheless be likely to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest.; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

Where a scheme or contract involving the transfer of shares or any class of shares in a company to another company has, within four months after the making of the offer, been approved by the holders of not less than ninety per cent in value of the shares affected, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. Dissenting shareholders may object by filing proceedings in the Grand Court of the Cayman Islands, but such objections are unlikely to be successful where the offer has been accepted by holders of 90% in value of the shares affected unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction of a Cayman Islands company is approved by at least 90% in value of shareholders (as described above), a dissenting shareholder would have no rights comparable to the appraisal rights which it would have if the company in question were a Delaware corporation (being the right to receive payment in cash for the judicially determined value of its shares).

*Shareholders' Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of our company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control our company are perpetrating a “fraud on the minority.”

*Indemnification of Directors and Executive Officers and Limitation of Liability.* The ability of Cayman Islands companies to provide in their articles of association for indemnification of officers and directors is limited, insofar as it is not permissible for the directors to contract out of the core fiduciary duties they owe to the company, nor would any indemnity be effective if it were held by the Cayman Islands courts to be contrary to public policy, which would include any attempt to provide indemnification against civil fraud or the consequences of committing a crime. Our current memorandum and articles of association provide that our directors and officers shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with each of our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our current memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Anti-Takeover Provisions in the Memorandum and Articles of Association.* Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

*Directors' Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes duties to the company including the following—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with diligence, skill and care that a reasonably prudent person would exercise in comparable circumstances.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law does not provide shareholders with rights to requisition a general meeting or to put any proposals before a general meeting. However, these rights may be provided in a company's articles of association. Our current memorandum and articles of association provides that, on the requisition of shareholders holding shares representing in aggregate not less than one-third (1/3) of all votes attaching to all issued and outstanding shares of the Company that as at the date of the deposit of such requisition carry the right to vote at general meetings of the Company, the board shall convene an extraordinary general meeting. However, our current 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. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. Cayman Islands law does not prohibit cumulative voting, but our current articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Appointment of Directors.* Unless otherwise determined by our company in general meeting, our fifth amended and restated articles of association provide that our board will consist of not less than three directors. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors have the power to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Our shareholders may also appoint any person to be a director by way of ordinary resolution.



*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our current memorandum and articles of association, a director may be removed with or without cause by ordinary resolution. In addition, the office of any director shall be vacated if 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 his office by notice in writing to our company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our board resolves that his office be vacated.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

*Dissolution; Winding Up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up either by an order of the Grand Court of the Cayman Islands or by a special resolution of its members. A company may be wound up by the Grand Court of the Cayman Islands for a number of reasons, including: (i) the company has passed a special resolution of requiring the company to be wound up by the Grand Court; (ii) the company is unable to pay its debts; and (iii) the Grand Court is of opinion that it is just and equitable that the company should be wound up.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our current articles of association, we may only materially adversely vary the rights attached to any class of shares (subject to any rights or restrictions for the time being attached to any class of share) with the consent in writing of the holders of the three-fourths of 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 by the holders of two-thirds of the issued shares of that class.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Companies Act, our memorandum and articles of association may only be amended by special resolution of our shareholders.

*Rights of Non-Resident or Foreign Shareholders.* There are no limitations imposed by our current memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our current memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

*Directors' Power to Issue Shares.* Under our current memorandum and articles of association, our board of directors are authorized to issue additional Class A ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

*Exempted Company.* The Companies Act in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except 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;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- 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.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

**Changes in Capital (Item 10.B.10 of Form 20-F)**

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount, 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 shareholders may by special resolution, 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.

**Debt Securities (Item 12.A of Form 20-F)**

Not applicable.

**Warrants and Rights (Item 12.B of Form 20-F)**

Not applicable.

**Other Securities (Item 12.C of Form 20-F)**

Not applicable.

**Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)**

**American Depositary Shares**

Citibank, N.A., as depositary will issue our ADSs. Each ADS will represent an ownership interest in five Class A ordinary share which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADS holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless certificated ADRs are specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 388 Greenwich Street, New York, New York 10005. The depositary has appointed Citibank, N.A.—Hong Kong branch as custodian of the securities, cash and other property represented by the ADSs.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADS holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADS holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADS holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. Under the deposit agreement, as an ADS holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement or transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. The deposit agreement has been filed with the SEC on July 3, 2014 as an exhibit to the registration statement on Form S-8 (File No. 333-197226).

### *How will you receive dividends and other distributions on the Class A ordinary shares?*

We may make various types of distributions with respect to our securities. The depository has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a practicable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depository may utilize a division, branch or affiliate of Citibank, N.A. to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depository a fee in connection with such sales, which fee is considered an expense of the depository. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

- *Cash.* The depository will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADS holders, and (iii) deduction of the depository's and/or its agents' expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depository may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depository cannot convert a foreign currency, you may lose some or all of the value of the distribution.
- *Shares.* In the case of a distribution in shares, the depository will issue additional ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADS holders entitled thereto.
- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we timely provide evidence satisfactory to the depository that it may lawfully distribute such rights, the depository will distribute warrants or other instruments in the discretion of the depository representing such rights. However, if we do not timely furnish such evidence, the depository may: (a) sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADS holders entitled thereto; or (b) if it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADS holders will receive nothing and the rights may lapse. We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADS holders.
- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depository may either (i) distribute such securities or property in any manner it deems practicable or (ii) to the extent the depository deems distribution of such securities or property not to be practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.
- *Elective Distributions.* In the case of a dividend payable at the election of our shareholders in cash or in additional shares, we will notify the depository at least 30 days prior to the proposed distribution stating whether or not we wish such elective distribution to be made available to ADS holders. The depository shall make such elective distribution available to ADS holders only if (i) we shall have timely requested that the elective distribution is available to ADS holders, (ii) the depository shall have determined that such distribution is reasonably practicable and (iii) the depository shall have received satisfactory documentation within the terms of the deposit agreement including any legal opinions of counsel that the depository in its reasonable discretion may request. If the above conditions are not satisfied, the depository shall, to the extent permitted by law, distribute to the ADS holders, on the basis of the same determination as is made in the local market in respect of the shares for which no election is made, either (x) cash or (y) additional ADSs representing such additional shares. If the above conditions are satisfied, the depository shall establish procedures to enable ADS holders to elect the receipt of the proposed dividend in cash or in additional ADSs. There can be no assurance that ADS holders generally, or any ADR holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of shares.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADS holder, the depositary may choose any method of distribution that it deems practicable for such ADS holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADS holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

*The depositary is not responsible if it decides that it is unlawful or not reasonably practicable to make a distribution available to any ADR holders.*

*There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.*

## **Deposit, Withdrawal and Cancellation**

### ***How does the depositary issue ADSs?***

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of Citibank, N.A., as depositary for the benefit of holders of ADSs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares for the account of the depositary. ADS holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities."

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue ADSs in the name or upon the order of the person entitled thereto. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADS holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

***How do ADS holders cancel an ADS and obtain deposited securities?***

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. Delivery of deposited securities in certificated form will be made at the custodian's office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

## Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADS holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares, or
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR,
- to receive any notice or to act in respect of other matters

all subject to the provisions of the deposit agreement.

## Voting Rights

### *How do I vote?*

If you are an ADS holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADS holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. Holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. Voting instructions will not be deemed to be received until such time as the ADR department responsible for proxies and voting has received such instructions notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADSs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (*i.e.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).



We have advised the depositary that under the Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will instruct the custodian to vote all deposited securities in accordance with the voting instructions received from a majority of holders of ADSs who provided voting instructions. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs. There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

## **Reports and Other Communications**

### ***Will ADS holders be able to view our reports?***

The depositary will make available for inspection by ADS holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADS holders.

## **Fees and Expenses**

### ***What fees and expenses will I be responsible for paying?***

Charges will be payable by each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADSs are cancelled or reduced for any other reason, up to \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of up to U.S.\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to U.S.\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADSs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADSs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the \$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- in connection with the conversion of foreign currency into U.S. dollars, the depositary or the custodian shall deduct out of such foreign currency the fees and expenses charged by it or its agent so appointed in connection with such conversion.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The Depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the Depositary may agree from time to time. The depositary collects fees for the issuance and cancellation 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 the fees 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 will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

#### **Payment of Taxes**

ADS holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADS holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADS holder remains liable for any shortfall. Additionally, if any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADS, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation (SAT) or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary. By holding or having held an ADS the holder and all prior holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADS holders entitled thereto.

By holding an ADS or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

## **Reclassifications, Recapitalizations and Mergers**

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of shares or other property not made to holders of ADSs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us among other steps:

- (1) amend the form of ADR;
- (2) distribute additional or amended ADSs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell any securities or property received and distribute the proceeds as cash; or
- (5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

### **Amendment and Termination**

#### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. ADS holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADS holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADS holders a means to access the text of such amendment. If an ADS holder continues to hold an ADS after being so notified, such ADS holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the ADRs to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

### *How may the deposit agreement be terminated?*

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADSs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 120th day after our notice of removal was first provided to the depositary.

On and after the date of termination of the deposit agreement, the holder will, upon surrender of an ADR at the principal office of the depositary, upon the payment of the charges of the depositary for the surrender of ADRs, subject to the conditions and restrictions of the deposit agreement, and upon payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of deposited securities represented by such ADR. If any ADRs shall remain outstanding after the date of termination of the deposit agreement, the registrar thereafter shall discontinue the registration of transfers of ADRs, and the depositary shall suspend the distribution of dividends to the holders thereof, and shall not give any further notices or perform any further acts under the deposit agreement, except that the depositary shall continue to collect dividends and other distributions pertaining to deposited securities, shall sell rights as provided in the deposit agreement, and shall continue to deliver deposited securities, subject to the conditions and restrictions set forth in the deposit agreement, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for ADRs surrendered to the depositary (after deducting, or charging, as the case may be, in each case, the charges of the depositary for the surrender of an ADR, any expenses for the account of the holder in accordance with the terms and conditions of the deposit agreement and any applicable taxes or governmental charges or assessments). At any time after the date of termination of the deposit agreement, the depositary may sell the deposited securities and thereafter hold uninvested the net proceeds, together with any other cash then held by it without liability for interest for the pro rata benefit of the holders of ADRs not theretofore surrendered. Thereafter, the depositary shall be discharged from all obligations under the deposit agreement with respect to the ADRs, the Shares, the deposited securities and the ADSs, except to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the charges of the depositary for the surrender of an ADR, any expenses for the account of the holder in accordance with the terms and conditions of the deposit agreement and any applicable taxes or governmental charges or assessments). Upon the termination of the deposit agreement, we will be discharged from all obligations under the deposit agreement as to the ADRs, the Shares, the deposited securities and the ADSs except for certain specified obligations to the depositary under the terms of the deposit agreement.

## Limitations on Obligations and Liability to ADS holders

### *Limits on our obligations and the obligations of the depositary; limits on liability to ADS holders and holders of ADSs*

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADSs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADSs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADSs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADS register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADSs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depository, ourselves and our respective agents, provided, however, that no such disclaimer of liability under the Securities Act is intended by any of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depository nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization or other circumstance beyond our, the depository's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depository or our respective agents (including, without limitation, voting);
- the depository exercises or fails to exercise discretion under the deposit agreement or the ADR including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;
- the depository performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
- the depository takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- the depository relies upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither the depository nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADSs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADSs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depository and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADSs, any ADSs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depository shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depository shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of Citibank, N.A. The depository and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depository and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services. The depository shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADS holders or other holders of an interest in an ADS about the requirements of Cayman Islands or PRC law, rules or regulations or any changes therein or thereto.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADSs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADS holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary, provided that in connection with the issue out of which such potential liability arises the depositary performed its obligations without negligence while it acted as depositary. Neither the depositary nor any of its agents shall be liable to registered holders of ADSs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner of ADSs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary and its agents may own and deal in any class of our securities and in ADSs.



## **Disclosure of Interest in ADSs**

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

## **Books of Depositary**

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADSs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADSs.

## **Pre-release of ADSs**

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may (i) issue ADSs prior to the receipt of shares and (ii) deliver shares prior to the receipt of ADSs for withdrawal of deposited securities, including ADSs which were issued under (i) above but for which shares may not have been received (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of shares under (i) above (which ADSs will promptly be canceled by the depositary upon receipt by the depositary) and receive shares in lieu of ADSs under (ii) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs or shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares or ADSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares or ADSs in its records and to hold such shares or ADSs in trust for the depositary until such shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares or ADSs, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs and shares involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs and shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided in connection with pre-release transactions, but not the earnings thereon, shall be held for the benefit of the ADS holders (other than the applicant).

## **Appointment**

In the deposit agreement, each registered holder of ADSs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

## **Governing Law**

The deposit agreement and the ADSs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf.

The deposit agreement and the ADSs will be governed by, and construed in accordance with, the laws of the State of New York without reference to the principles of choice of law thereof. Notwithstanding anything contained in the deposit agreement, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other deposited securities, as such, shall be governed by the laws of the People's Republic of China (or, if applicable, such other laws as may govern the deposited securities).

By holding an ADS or an interest therein, registered holders of ADSs and beneficial owners of ADSs each irrevocably agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

## Power of Attorney

I, Li Jin a Chinese citizen with Chinese Identification Card No.: \*\*\*, and a holder of 30% of the entire registered capital in Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (“Tongcheng Shidai Jinqiao”) as of the date when the Power of Attorney is executed, hereby irrevocably authorize Beijing Tongcheng Shidai Technology Co., Ltd. (the “Designee”) to exercise the following rights relating to all equity interests held by me now and in the future in Tongcheng Shidai Jinqiao (“My Shareholding”) during the term of this Power of Attorney:

The Designee is hereby authorized to act on behalf of myself as my exclusive agent and attorney with respect to all matters concerning My Shareholding, including without limitation to: 1) attending shareholders’ meetings of Tongcheng Shidai Jinqiao; 2) exercising all the shareholder’s rights and shareholder’s voting rights I am entitled to under the laws of China and Tongcheng Shidai Jinqiao’s Articles of Association, including but not limited to the sale or transfer or pledge or disposition of My Shareholding in part or in whole; and 3) designate and appoint on behalf of myself the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Tongcheng Shidai Jinqiao.

Without limiting the generality of the powers granted hereunder, the Designee shall have the power and authority to, on behalf of myself, execute all the documents I shall sign as stipulated in the Exclusive Option Agreement entered into by and among me, the Designee and Tongcheng Shidai Jinqiao on July 24, 2023 and the Equity Pledge Agreement entered into by and among me, Tongcheng Shidai Jinqiao and the Designee on July 24, 2023 (including any modification, amendment and restatement thereto, collectively the “Transaction Documents”), and perform the terms of the Transaction Documents.

All the actions associated with My Shareholding conducted by the Designee shall be deemed as my own actions, and all the documents related to My Shareholding executed by the Designee shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the Designee.

The Designee is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to me or obtaining my consent. If required by PRC laws, the Designee shall designate a PRC citizen to exercise the aforementioned rights.

During the period that I am a shareholder of Tongcheng Shidai Jinqiao, this Power of Attorney shall be irrevocable and continuously effective and valid from the date of execution of this Power of Attorney.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the Designee through this Power of Attorney, and shall not exercise such rights by myself.

This Power of Attorney is written in Chinese and English. The Chinese version and English version shall have equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

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This Power of Attorney is signed on July 24, 2023.

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**Li Jin**

By: /s/ Li Jin

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Accepted by

**Beijing Tongcheng Shidai Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun

Name: Han Shaoyun

Title: Legal Representative

Acknowledged by:

**Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun

Name: Han Shaoyun

Title: Legal Representative

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# Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of July 24, 2023 in Beijing, the People’s Republic of China (“China” or the “PRC”):

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd.**

Address: Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue, Chaoyang District, Beijing;

**Party B: Li Jin**

Identification No.: \*\*\*

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd.**

Address: Room 407, Floor 4, 18 Jia West Road of North Third Ring, Haidian District, Beijing.

In this Agreement, each of Party A, Party B and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Party B is a shareholder of Party C and as of the date hereof holds 30% of equity interests of Party C, representing RMB1,500,000 in the registered capital of Party C.
2. Party A and Party B executed a Loan Agreement (“Loan Agreement”) on July 24, 2023, according to which Party A agreed to provide Party B with a loan in amount of RMB 1,500,000, to be used for the purpose of subscribing the increased registered capital of Party C.
3. Party B agrees to grant Party A an exclusive right through this Agreement, and Party A agrees to accept such exclusive right to purchase all or part equity interest held by Party B in Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

## **1 Sale and Purchase of Equity Interest**

### **1.1 Option Granted**

In consideration of the payment of RMB10 by Party A, the receipt and adequacy of which is hereby acknowledged by Party B, Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein

(such right being the “Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

#### 1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “Equity Interest Purchase Option Notice”), specifying: (a) Party A’s or the Designee’s decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the “Optioned Interests”); and (c) the date for purchasing the Optioned Interests or the date for transfer of the Optioned Interests. Party A and/or the Designee(s) shall obtain all necessary government licenses and permits and take all necessary actions to purchase the equity interests in Party C.

#### 1.3 Equity Interest Purchase Price

The purchase price of all equity interests held by Party B in Party C purchased by Party A by exercising the Equity Interest Purchase Option shall equal to the amount of registered capital contributed by Party B in Party C for such Optioned Interests (or such price may be as set forth in the equity transfer agreement to be executed between Party A (or the Designee) and Party B separately, provided that such price does not violate PRC laws and regulations and is acceptable to Party A); if Party A exercises the Equity Interest Purchase Option to purchase part of the equity interests held by Party B in Party C, the purchase price shall be calculated pro rata. If PRC law requires a minimum price higher than aforementioned price when Party A exercises Equity Interest Purchase Option, the minimum price regulated by PRC law shall be the purchase price (collectively, the “Equity Interest Purchase Price”).

#### 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the equity interest to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

- 1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;
- 1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, “security interests” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B’s Equity Interest Pledge Agreement and Party B’s Power of Attorney. “Party B’s Equity Interest Pledge Agreement” as used in this Agreement shall refer to the Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. “Party B’s Power of Attorney” as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

1.5 Payment of the Equity Interest Purchase Price

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A in accordance with the Loan Agreement. Accordingly, if Party A plans to exercise the Equity Interest Purchase Option, Party A may elect to make payment of the Equity Interest Purchase Price through cancellation of the outstanding amount of the loan owed by Party B to Party A, in which case Party A shall not be required to pay any additional purchase price to Party B, unless the Equity Interest Purchase Price set forth herein is required to be adjusted in accordance with the applicable laws and regulations.

**2 Covenants**

2.1 Covenants regarding Party C

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

- 2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;



- 2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business and handling its affairs;
- 2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Party C or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans;
- 2.1.5 They shall always operate all of Party C's businesses in the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;
- 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB500,000 shall be deemed a major contract);
- 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
- 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.1.9 If requested by Party A, they shall procure and maintain, at the cost of Party C, insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or

appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

- 2.1.13 Without the prior written consent of Party A, they shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders;
- 2.1.14 At the request of Party A, they shall appoint any person designated by Party A as the director or executive director of Party C.
- 2.1.15 Without Party A's prior written consent, they shall not engage in any business in competition with Party A or its affiliates; and
- 2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A.

## 2.2 Covenants of Party B

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.2 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the interest placed in accordance with Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
- 2.2.3 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting or the board (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;
- 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.2.5 Party B shall cause the shareholders' meeting or the board (or the executive director) of Party C to vote their approval of the transfer of

the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

- 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
- 2.2.7 Party B shall appoint any designee of Party A as the director or the executive director of Party C, at the request of Party A;
- 2.2.8 Party B hereby waives its right of first of refusal to transfer of equity interest by any other shareholder of Party C to Party A (if any), and gives consent to execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney and undertakes not to take any action in conflict with such documents executed by the other shareholders;
- 2.2.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation, or any proceeds from transferring its entire or a part of equity interest in Party C, to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws; and
- 2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B's Equity Interest Pledge Agreement or under the Party B's Power of Attorney, Party B shall not exercise such rights except in accordance with the written instructions of Party A.

### **3 Representations and Warranties**

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the power, capacity and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party

- A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
  - 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
  - 3.4 Party B has a good and merchantable title to the equity interests held by Party B in Party C. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
  - 3.5 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
  - 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
  - 3.7 Party C has complied with all applicable laws and regulations; and
  - 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

#### **4 Effective Date and Term**

This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

#### **5 Governing Law and Resolution of Disputes**

- 5.1 Governing law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

## 5.2 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party's request to the other Parties for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all Parties.

## 6 Taxes and Fees

Each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

## 7 Notices

7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices;

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd.**

Address: Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue,  
Chaoyang District, Beijing

Attn: Liu Jing

Phone: \*\*\*

Email: g-liujing@tedu.cn

**Party B: Li Jin**

Address: Floor 6, Lizhi Building, Andingmenwai Avenue, Chaoyang District, Beijing

Phone: \*\*\*

Email: Lijin728@163.com

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd.**

Address: Room 407, Floor 4, 18 Jia West Road of North Third Ring, Haidian District, Beijing

Attn: Zhao Cheng

Phone: \*\*\*

Email: zhaochen1@tedu.cn

7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

**8 Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement, and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of other Parties, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

**9 Further Warranties**

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

**10 Breach of Agreement**

10.1 If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or

require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein;

10.2 Party B or Party C shall not have any right to terminate this Agreement in any event unless otherwise required by applicable laws.

## **11 Miscellaneous**

### 11.1 Amendment, change and supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

### 11.2 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supercede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

### 11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

### 11.4 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

### 11.5 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

### 11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

11.7 Survival

11.7.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.7.2 The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.



IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun  
Name: Han Shaoyun  
Title: Legal Representative

**Party B: Li Jin**

By: /s/ Li Jin

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun  
Name: Han Shaoyun  
Title: Legal Representative

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## Loan Agreement

This Loan Agreement (this “Agreement”) is made and entered into by and between the Parties below as of July 24, 2023 in Beijing, People's Republic of China (“PRC” or “China”):

- (1) **Beijing Tongcheng Shidai Technology Co., Ltd.** (the “Lender”), a Wholly Foreign Owned Enterprise, organized and existing under the laws of China, with its address at Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue, Chaoyang District, Beijing;
- (2) **Li Jin** (the “Borrower”), a citizen of the China with Chinese Identification No.: \*\*\*

Each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

### Whereas:

1. The Borrower holds 30% of equity interests in Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (the “Borrower Company”). All of the equity interests now held and hereafter acquired by the Borrower in the Borrower Company shall be referred to as “the Borrower Equity Interest”. The Borrower Company is a limited company duly registered in Beijing, China with its registered capital of RMB 5,000,000;
2. The Lender agrees to provide the Borrower with a loan in the aggregate amount of RMB 1,500,000 to be used for the purposes set forth in this Agreement.

After friendly consultation, the Parties agree as follows:

### 1. Loan

- 1.1 In accordance with the terms and conditions of this Agreement, the Lender agrees to provide a loan in the amount of RMB1,500,000 (the “Loan”) to the Borrower. Once the Lender receives a notice from the Borrower requesting the provision of all or any part of the Loan during the term of this Agreement, the Lender shall within reasonable time period after receiving such notice provide that portion of Loan to the Borrower. The term of the Loan shall be 10 years from the date of this Agreement, which may be extended upon mutual written consent of the Parties. During the term of the Loan or the extended term of the Loan, the Borrower shall immediately repay the full amount of the Loan in the event that any one or more of the following circumstances occur:
  - 1.1.1 30 days elapse after the Borrower receives a written notice from the Lender requesting repayment of the Loan;

- 1.1.2 The Borrower's death, lack or limitation of civil capacity;
  - 1.1.3 The Borrower ceases (for any reason) to be an employee of the Lender, the Borrower Company or their affiliates;
  - 1.1.4 The Borrower engages in criminal act or is involved in criminal activities;
  - 1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the principle business that is currently conducted by Borrower Company in China with a controlling stake and/or in the form of wholly-foreign-owned enterprises, the relevant competent authorities of China begin to approve such investments, and Lender exercises the exclusive option under the Exclusive Option Agreement (the "Exclusive Option Agreement") described in this Agreement.
- 1.2 The Loan provided by the Lender under this Agreement shall inure to the Borrower's benefit only and not to the Borrower's successor(s) or assign(s).
  - 1.3 The Borrower agrees to accept the aforementioned Loan provided by the Lender, and hereby agrees and warrants using the Loan to provide capital for the Borrower Company to develop the business of the Borrower Company. Without the Lender's prior written consent, the Borrower shall not use the Loan for any purpose other than as set forth herein.
  - 1.4 The Lender and The Borrower hereby agree and acknowledge that Borrower's method of repayment shall be at the sole discretion of Lender, and shall at Lender's option take the form of Borrower's transferring the Borrower Equity Interest in whole to the Lender or the Lender's designated persons (legal or natural persons) pursuant to the Lender's exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement, and any proceeds from the transfer of the Borrower Equity Interest (to the extent permissible) shall be used by the Borrower to repay the Loan to Lender, in accordance with this Agreement and in the manner designated by Lender.
  - 1.5 The Lender and the Borrower hereby agree and acknowledge that to the extent permitted by applicable laws, the Lender shall have the right but not the obligation to purchase or designate other persons (legal or natural persons) to purchase the Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.
  - 1.6 The Borrower also undertakes to execute an irrevocable Power of Attorney (the "Power of Attorney"), which authorizes the Lender or a legal or natural person designated by the Lender to exercise all of the Borrower's rights as a shareholder of the Borrower Company.
  - 1.7 When the Borrower transfers the Borrower Equity Interest to the Lender or Lender's designated person(s), in the event that the transfer price of such

equity interest equals or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan. In the event that the transfer price of such equity interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement payable by the Borrower to the Lender.

## **2. Conditions Precedent**

The obligation of the Lender to provide the Loan to the Borrower contemplated in Section 1.1 shall be subject to the satisfaction of the following conditions, unless waived in writing by the Lender.

- 2.1 The Borrower Company and the Lender or other person (legal or natural person) designated by the Lender have officially executed an Exclusive Business Cooperation Agreement (the “Exclusive Business Cooperation Agreement”), under which the Lender or other person designated by the Lender, as an exclusive service provider, will provide the Borrower Company with business support service and business consulting service.
- 2.2 The Borrower, the Borrower Company and the Lender or other person (legal or natural person) designated by the Lender have executed a Share Pledge Agreement (the “Share Pledge Agreement”), the contents of which have been confirmed, and according to the Share Pledge Agreement, the Borrower agrees to pledge the Borrower Equity Interest to the Lender or other person designated by the Lender.
- 2.3 The Borrower, the Lender and the Borrower Company have officially executed an Exclusive Option Agreement (the “Exclusive Option Agreement”), the contents of which have been confirmed, and under which the Borrower shall irrevocably grant the Lender an exclusive option to purchase all of the Borrower Equity Interest.
- 2.4 The Borrower has executed an irrevocable Power of Attorney (the “Power of Attorney”), which authorizes Lender or other person (legal or natural person) designated by Lender to exercise all of the Borrower’s rights as a shareholder in the Borrower Company.
- 2.5 The aforementioned Share Pledge Agreement, Power of Attorney, Exclusive Option Agreement and Exclusive Business Cooperation Agreement have been entered into before or on the date of execution of this Agreement and shall have full legal validity without any default or encumbrance related to these agreements or contracts, and all the related filing procedures, approvals, authorization, registrations and government procedures have been completed (as applicable).
- 2.6 All the representations and warranties by the Borrower in Section 3.2 are true, complete, correct and not misleading.

- 2.7 The Borrower has not violated the covenants in Section 4 of this Agreement, and no event which may affect the Borrower's performance of its obligations under this Agreement has occurred or is expected to occur.

### **3. Representations and Warranties**

- 3.1 Between the date of this Agreement and the date of termination of this Agreement, the Lender hereby makes the following representations and warranties to the Borrower:
- 3.1.1 The Lender is a corporation duly organized and legally existing in accordance with the laws of China;
  - 3.1.2 The Lender has the legal capacity to execute and perform this Agreement. The execution and performance by the Lender of this Agreement is consistent with the Lender's scope of business and the provisions of the Lender's corporate bylaws and other organizational documents, and the Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and
  - 3.1.3 This Agreement constitutes the Lender's legal, valid and binding obligations enforceable in accordance with its terms.
- 3.2 Between the date of this Agreement and the date of termination of this Agreement, the Borrower hereby makes the following representations and warranties:
- 3.2.1 The Borrower has the legal capacity to execute and perform this Agreement. The Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;
  - 3.2.2 This Agreement constitutes the Borrower's legal, valid and binding obligations enforceable in accordance with its terms; and
  - 3.2.3 There are no disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to the Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings or any other legal proceedings relating to the Borrower.

### **4. Borrower's Covenants**

- 4.1 As and when he/she becomes, as well as for so long as he/she remains a shareholder of the Borrower Company, the Borrower irrevocably covenants that during the term of this Agreement, the Borrower shall cause the Borrower Company:

- 4.1.1 to strictly abide by the provisions of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement, and to refrain from any action/omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement and the Exclusive Business Cooperation Agreement;
  - 4.1.2 at the request of the Lender (or a party designated by the Lender), to execute agreements/contracts on business cooperation with the Lender (or a party designated by the Lender), and to strictly abide by such agreements/contracts;
  - 4.1.3 to provide the Lender with all of the information on the Borrower Company's business operations and financial situation at the Lender's request;
  - 4.1.4 to immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Borrower Company's assets, business or income;
  - 4.1.5 at the request of the Lender, to appoint any persons designated by Lender as directors of the Borrower Company.
- 4.2 The Borrower covenants that during the term of this Agreement, he/she shall:
- 4.2.1 endeavor to keep the Borrower Company to engage in its principal businesses specified in its business license;
  - 4.2.2 abide by the provisions of this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement to which the Borrower is a party, perform his/her obligations under this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Power of Attorney, the Share Pledge Agreement and the Exclusive Option Agreement;
  - 4.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest or the encumbrance, except in accordance with the Share Pledge Agreement;
  - 4.2.4 cause any shareholders' meeting and/or the board of directors of the Borrower Company to not approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except to the Lender or the Lender's designated person;
  - 4.2.5 cause any shareholders' meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of the

Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of the Lender;

- 4.2.6 immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Borrower Equity Interest;
- 4.2.7 to the extent necessary to maintain his/her ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- 4.2.8 without the prior written consent of the Lender, refrain from any action/omission that may have a material impact on the assets, business and liabilities of the Borrower Company;
- 4.2.9 appoint any designee of the Lender as director of the Borrower Company, at the request of the Lender;
- 4.2.10 to the extent permitted by the laws of China, at the request of the Lender at any time, promptly and unconditionally transfer all of the Borrower Equity Interest to the Lender or the Lender's designated representative(s) at any time, and cause the other shareholders of the Borrower Company to waive their right of first refusal with respect to the share transfer described in this Section;
- 4.2.11 to the extent permitted by the laws of China, at the request of the Lender at any time, cause the other shareholders of the Borrower Company to promptly and unconditionally transfer all of their equity interests to the Lender or the Lender's designated representative(s) at any time, and the Borrower hereby waives his/her right of first refusal (if any) with respect to the share transfer described in this Section;
- 4.2.12 in the event that the Lender purchases the Borrower Equity Interest from the Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to Lender; and
- 4.2.13 without the prior written consent of the Lender, not to cause the Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decrease its registered capital or change its share capital structure in any manner.

## **5. Liability for Default**

- 5.1 If the Borrower commits any material breach of any term of this Agreement, the Lender shall have the right to terminate this Agreement and require the

Borrower to pay for all damages; this Section 5.1 shall be without prejudice to any other rights of the Lender herein.

- 5.2 The Borrower shall have no right to terminate this Agreement in any event unless otherwise required by the applicable laws.
- 5.3 In the event that the Borrower fails to perform the repayment obligations set forth in this Agreement, the Borrower shall pay an overdue interest of 0.01% per day for the outstanding payment, until the day the Borrower repays the full principal of the Loan, overdue interests and other payable amounts.

## 6. Notices

6.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:

6.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery.

6.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of the transmission).

6.2 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd.**  
Attn: Liu Jing  
Address: Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue,  
Chaoyang District, Beijing  
Phone: \*\*\*  
Email: g-liujing@tedu.cn

**Party B: Li Jin**  
Address: Floor 6, Lizhi Building, Andingmenwai Avenue,  
Chaoyang District, Beijing  
Phone: \*\*\*  
Email: Lijin728@163.com

6.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

## 7. Confidentiality

The Parties acknowledge that any oral or written information exchanged among them with respect to this Agreement is confidential information. The Parties shall



maintain the confidentiality of all such information, and without the written consent of other Party, either Party shall not disclose any relevant information to any third party, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any confidential information by the staff members or agency hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

## **8. Governing Law and Resolution of Disputes**

- 8.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes shall be governed by the laws of China.
- 8.2 In the event of any dispute with respect to the construction and performance of the provisions of this Agreement, the Parties shall negotiate in good faith to resolve the dispute. In the event the Parties fail to reach an agreement on the resolution of such a dispute within 30 days after any Party's request for resolution of the dispute through negotiations, any Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on both Parties.
- 8.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

## **9. Miscellaneous**

- 9.1 This Agreement shall become effective on the date thereof, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.
- 9.2 This Agreement is written in both Chinese and English language in two copies, with each Party having one copy with equal legal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.
- 9.3 This Agreement may be amended or supplemented through written agreement by and between the Lender and the Borrower. Such written amendment

agreement and/or supplementary agreement executed by and between the Lender and the Borrower are an integral part of this Agreement, and shall have the same legal validity as this Agreement.

- 9.4 In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by the relevant laws the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.
- 9.5 The attachments (if any) to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.
- 9.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 5, 7, 8, and this Section 9.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first above written.

**Lender: Beijing Tongcheng Shidai Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun

Name: Han Shaoyun

Title: Legal Representative

**Borrower: Li Jin**

By: /s/ Li Jin

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## Share Pledge Agreement

This Share Pledge Agreement (this “Agreement”) has been executed by and among the following parties on July 24, 2023 in Beijing, the People’s Republic of China (“China” or the “PRC”):

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd.** (hereinafter “Pledgee”);  
Address: Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue, Chaoyang District, Beijing

**Party B: Li Jin** (hereinafter “Pledgor”)  
ID No.: \*\*\*

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd.**  
Address: Room 407, Floor 4, 18 Jia West Road of North Third Ring, Haidian District, Beijing

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to as a “Party” respectively, and they shall be collectively referred to as the “Parties”.

Whereas:

1. Pledgor is a Chinese citizen and holds 30% of the equity interest in Party C. Party C is a limited liability company registered in Beijing, China engaging in technology development, consulting, exchange, transfer, promotion, services; computer system services; fundamental software services; application software services; software development; software consulting; education consulting (except intermediary services); arts and crafts design; design, production, agency, and release of advertisements; organize cultural and artistic exchange activities (excluding commercial performances); undertake exhibitions and display activities; conference services; sell toys, cultural goods, sporting goods, handicrafts, household appliances, electronic products; retail publications; broadcast TV program production; engaged in Internet cultural activities. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C which is partially owned by Pledgor have executed an Exclusive Business Cooperation Agreements (as defined below) in Beijing; Party C, Pledgee and Pledgor have executed an Exclusive Option Agreements (as defined below); Pledgor has executed a Power of Attorney (as defined below) in favor of Tarena International Inc.; and Pledgee and Pledgor have executed a Loan Agreement (as defined below);
3. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee

all of the equity interest that Pledgor holds in Party C as security for Party C's and Pledgor's obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

## 1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Article 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to 30% equity interests in Party C currently held by Pledgor, representing RMB1,500,000 in the registered capital of Party C, and all of the equity interest hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3.2 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on August 29, 2022 (the "Exclusive Option Agreements"); (ii) Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on July 24, 2023 (the "Exclusive Option Agreement"); (iii) Loan Agreement executed by and between Pledgee and Pledgor on July 24, 2023 (the "Loan Agreement"); (iv) Power of Attorney executed on July 24, 2023 by Pledgor (the "Power of Attorney") and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligations: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney, the Loan Agreement and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by Pledgee, incurred as a result of any Event of Default. The amount of such loss shall be calculated in accordance with the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, all expenses occurred in connection with enforcement by Pledgee of Pledgor's and/or Party C's Contract Obligations and etc.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Article 7

of this Agreement.

- 1.8 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

## **2. The Pledge**

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgor on Equity Interest after deduction of individual income tax paid by Pledgor shall be, as required by Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.3 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgor as a result of Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designate and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

## **3. Term of Pledge**

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein is registered with relevant State Administration for Market Regulation (the "SAMR"). The Pledge shall remain effective until all Contract Obligations have been fully performed and all Secured Indebtedness have been fully paid. Pledgor and Party C shall (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the SAMR for the registration of the Pledge of the Equity Interest contemplated herein within 10 business days following the execution of this Agreement. The parties covenant that for the purpose of registration of the

Pledge, the parties hereto and all other shareholders of Party C shall submit to the SAMR this Agreement or an equity interest pledge contract in the form required by the SAMR at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "SAMR Pledge Contract"). For matters not specified in the SAMR Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant SAMR, to ensure that the Pledge of the Equity Interest shall be registered with the SAMR as soon as possible after submission for filing.

- 3.2 During the Term of Pledge, in the event Party C fails to perform the Contract Obligations or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to dispose of the Pledge in accordance with the provisions of this Agreement.

#### **4. Custody of Records for Equity Interest subject to Pledge**

During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such items during the entire Term of Pledge set forth in this Agreement.

#### **5. Representations and Warranties of Pledgor and Party C**

As of the execution date of this Agreement, Pledgor and Party C hereby jointly and severally represent and warrant to Pledgee that:

- 5.1 Pledgor is the sole legal owner of the Equity Interest.
- 5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.
- 5.3 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest.
- 5.4 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
- 5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

## 6. Covenants of Pledgor and Party C

- 6.1 During the term of this Agreement, Pledgor and Party C hereby jointly and severally covenant to the Pledgee:
- 6.1.1 not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest, without the prior written consent of Pledgee, except for the performance of the Transaction Documents;
  - 6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within 5 days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
  - 6.1.3 Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on Pledgee's rights to the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement.
  - 6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.
- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for payment of the Service Fees under the Exclusive Business Cooperation Agreement, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.



6.4 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgor shall indemnify Pledgee for all losses resulting therefrom.

## **7. Event of Breach**

7.1 The following circumstances shall be deemed Event of Default:

7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.

7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor shall immediately notify Pledgee in writing accordingly.

7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee and /or Party C delivers a notice to the Pledgor requesting rectification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing upon the occurrence of the Event of Default or at any time thereafter and demand that Pledgor immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement and all other payments due to Pledgee, and/or dispose of the Pledge in accordance with the provisions of Article 8 of this Agreement.

## **8. Exercise of Pledge**

8.1 Pledgee may issue a Notice of Default to Pledgor when exercising the Pledge.

8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge concurrently with the issuance of the Notice of Default in accordance with Section 8.1 or at any time after the issuance of the Notice of Default. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.

8.3 After Pledgee issues a Notice of Default to Pledgor in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall not be liable for any loss incurred by its duly exercise of such rights and powers.

8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred as result of disposing the Equity Interest and to

perform Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally donate the aforementioned proceeds to Pledgee or any other person designated by Pledgee.

- 8.5 Pledgee may exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and Pledgor or Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

## **9. Breach of Agreement**

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgor or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.2 Pledgor or Party C shall not have any right to terminate this Agreement in any event unless otherwise required by applicable laws.

## **10. Assignment**

- 10.1 Without Pledgee's prior written consent, Pledgor and Party C shall not have the right to assign or delegate its rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and its successors and permitted assigns, and shall be valid with respect to Pledgee and each of its successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Exclusive Business Cooperation Agreement to its designee(s) (natural/legal persons), in which case the designee shall have the rights and obligations of Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.

- 10.4 In the event of a change in Pledgee due to an assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant SAMR.
- 10.5 Pledgor shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.

## **11. Termination**

- 11.1 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant PRC local State Administration for Market Regulation.
- 11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

## **12. Handling Fees and Other Expenses**

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

## **13. Confidentiality**

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section

shall survive the termination of this Agreement for any reason.

#### 14. Governing Law and Resolution of Disputes

- 14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.
- 14.2 In the event of any dispute with respect to the construction and performance of the provisions of this Agreement, the Parties shall negotiate in good faith to resolve the dispute. In the event the Parties fail to reach an agreement on the resolution of such a dispute within 30 days after any Party's request for resolution of the dispute through negotiations, any Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on both Parties.
- 14.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

#### 15. Notices

- 15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.4 For the purpose of notices, the addresses of the Parties are as follows:

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd.**

Address: Room 614, Floor 6, Building 1, 1 Andingmenwai Avenue,  
Chaoyang District, Beijing

Attn: Liu Jing

Phone: \*\*\*

Email: g-liujing@tedu.cn

**Party B:** Li Jin  
Address: Floor 6, Lizhi Building, Andingmenwai Avenue,  
Chaoyang District, Beijing  
Phone: \*\*\*  
Email: Lijin728@163.com

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd.**  
Address: Room 407, Floor 4, 18 Jia West Road of North Third Ring,  
Haidian District, Beijing  
Attn: Zhao Cheng  
Phone: \*\*\*  
Email: zhaochen1@tedu.cn

15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

## 16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

## 17. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

## 18. Effectiveness

18.1 This Agreement shall become effective upon execution by the Parties hereto. Since the effective date of this Agreement, the Original Share Pledge Agreement shall be terminated and shall be replaced and superseded by this Agreement.

18.2 Any amendments and supplements to this Agreement shall be made in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and that relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

18.3 This Agreement is written in Chinese and English in three copies. Pledgor, Pledgee and Party C shall hold one copy respectively. Each copy of this Agreement shall have equal validity. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

*The Remainder of this page is intentionally left blank*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

**Party A: Beijing Tongcheng Shidai Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun  
Name: Han Shaoyun  
Title: Legal Representative

**Party B: Li Jin**

By: /s/ Li Jin

**Party C: Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (Seal)**

By: /s/ Han Shaoyun  
Name: Han Shaoyun  
Title: Legal Representative

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## Spousal Consent

The undersigned, Niu Xiaomei (ID card No. \*\*\*), is the lawful spouse of Li Jin (ID card No. \*\*\*). I hereby unconditionally and irrevocably agree to the execution of the following documents (hereinafter referred to as the “**Transaction Documents**”) by Li Jin on July 24, 2023, and the disposal of the equity interests of Beijing Tongcheng Shidai Jinqiao Technology Co., Ltd. (hereinafter referred to as “**Tongcheng Shidai Jinqiao**”) held by Li Jin and registered in his name according to the following documents:

- (1) Share Pledge Agreement entered into between Yousai Hengchuang Technology Development (Beijing) Co., Ltd. (hereinafter referred to as the “**WFOE**”) and Tongcheng Shidai Jinqiao;
- (2) Exclusive Option Agreement entered into between the WFOE and Tongcheng Shidai Jinqiao;
- (3) Power of Attorney executed by Li Jin;
- (4) Loan Agreement entered into with WFOE.

I hereby undertake not to make any assertions in connection with the equity interests of Tongcheng Shidai Jinqiao which are held by Li Jin. I hereby further confirm that Li Jin can perform the Transaction Documents and further amend or terminate the Transaction Documents absent authorization or consent from me.

I hereby undertake to execute all necessary documents and take all necessary actions to ensure appropriate performance of the Transaction Documents (as amended from time to time).

I hereby agree and undertake that if I obtain any equity interests of Tongcheng Shidai Jinqiao which are held by Li Jin for any reasons, I shall be bound by the Transaction Documents and the Exclusive Business Cooperation Agreement entered into between the WFOE and Tongcheng Shidai Jinqiao as of July 24, 2023 (hereinafter referred to as the “**Exclusive Business Cooperation Agreement**”) (as amended from time to time) and comply with the obligations thereunder as a shareholder of Tongcheng Shidai Jinqiao. For this purpose, upon the WFOE’s request, I shall sign a series of written documents in substantially the same format and content as the Transaction Documents and Exclusive Business Cooperation Agreement (as amended from time to time).

This Consent is written in Chinese and English. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Signature: /s/ Niu Xiaomei

Date: July 24, 2023

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**Equity Transfer Agreement**

**between**

**Tarena Software Technology (Hangzhou) Co., Ltd.**

**and**

**Tarena Technologies Inc.**

**December 24, 2023**

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## Equity Transfer Agreement

This Equity Transfer Agreement (“**this Agreement**”) is made by and between the following parties on December 24, 2023 (“**Signing Date**”):

(1) **Tarena Weishang Technology (Hainan) Co., Ltd.**, a limited liability company established in accordance with Chinese law, with a unified social credit code of \*\*\* and its registered address at Building C09, Phase I, Hainan Eco-software Park, Laocheng Town, Chengmai County, Hainan Province (**the “Transferee”**);

(2) **Tarena International, Inc.**, a limited liability company established and existing under the laws of the Cayman Islands, with its registered address at offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands (**“Tarena Cayman” or “Transferor I”**);

(3) **Tarena Hong Kong Limited**, a limited liability company established under the laws of Hong Kong, with its registered address at RMS 05-15, 13A/F, SOUTH TOWER WORLD FINANCE Centre, HARBOR CITY 17 CANTON Road, TST, KLN, HONG KONG (**“Tarena Hong Kong” or “Transferor II”**, together with the Transferor I, individually or collectively referred to as the **“Transferor”**);

(4) **Tarena Technologies Inc.**, a limited liability company established in accordance with Chinese law, with its registered address at Room 3709, No.18 West Road of North Third Ring, Haidian District, Beijing (**“Tarena Technologies Inc.” or “Target Company I”**); and

(5) **Tarena Software Technology (Hangzhou) Co., Ltd.** is a limited liability company established under Chinese law, with its registered address at Building A, Floor 1, Training Building, No. 65 Kejiyuan Road, Baiyang Subdistrict, Hangzhou Economic and Technological Development Zone, Zhejiang Province (**“Tarena Hangzhou” or “Target Company II”**, together with Target Company I, individually or collectively referred to as the **“Target Company”**).

The Transferee, Transferor, and Target Company are hereinafter referred to as a **“Party”** and collectively as **“Parties”**.

### Whereas:

(1) The Transferor and other entities of the Tarena Group intend to no longer engage in adult-focused training business (as defined below), while the Transferee and the divested entity (as defined below) plan to undertake adult-focused training business. Therefore, the Transferee wishes to purchase all equity of the Target Company held by the Transferor in accordance with the terms and conditions hereof (**“Target Equity”**), and the Transferor wishes to sell the Target Equity to the Transferee in accordance with the terms and conditions hereof (**“Equity Transfer Transaction” or “Equity Transfer”**);

(2) On the signing date, the registered capital of Target Company I is RMB 100 million, all of which are held by Tarena Cayman; and

(3) On the signing date, the registered capital of Target Company II is USD 50 million, all of which are held by Tarena Hong Kong.

Therefore, all parties hereby agree as follows:

## Article 1 Definitions

### 1.1 Definitions

Unless otherwise defined herein, the following words have the following meanings:

“**Divested business**” or “**adult-focused training business**” refers to the business of providing professional education courses in IT and non-IT subjects to students through innovative education platforms, real-time remote teaching, classroom tutoring, and online learning modules to build practical skills and preparing students for work in industries with increasing recruitment demand and growth potential (for the avoidance of doubt, such business includes employment recommendation).

“**Divested assets**” refer to the assets required or related to the divested business of the Tarena Group (as defined below).

“**The divested entity**” refers to the target company and the entities controlled by the target company, including but not limited to the entities listed in Appendix I List of Related Entities Schedule 1 Divested Entity List, but does not include children-focused business related entities (as defined below).

“**Divested personnel**” refer to personnel who have already established or intend to establish labor relations or labor relations with the divested entity before or after the closing date (as defined below) necessary for carrying out the divested business.

“**Retained business**” or “**children-focused training business**” refers to providing IT literacy education courses for teenagers aged 3-18, including computer coding and robot programming courses. By encouraging “code learning”, such business cultivates children’s logical thinking and learning abilities, and stimulates their interest and potential.

“**Retained assets**” refer to the assets required or related to the divested entity for carrying out retained business or related to retained business.

“**Retained personnel**” refer to personnel who have already established or intend to establish labor relations or labor relations with Tarena Group before or after the closing date, as required for carrying out retained business.

“**Tarena Group**” refers to Tarena Cayman and the entities controlled by Tarena Cayman, but does not include the divested entity (for the avoidance of doubt, children-focused business related entities belong to the scope of Tarena Group).

“**Long-term investment entities**” refer to the entities, partial shares of which are held by the divested entity, listed in list of related entities in Appendix I List of Related Entities Schedule 3 List of Long-term Investment Entities hereof.

“**Law**” refers to all regulations, rules, and orders of any government agency, including any decrees, written laws, or other legislative measures, as well as any regulations, rules, treaties, orders, or judgments.

“**Liability**” refers to, with respect to any entity, all obligations of that entity to make payments of, including but not limited to: (i) borrowed or raised repayments, (ii) acceptance credit, documentary credit or commercial paper loans, (iii) any bonds, notes, loans, bills of exchange or similar documents, (iv) delayed payments for purchased assets or services, amounts payable for fulfilling contractual obligations, and any liquidated damages, (v) rent under leases (whether related to land, machinery, equipment, or other projects) primarily for the purpose of raising funds or financing the purchase of leased assets, (vi) guarantees, standby letters of credit or other documents issued for the performance of contracts, (vii) mortgages, guarantees or other guarantees for financial losses related to the obligations of any entity, (viii) payable employee salaries, insurance, provident fund, benefits, expenses, (ix) payable distributions, dividends, bonuses, taxes, compensation, litigation costs.

“**Working days**” refer to normal business days of commercial banks in China, excluding statutory holidays.

“**Related party**” refers to (1) with respect to any entity, (a) any other entity/natural person who directly or indirectly controls, is controlled by, or is jointly controlled by another entity/natural person; (b) The directors, supervisors, senior management personnel of the entity, as well as the related party of the aforementioned personnel. (2) With respect to any natural person, the close relatives of such natural person (including spouse, parents, paternal grandparents, maternal grandparents, siblings and their spouses, parents of spouse, siblings of spouse and their spouses, children and their spouses, grandchildren and their spouses) and the entity in which such close relatives serve as directors, supervisors or senior management personnel, or the entity controlled, directly or indirectly, by such close relatives (including but not limited to, through the designated persons). However, for the purpose of this Agreement, neither the Transferee nor its related party shall be deemed as a related party of the Transferor; After the closing date, the Transferor and its related party shall not be considered as a related party of the divested entity.

“**Closing date**” has the meaning set forth in Article 3.1.

“**Transaction documents**” refer to this Agreement, any other agreements signed regarding equity transfer, and the Target Company’s articles of association modified based on equity transfer.

“**Control**” refers to the power, directly or indirectly or as a trustee or executor, in relation to the relationship between two or more entities, to give instructions or cause others to give instructions regarding the business, affairs, management, or decision-making of an entity, whether through the ownership of equity, voting rights, or voting securities, whether as a trustee or executor, whether under a contract, agreement, trust arrangement, or other arrangements including (i) directly or indirectly owning fifty percent (50%) or more of the issued shares or equity of the entity, (ii) directly or indirectly owning fifty percent (50%) or more of the voting rights of the entity, or (iii) directly or indirectly having the power to appoint a majority of the members of the board of directors or similar management organization of the entity. “**Controlled**” and “**jointly controlled**” have meanings related to the above interpretation.

“**Approval**” refers to the rights, licenses, permits, approvals, exemptions, approvals, authorizations granted by any government agency, as well as all registrations and filings processed by any government agency.

“**Encumbrance**” refers to (1) priority or other interests with security purposes set up on specific property through mortgage, pledge, retention, or other means; and (2) claims related to the ownership, possession, or use of specific property attached to it (including nominee shareholding arrangements).

“**Person**” refers to an individual, company, enterprise, partnership, trust, unincorporated organization, government, any government department or agency, or any other entity.

“**RMB**” refers to the legal currency of China, the Chinese yuan.

“**Representations and warranties of the Transferee**” refers to the representations and warranties of the Transferee as described in Appendix II (B).

“**Children-focused business related entities**” refer to the entities engaged in children-focused training business among the divested entities, namely the entities listed in Appendix I List of Related Entities Schedule 2 List of Children-focused Business Related Entities hereof.

“**Taxes and dues**” or “**Taxation**” refer to all forms of taxes and similar charges levied, collected, withheld or assessed by local, city, regional, urban, government, state, federal authorities or other authorities in China or any other jurisdictional region, as well as any interest, additional taxes, fines, surcharges or penalties related to the above.

“**Cash**” refers to cash, cash equivalents, tradable securities, or other items that can be defined as current assets pursuant to applicable accounting standards.

“**Government agency**” refers to any government or its affiliated institutions with jurisdiction, any department or organization of any government or its affiliated institutions, any court or arbitration tribunal, and any regulatory agency of any securities exchange.

“**Intellectual property**” refers to all patents, trademarks, service marks, registered designs, domain names, utility models, copyrights, inventions, confidential information, trade secrets, proprietary production processes and equipment, brand names, database rights, trade names, all similar rights and the benefits of any of the aforementioned in any country (in each case, whether registered or not, and including all applications for the aforementioned and the right to apply for any of the aforementioned in any place in the world).

“**Material adverse effect**” refers to any situation, change or impact involving the applicable Target Company and its controlled entities that (a) affects the existence, business, assets, intellectual property, liabilities (including but not limited to contingent liabilities), financial condition, operating performance, business prospects or financial condition of the Target Company and/or its controlled entities or there is sufficient evidence to suggest that it may cause serious adverse effects; (b) has a serious adverse impact on the qualification, license, or ability of the Target Company and/or its controlled entities to operate their current business, or sufficient evidence suggesting that it may be; (c) has serious impact on the ability of the applicable Transferor to fulfill its obligations and responsibilities under the transaction documents; or (d) any event or legal action that seriously affects the validity or enforceability of any transaction document.

“**China**” refers to the People’s Republic of China, and for the purpose of this Agreement only, does not include the Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region.

“**Representations and warranties of the Transferor**” refers to the representations and warranties of the Transferor as described in Appendix II (A).

“Assets” refer to tangible or intangible assets, rights, and privileges of any nature, including but not limited to all rights related to intellectual property.

## Article 2 Equity Transfer

### 2.1 Target equity

(1) As of the signing date of this Agreement, the equity structure of Target Company I is as follows:

Shareholder	Subscribed Registered Capital (RMB 10,000)	Paid-in Registered Capital (RMB 10,000)	Shareholding Ratio
Tarena Cayman	10,000	10,000	100 %
Total	10,000	10,000	100 %

Pursuant to the terms hereof and subject to meeting the conditions stipulated herein, the Transferee agrees to purchase from Transferor I and Transferor I agrees to sell 100% equity of the Target Company I (corresponding to a registered capital of RMB 100 million of the Target Company I) to Transferor I (“**Tarena Technologies Inc. Equity Transfer**”).

(2) As of the signing date of this Agreement, the equity structure of Target Company II is as follows:

Shareholder	Subscribed Registered Capital (USD 10,000)	Paid-in Registered Capital (USD 10,000)	Shareholding Ratio
Tarena Hong Kong	5,000	5,000	100 %
Total	5,000	5,000	100 %

Pursuant to the terms hereof and subject to meeting the conditions stipulated herein, the Transferee agrees to purchase from Transferor II and Transferor II agrees to sell 100% equity of the Target Company II (corresponding to a registered capital of USD 50 million of the Target Company II) to Transferor II (“**Tarena Hangzhou Equity Transfer**”).

### 2.2 Equity transfer price

All parties agree that, in accordance with the terms hereof and subject to the satisfaction of the conditions stipulated herein, the Transferee shall pay the equity transfer price of RMB 1 to Transferor I for the Tarena Technologies Inc. Equity Transfer (the “**Tarena Technologies Inc. Equity Transfer Amount**”); For the Tarena Hangzhou Equity Transfer, the Transferee shall pay the equity transfer price of RMB 1 to Transferor II (the “Tarena Hangzhou Equity Transfer Amount”, together with the transfer amount of Tarena Technologies Inc.’s equity, referred to as the “**Equity Transfer Amount**”).

### 2.3 Payment of equity transfer price

All parties agree that, with regard to the Tarena Technologies Inc. Equity Transfer, the Transferee shall pay the Tarena Technologies Inc. Equity Transfer Amount to the bank account designated by the Transferor within five (5) working days after all the closing prerequisites stipulated in Article 3.1 hereof are met or waived in writing by Transferor I; With regard to the Tarena Hangzhou Equity Transfer, the Transferee shall pay the Tarena Hangzhou Equity Transfer Amount to the bank account designated by the Transferor within five (5) working days after all the closing prerequisites stipulated in Article 3.1 hereof are met or waived in writing by Transferor II.

## Article 3 Closing

### 3.1 Closing prerequisites

Provided that the Transferee confirms that all the closing prerequisites listed in this clause (“**Closing prerequisites**”) have been met or waived in writing by the Transferee (“**Closing**”, the date on which the Transferee confirms that all the closing prerequisites have been met or waived in writing by the Transferee is the “**Closing Date**”), the Transferee shall pay the transfer amount to Transferor I in accordance with the provisions of Article 2.3 regarding the Tarena Technologies Inc. Equity Transfer, and pay the transfer amount to Transferor II for the Tarena Hangzhou Equity Transfer:

- (1) This Agreement and other transaction documents (including but not limited to the Target Company’s articles of association modified based on equity transfer) have been appropriately signed by all signatories;
- (2) The representations and warranties made by the Transferor herein shall be true, accurate, complete, and not misleading on the signing date and closing date of this Agreement; All commitments and agreements that shall be fulfilled by the Transferor on or before the closing date in all applicable transaction documents have been fulfilled;
- (3) Unless otherwise agreed in Article 6.1 hereof, both the Transferor and the Target Company have obtained all internal and external authorizations, approvals, and filings, as well as all relevant third-party consent, regarding the equity transfer transaction, the signing and performance of this Agreement and other related transaction documents;
- (4) No event has occurred that, individually or jointly, would have a material adverse effect on the divested entity, and it is reasonably expected that such event would not have a material adverse effect on the divested entity, either individually or jointly;
- (5) No government department has formulated, issued, promulgated, implemented or enacted any law that would result in illegal equity transfer transactions, or restrict or prohibit equity transfer transactions;
- (6) The Transferor and/or other entities of the Tarena Group shall have reached an agreement with the Transferee and/or the designated entity of the Transferee on the list of divested and retained personnel, and the Transferor and/or other entities of the Tarena Group shall have provided the Transferee or the designated entity of the Transferee with a list of divested and retained personnel recognized by them;



- (7) The Transferor and/or other entities of the Tarena Group shall have reached an agreement with the Transferee and/or the designated entity of the Transferee regarding the settlement plan for historical expenses, fund transactions, and/or loans between the Transferor and/or other entities of the Tarena Group and the divested entity, and the Transferor and/or other entities of the Tarena Group shall have provided the Transferee or the designated entity of the Transferee with an approved settlement plan (“Settlement Plan”). The settlement plan shall specify the following content: (a) As of December 31, 2023, pursuant to the net amount mutual transactions between the book records of the divested entity and the book records of Tarena Group, if the divested entity is receivable from Tarena Group (i.e. the divested entity is a creditor, and Tarena Group is a debtor), except for foreign currency debts of Tarena Group to the divested entity that have been filed with the State Administration of Foreign Exchange, all other transactions will be exempted pursuant to the net book transaction amount; (b) As of December 31, 2023, pursuant to net amount the mutual transactions between the book records of the divested entity and the book records of Tarena Group, if Tarena Group is receivable from the divested entity (i.e. Tarena Group is the creditor, and the divested entity is the debtor), including the foreign currency debts (“Foreign Currency Debts of the Divested Entity”) and other net book transaction amount of the divested entity to Tarena Group filed with the State Administration of Foreign Exchange, such net amount shall not be exempted; and (c) for the foreign currency debts of Tarena Group and the foreign currency debts of the divested entity, Tarena Group shall repay the foreign currency debts of Tarena Group to the divested entity in two payments. The first repayment amount shall be the portion of the total foreign currency debts of Tarena Group that exceeds the total amount of foreign currency debts of the divested entity. After the first repayment, the remaining amount of foreign currency debts of Tarena Group to be repaid shall be equal to the total amount of foreign currency debts of the divested entity; and the second payment is the outstanding balance of foreign currency debts of Tarena Group to be repaid after the divested entity repays all foreign currency debts of the divested entity (for the avoidance of doubt, such outstanding balance is the total amount of foreign currency debts of Tarena Group minus the aforementioned first repayment amount of the Tarena Group).
- (8) The Transferor and/or other entities of the Tarena Group shall have already reached consensus on the deliverables to be submitted to the Transferee and/or the designated entity of the Transferee on the closing date, including but not limited to accounting original vouchers, financial statements, bank account opening permits, bank signature cards, U-shields, invoices, tax control disks, tax calculation tables, tax declaration forms, settlement and payment materials, audit reports, official seals, financial seals, personal name seals, invoice seals, contract seals, business licenses, multiple-purpose certificate, business contracts, labor contracts, other contracts, intellectual property documents, etc. The Transferor and/or other entities of the Tarena Group shall have provided the Transferee and/or the designated entity of the Transferee with a list of recognized deliverables (“**List of Deliverables**”); For the avoidance of doubt, the list of deliverables shall not include the aforementioned materials of any children-focused business related entities and long-term investment entities;

- (9) The Transferor and/or other entities of the Tarena Group shall have reached a consistent plan with the Transferee and/or the designated entity of the Transferee on the relevant matters that need to be handled or completed before closing (including but not limited to matters related to long-term investment entities, children-focused business related entities, systems, qualification certificates, assets, contracts, personnel). The Transferor and/or other entities of the Tarena Group shall have provided the Transferee and/or the designated entity of the Transferee with the approved plan, and shall have completed the matters that need to be completed or processed before closing in accordance with the plan;
- (10) The Transferor and/or other entities of the Tarena Group shall have reached a consistent plan (hereinafter referred to as “**Retention Matters Plan**”) with the Transferee and/or the designated entity of the Transferee on the relevant matters that need to be handled or completed after closing (including but not limited to matters related to long-term investment entities, children-focused business related entities, systems, qualification certificates, assets, contracts, personnel) (hereinafter referred to as “**Retention Matters**”). The Transferor and/or other entities of the Tarena Group shall have provided the Transferee and/or the designated entity of the Transferee with their approved retention plan.

### 3.2 Equity structure of the Target Company after the closing date

Subject to compliance with the terms and conditions hereof, the equity structure of Target Company I will be changed since the closing date to:

Shareholder	Subscribed Registered Capital (RMB 10,000)	Paid-in Registered Capital (RMB 10,000)	Shareholding Ratio
Tarena Weishang Technology (Hainan) Co., Ltd.	10,000	10,000	100 %
Total	10,000	10,000	100 %

The equity structure of Target Company II will be changed since the closing date to:

Shareholder	Subscribed Registered Capital (USD 10,000)	Paid-in Registered Capital (USD 10,000)	Shareholding Ratio
Tarena Weishang Technology (Hainan) Co., Ltd.	5,000	5,000	100 %
Total	5,000	5,000	100 %

From the closing date, all rights and obligations attached to the target equity shall be transferred with the transfer of equity. The Transferee shall enjoy shareholder rights and assume shareholder obligations in accordance with applicable laws, regulations, and the newly signed articles of association of the Target Company.

### 3.3 Deliverables on the closing date

(1) On the closing date, the Transferor or the designated entity of the Transferor shall provide the Transferee or the designated entity of the Transferee with all the materials shown in the list of deliverables.

(2) On the closing date, each Transferor shall provide the Transferee with the latest register of shareholders and capital contribution certificate of the Target Company, indicating that the Transferee has been registered as a shareholder of the company by the Target Company and its capital contribution and shareholding ratio are consistent with the provisions of Article 3.2 hereof and stamped with the official seal. The issuance date shall be the closing date.

### 3.4 Facilitating closing

All parties shall make every effort to ensure that the closing prerequisites stipulated in Article 3.1 hereof are met as soon as possible after the signing of this Agreement.

### 3.5 Transfer of rights and obligations

(1) Unless otherwise expressly agreed in the transaction documents, agreed upon in writing by all parties, or otherwise provided by law, the Target Company or its designated divested entity shall have all rights and interests in the divested assets from the closing date (except for divested assets that are only used by the Target Company through licensing or leasing, and shall have rights and assume obligations in accordance with relevant agreements on licensing or leasing), and bear all risks related to the divested assets (except for the risks related to the divested assets that are only be used through licensing or leasing, and shall have rights and assume obligations in accordance with relevant agreements on licensing or leasing).

(2) Unless otherwise expressly agreed in the transaction documents, agreed upon in writing by all parties, or otherwise provided by law, the Transferor or its designated entity shall have all rights and interests in the retained assets from the closing date (except for retained assets that are only used by the Target Company through licensing or leasing, and shall have rights and assume obligations in accordance with relevant agreements on licensing or leasing), and bear all risks related to the retained assets (except for the risks related to the retained assets that are only be used through licensing or leasing, and shall have rights and assume obligations in accordance with relevant agreements on licensing or leasing).

(3) Unless otherwise expressly agreed upon in the transaction documents, agreed upon in writing by all parties, or otherwise provided by law, from the closing date, the Transferor and/or other entities of the Tarena Group shall still have all rights and interests over long-term investment entities and children-focused business related entities, and shall bear all risks related to long-term investment entities and children-focused business related entities.

### **3.6 Independent operation**

All parties confirm that from the closing date, (1) Tarena Group shall no longer own and/or operate any adult-focused training business, and the divested entity shall own and independently operate all adult-focused training businesses; (2) The divested entity shall no longer own and/or operate any children-focused training business, and the Tarena Group shall own and independently operate all children-focused training businesses.

## **Article 4 Transition Period**

### **4.1 Business operations before closing**

From the signing date this Agreement until the closing date (the “**Transition Period**”), the Target Company shall cause other divested entities, and the Transferor shall cause the Target Company and other divested entities, to:

- (1) Carry out the business operations of the divested entity in the general and customary business processes in the same manner as those before the signing of this Agreement;
- (2) Maintain the original relationships between the Target Company and its customers, employees, creditors, as well as other parties in contact with it, in accordance with the principle of integrity; and
- (3) Comply with applicable laws in significant respects.

### **4.2 Action restrictions during the transition period**

During the transition period, without the prior written consent of the Transferee, unless otherwise specified in the actions or transaction documents related to meeting the closing prerequisites listed in Article 3.1 hereof, the Target Company shall not, and the Target Company shall cause other divested entities not to, and the Transferor shall cause the Target Company and other divested entities not to take any of the following actions:

- (1) Change the registered capital and equity structure of the divested entity;
- (2) Sign new contracts outside of the daily business operations of the divested entity, including equity investments or disposal of equity investments, acquisitions, mergers, bank loans, or other non-daily debts, leases, fixed asset purchases, entrusted operations, etc., and do not engage in securities or financial derivative investments; or
- (3) Set new debt burden on any substantial business or assets of the divested entity, or any divested assets, including but not limited to mortgage, pledge, retention, lending, leasing, transfer on the assets and business.

### **4.3 Right to know**

Prior to closing, the Transferor shall promptly notify the Transferee in writing of (a) all events, circumstances, or facts to its knowledge that may result in a breach of any of its representations, warranties, or commitments under the corresponding transaction documents, or that may make any of its representations or warranties under the transaction documents untrue or inaccurate in any material respect, (b) any fact, change, condition or circumstance that it is aware of, which may reasonably be expected to cause any of the conditions specified in Article 3.1 hereof to become unfulfilled, and (c) all other significant developments that affect the assets, liabilities, business, financial condition, operations, operating results, customer or supplier relationships, employee relationships, forecasts or prospects of the divested business.

## **Article 5 Representations and Warranties**

### **5.1 Representations and warranties of the Transferor**

In order to facilitate the signing of this Agreement by the Transferee, and as part of its consideration for signing this Agreement, the Transferor hereby jointly and severally makes the representations and warranties listed in Appendix II (A) to the Transferee.

### **5.2 Representations and warranties of the Transferee**

The Transferee hereby makes the representations and warranties listed in Appendix II (B) to the Transferor.

## **Article 6 Commitments**

### **6.1 Procedures for industrial and commercial change registration, etc.**

(1) After the closing date, the Target Company shall complete the industrial and commercial registration, filing, and registration of change for foreign exchange basic information for the equity transfer transaction as soon as possible. If the Transferor and/or Transferee is required to cooperate in submitting relevant materials or conducting relevant system identification and authentication to handle the procedures for industrial and commercial change registration, filing, and/or registration procedures for change of foreign exchange basic information, the Transferor and/or Transferee shall cooperate.

(2) After the closing date, the Target Company and/or other divested entities shall complete the procedures for industrial and commercial registration of transferring the children-focused business related entities to the Tarena Group entity as soon as possible. If the Transferor and/or other entities of the Tarena Group are required to submit relevant materials or undergo relevant system identification and authentication to handle the aforementioned procedures for industrial and commercial change registration, the Transferor shall and shall cause other entities of the Tarena Group to cooperate.

(3) After the closing date, the Target Company and/or other divested entities shall complete the procedures for industrial and commercial registration of transferring the long-term investment entities to the Tarena Group entity as soon as possible. If the Transferor and/or other entities of the Tarena Group are required to submit relevant materials or undergo relevant system identification and authentication to handle the aforementioned procedures for industrial and commercial change registration, the Transferor shall and shall cause other entities of the Tarena Group to cooperate.

## **6.2 Qualification change**

After the closing date, the Target Company and other divested entities shall promptly update, change or reapply for their qualification certificates in accordance with applicable laws and regulations (if necessary). After the closing date, the children-focused business related entities shall promptly update, change or reapply for the qualification certificates they hold in accordance with applicable laws and regulations (if necessary). If the application for qualification change requires the cooperation of the Transferor and/or Transferee in submitting relevant documents, the Transferor and/or Transferee shall cooperate.

## **6.3 Retention matters**

All parties acknowledge and agree that the Transferee and the Target Company agree to cooperate with the Transferor or other entities of the Tarena Group to complete the relevant retention matters as soon as possible after the closing date in accordance with the retention matters plan or the plan determined by the related parties through separate negotiations; The Transferor agrees to cooperate with the divested entity or Transferee to complete the relevant retention matters as soon as possible after the closing date in accordance with the retention matter plan or the plan determined by the related parties through separate negotiations.

## **6.4 Non-competition**

In order to avoid competition with the adult-focused training business of the divested entity, the Transferor agrees and shall ensure that other entities of the Tarena Group agree that within 5 years from the closing date, except with the written consent of the Transferee or otherwise agreed by the parties, the Tarena Group shall not directly and/or indirectly (including but not limited to establishing other entities) engage in any business that is the same as, similar to, or competitive with the adult-focused training business.

In order to avoid competition with the children-focused training business of Tarena Group, the Target Company and the Transferee agree, and shall ensure that all other divested entities agree, within 5 years from the closing date, that, except with the written consent of Tarena Group or other agreements between the parties, the spin off entity shall not directly and/or indirectly (including but not limited to establishing other entities) engage in any business that is the same, similar, or competitive with the children-focused training business.

## **6.5 Obligation to cooperate**

All parties acknowledge and agree that after the closing date, the Transferor and/or its related parties shall no longer hold any divested assets. If, after the closing date, it is found that the Transferor and/or its related parties hold any divested assets, the Transferor and/or its related parties shall cooperate to transfer, deliver or license the divested assets to the Transferee, the Target Company or its related parties, or otherwise enable the Target Company or its related parties to use such divested assets reasonably, and provide reasonable assistance to the Target Company or its related parties to acquire and/or use such divested assets.

All parties acknowledge and agree that after the closing date, the Transferee, the Target Company, and/or their related parties shall no longer hold any retained assets. If, after the closing date, it is found that the Transferee, the Target Company, and/or their related parties hold any retained assets, the Transferee, the Target Company, and/or their related parties shall cooperate to transfer, deliver or license the retained assets to the Transferor or its related parties, or otherwise enable the Transferor or its related parties to reasonably use such retained assets and provide reasonable assistance to the Transferor or its related parties to acquire and/or use such retained assets.

## **Article 7 Confidentiality**

### **7.1 Confidentiality**

All parties agree to keep confidential the following information: the existence, content, and signing of this Agreement, any trade secrets of the other party obtained by each party during the validity period of this Agreement, and any oral or written materials exchanged with each other in preparation or performance of this Agreement, which require confidentiality by all parties, shall not be disclosed or made public to third parties without the written consent of the other party. All parties shall ensure that their employees, consultants, and agents fulfill their confidentiality obligations hereunder. However, any disclosure of the following confidential information by either party shall not be deemed a violation of this Agreement: (1) the information was already known to the public at the time of disclosure; (2) Such information is disclosed with the prior written consent of the parties hereto; (3) For the purpose of evaluating this equity transfer transaction, one party shall disclose to its shareholders, directors, management members who agree to fulfill confidentiality obligations, or the accounting firm or law firm it employs, provided that the aforementioned personnel comply with confidentiality obligations consistent with this clause; (4) If, in accordance with any applicable mandatory laws and regulations, instructions from any judicial or administrative authority, or requirements from any applicable securities exchange, regulatory or government agency, one party is required to disclose any confidential information, to the extent permitted by law, that party shall (i) give written notice to the other party as soon as possible before disclosure; (ii) consult with other parties on the form, content, and method of disclosure; and (iii) shall make every effort to assist other parties in seeking protective relief measures. The party shall only provide the portion of confidential information that is legally required to be disclosed, and shall make every effort to ensure that such confidential information is protected by confidentiality.

## **Article 8 Taxes and Dues**

Each party shall pay and bear the taxes and dues related to the equity transfer transaction in accordance with applicable laws and regulations.

## **Article 9 Compensation**

### **9.1 General principles**

If either party hereto violates any warranties and/or representations, commitments or agreements herein and/or any other transaction documents, and/or any warranties or representations of either party in any other transaction documents are unfounded, untrue, inaccurate or incomplete, resulting in or causing the Target Company and/or the counterparty to this Agreement and/or its related parties, directors, shareholders, employees, agents and representatives (hereinafter referred to as the “**Compensated Person**”) to incur any losses, such losses shall be jointly and severally compensated by the defaulting party to the compensated person.

## 9.2 Specific agreements

(1) Except with the prior written consent of the Transferee or as otherwise expressly agreed in the transaction documents, the Transferee and its related parties shall not be liable for any liabilities or responsibilities related to the divested entity, divested business, and/or divested assets that existed or occurred before the closing date, or caused by reasons existing before the closing date, including but not limited to any liabilities or responsibilities, dispute, or payable taxes, litigation, arbitration, enforcement, claims, administrative penalties or other legal proceedings, third-party claims, liabilities, obligations, damages, losses, judgments, legal actions, litigation, proceedings, arbitration related to the divested entity, divested business, and/or divested assets that existed or occurred before the closing date. If any lawsuit, arbitration, administrative penalty or other legal proceedings arises to the Target Company, Transferee or their related parties or they suffer any losses due to any third party's request, the Transferor (or its designated related parties) shall be responsible for responding to or handling the relevant penalties and legal proceedings, and shall make remedy for and/or compensate the Target Company, Transferee or their related parties for all losses suffered as a result.

(2) Except with the prior written consent of the Transferor or as otherwise expressly agreed in the transaction documents, the Transferor and its related parties shall not be liable for any liabilities or responsibilities related to the divested entity, divested business, and/or divested assets that occurred after the closing date, including but not limited to any liabilities or responsibilities, dispute, or payable taxes, litigation, arbitration, enforcement, claims, administrative penalties or other legal proceedings, third-party claims, liabilities, obligations, damages, losses, judgments, legal actions, litigation, proceedings, arbitration related to the divested entity, divested business, and/or divested assets that occurred after the closing date. If any lawsuit, arbitration, administrative penalty or other legal proceedings arises to the Transferor or its related parties or they suffer any losses due to any third party's request, the Transferee, Target Company or their designated related parties shall be responsible for responding to or handling the relevant penalties and legal proceedings, and shall make remedy for and/or compensate the Transferee or its related parties for all losses suffered as a result.

(3) Except with the prior written consent of the Transferee, the Target Company, or as otherwise expressly agreed in the transaction documents, the Transferee, the Target Company, and their related parties shall not be liable for any liabilities or responsibilities related to the retained business and/or retained assets that occur after the closing date, including but not limited to any liabilities, liabilities, disputes, or taxes payable, litigation, arbitration, enforcement, claims, administrative penalties or other legal proceedings, third-party claims, liabilities, obligations, damages, losses, judgments, legal actions, litigation, proceedings, arbitration related to the retained business and/or retained assets that occur after the closing date. If any lawsuit, arbitration, administrative penalty or other legal proceedings arises to the Target Company, Transferee or their related parties or they suffer any losses due to any third party's request, the Transferor (or its designated related parties) shall be responsible for responding to or handling the relevant penalties and legal proceedings, and shall make remedy for and/or compensate the Target Company, Transferee or their related parties for all losses suffered as a result.



## Article 10 Effectiveness and Termination

### 10.1 Effective date

This Agreement has been duly signed by all parties and shall come into effect from the signing date.

### 10.2 Termination events

This Agreement may be terminated by any related party before the closing date through the following means:

(1) If the Transferor violates any material representations, warranties, commitments or agreements contained herein, the Transferee shall have the right to terminate this Agreement by written notice to the Transferor;

(2) If the Transferee violates any material representations, warranties, commitments or agreements to the Transferor contained herein, the Transferor has the right to terminate this Agreement by written notice to the Transferee;

(3) If the equity transfer transaction cannot be completed due to force majeure, changes in laws and regulations, or government reasons, the Transferee has the right to notify the Transferor in writing to terminate this Agreement;

(4) At any time on or before the closing date, this Agreement may be terminated with the mutual written consent of all parties.

### 10.3 Consequences of termination

All parties shall continue to be bound by Article 10.3, Article 7 (Confidentiality), Article 8 (Taxes and Dues), Article 9 (Compensation), Article 11 (Notice), and Article 12 (Applicable Law and Dispute Resolution) hereof. Any provision of Article 10.3 shall not be deemed to exempt either party from any liability for breach of this Agreement prior to its termination.

## Article 11 Notice

### 11.1 Notice

All notices, requests, or other communications issued hereunder shall be in writing and shall be delivered or sent to the following addresses or email addresses or communication numbers of the related parties (or other addresses specified by the recipient's written notice to the other parties at least 5 days in advance).

Transferor I:	Mailing Address: 6/F, No.1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing Contact person: Han Shaoyun Email: hansy@tedu.cn
Transferor II:	Mailing Address: 6/F, No.1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing Contact person: Han Shaoyun Email: hansy@tedu.cn

Target Company I: Mailing Address: 6/F, No.1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing  
Contact person: Han Shaoyun  
Email: hansy@tedu.cn  
Target Company II: Mailing Address: 6/F, No.1 Andingmenwai Street, Litchi Tower, Chaoyang District, Beijing  
Contact person: Han Shaoyun  
Email: hansy@tedu.cn  
Transferee: Mailing address: \*\*\*  
Contact person: Li Jin  
Email: Lijin728@163.com

All notices, requests, or other communications issued or served in accordance with the provisions of Article 11.1 shall be deemed to have been issued or served: (1) if sent by registered mail, on the third working day after the relevant notice, request, or communication indicating the above address is sent to the post office and a receipt is issued by the post office, it shall be deemed to have been served; (2) If delivered by a courier company or by a dedicated person, it shall be deemed served when the relevant notice, request, or communication is delivered to the abovementioned address (if rejected or returned without signature, it shall be deemed served from the date of rejection or return); (3) Notification made by email shall be deemed served when the email system shows that the recipient has actually received it or has not received any return notification within 24 hours after sending it.

## **Article 12 Applicable Law and Dispute Resolution**

### **12.1 Applicable Law**

The formation, validity, interpretation, performance, revision, termination, and dispute resolution of this Agreement shall be governed by Chinese law.

### **12.2 Dispute resolution**

Any disputes, controversies or demands arising out of or in connection with this Agreement or its breach, termination or invalidity (hereinafter referred to as “**Disputes**”) shall be resolved through friendly consultation between the parties. If the dispute cannot be resolved through negotiation, either party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration in accordance with its arbitration rules. The arbitration shall be conducted in Beijing and the language used shall be Chinese. The arbitration award shall be final and binding on all parties.

**13.1 Assignment**

The heirs and permitted assignees of all parties shall enjoy the benefits and be bound by this Agreement. Without the prior written consent of all parties, neither party shall assign its rights or obligations hereunder. However, the Transferee may transfer the rights and/or obligations hereunder to its related parties by giving written notice to the Transferor before closing.

**13.2 Amendment**

Any amendment hereto must be signed in writing by all parties before taking effect.

**13.3 Entire agreement**

The Appendices hereto are an integral part and have the same legal effect as this Agreement. This Agreement constitutes the entire agreement reached by the parties regarding the subject matter hereof, and supersedes any previous agreements and understandings reached by the parties regarding the subject matter.

**13.4 Severability**

All obligations hereunder shall be deemed independent and enforceable, and the enforceability of other obligations shall not be affected when one or more obligations hereunder become invalid or unenforceable. When one or some provisions hereunder are not enforceable, they shall be deemed to be removed from this Agreement, and such removal shall not affect the enforceability of any other provisions hereof. This Agreement being not enforceable against one party shall not affect its enforceability against other parties.

**13.5 Effectiveness**

This Agreement shall be binding on all parties from the signing date. This Agreement is made in quintuplicate, with each party holding one copy and each copy having equal legal effect. This Agreement may be jointly or separately signed and delivered by all parties. The electronic version of the signed text hereof exchanged by all parties via email and stored in PDF format shall be deemed as the original and may serve as separate evidence of the establishment and effectiveness of this Agreement.

**13.6 Template agreement for reporting to government agencies**

All parties agree and acknowledge that a brief template agreement that does not conflict with this Agreement may be signed separately for the purpose of applying for approval/filing of equity transfer with relevant government agencies. However, equity transfer shall still be subject to the provisions hereof, and neither party shall invoke such template agreement in any dispute resolution related to equity transfer to counter any provisions hereof.

[The following is the signature page]

In view of this, all parties have caused their authorized representatives to sign this Agreement on the date stated on the front page hereof.

Tarena Weishang Technology (Hainan) Co., Ltd.

Signature: /s/ Jin Li \_\_\_\_\_ (Company seal affixed)

Name: Jin Li

Signing Page of *Equity Transfer Agreement*

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In view of this, all parties have caused their authorized representatives to sign this Agreement on the date stated on the front page hereof.

Tarena International, Inc.

Signature: /s/ Shaoyun Han (Company seal affixed)

Name: Shaoyun Han

Signing Page of *Equity Transfer Agreement*

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In view of this, all parties have caused their authorized representatives to sign this Agreement on the date stated on the front page hereof.

Tarena Technologies Inc. (Official Seal)

Signature: /s/ Shaoyun Han (Company seal affixed)

Name: Shaoyun Han

Signing Page of *Equity Transfer Agreement*

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In view of this, all parties have caused their authorized representatives to sign this Agreement on the date stated on the front page hereof.

Tarena Hong Kong Limited

Signature: /s/ Shaoyun Han \_\_\_\_\_ (Company seal affixed)

Name: Shaoyun Han

Signing Page of *Equity Transfer Agreement*

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In view of this, all parties have caused their authorized representatives to sign this Agreement on the date stated on the front page hereof.

Tarena Software Technology (Hangzhou) Co., Ltd. (Official Seal)

Signature: /s/ Shaoyun Han \_\_\_\_\_ (Company seal affixed)

Name: Shaoyun Han

Signing Page of *Equity Transfer Agreement*

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**Appendix II (A) Representations and Warranties of the Transferor**

Each Transferor jointly and severally makes the following representations and warranties to the Transferee regarding the divested entity and divested assets. The following representations and warranties are true, complete, and accurate on the signing date and closing date of this Agreement (unless a particular statement or warranty expressly states that it is only related to a specific date).

**1. Disposing Capacity and Authorization**

Each Transferor and the Target Company are officially established and validly existing in accordance with the laws of their place of registration. Each Transferor and the Target Company have obtained sufficient and necessary authorization to sign the transaction documents, fulfill all obligations under the transaction documents, and complete the transactions under the transaction documents. The transaction documents signed by them as one party are legally binding on each Transferor and the Target Company.

**2. No Conflict**

The signing and performance of the transaction document agreement shall not violate or conflict with any provisions of the articles of association and other organizational rules of the Target Company and/or the Transferor; shall not result in any breach or non-performance of obligations under any contract or legal document binding on the Target Company and/or the Transferor; shall not violate any order, judgment or decree of any court or government agency that is binding on them, nor shall violate any mandatory laws and regulations in China; and shall not result in any violation of any license, approval or permit issued to the Target Company or other divested entities, and/or any condition for the continued validity of such license, approval or permit, or cause any approval issued to the Target Company or other divested entities to be terminated, revoked or subject to additional conditions.

**3. Establishment and Existing of the Divested Entity**

Each divested entity is legally established and validly existing in accordance with Chinese laws and has independent civil rights and disposing capacity. There is no circumstance where termination is required by laws, regulations, normative documents or their articles of association. The payment of registered capital by each divested entity complies with the provisions of Chinese law, its articles of association, and other organizational rules. There are no instances of false reporting and/or withdrawal of registered capital among the divested entities. The business scope of each divested entity complies with the requirements of Chinese law. Each divested entity shall carry out business activities in accordance with the registered business scope and legal provisions.

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#### **4. Equity**

The equity structure recorded in Article 2.1 hereof is consistent with the registered capital equity structure of each Target Company registered and filed with the administration for industry and commerce, as well as the registered capital equity structure stated in the articles of association of each Target Company, and accurately and completely reflects the capital structure and paid in capital of each Target Company before closing. Each Target Company has not promised or actually issued any equity, shares, bonds, warrants, options, or similar interests of the same or similar nature in any form, to anyone other than the aforementioned shareholder equity.

The Transferor is the sole legal and beneficial owner of all equity held by it in the Target Company. The registered capital corresponding to the target equity has been fully paid in cash, and there is no circumstance of false investment, false reporting of registered capital, withdrawal of registered capital, or other violations of applicable laws and regulations; The Transferor shall have undisputed, legal and undivided ownership of the target equity held by the Transferor and all related interests, and shall have legal rights and powers over the target equity it holds, and shall have the right to make any dispositions with respect to the equity of the Target Company it holds.

There are no mortgages, pledges, liens, security interests, privileges, charges, claims, freezes, lock up period restrictions or other encumbrances on the target equity stipulated by the laws of China or any other country or region; The target equity also does not have any nominee shareholding, trust, or other third-party rights of any nature (including but not limited to any circumstance that may affect the rights and interests of any shareholder directly or indirectly enjoyed by that party over any target equity, or may cause any third party to directly or indirectly acquire any shareholder rights and interests over the target equity).

There are no ongoing, potential, threatened lawsuits, administrative penalties, administrative reviews, appeals, investigations, or other legal proceedings filed by the Transferor, or to which the Transferor is a counterparty or in connection with which the Transferor is a party and which relate to its holding of the target equity.

#### **5. Qualification Certificate**

Each divested entity has obtained all necessary approvals, consents, authorizations, and licenses for its establishment and business operations. The aforementioned approvals, consents, authorizations, and licenses are fully valid and there is no circumstance of change, revocation, or non-renewal. The signing or performance of this Agreement or any documents to be signed prior to the closing date shall not result in any such approval, consent, authorization or permit being revoked, suspended, altered or not renewed.

#### **6. Compliance with Laws**

Each divested entity engages in business activities within its approved scope of business and has never engaged in business activities beyond its scope of business. Each divested entity operates and manages business activities in accordance with all applicable laws, and there are no significant violations of laws, administrative regulations, or relevant regulatory provisions.

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## 7. Financial Information

All audit accounts, management accounts, and other financial information and reports (hereinafter referred to as “**Financial Information**”) of each divested entity have been prepared in accordance with applicable laws and accounting standards, on the basis of appropriateness and consistency, and truthfully, fairly, and accurately reflect the assets, liabilities, financial condition, and related matters of each divested entity as of the relevant balance sheet date, as well as the profits and losses of the reporting period, and the true financial condition of each divested entity on such date and within the scope of applicable laws and regulations.

## 8. Asset

For the assets (including intellectual property) being used by each divested entity, the divested entity has ownership or has obtained valid authorization to use them in its existing and/or proposed business operations. The ownership and/or use rights of each divested entity over the assets will not be adversely affected by the transactions proposed under the transaction documents.

The assets (including intellectual property) being used by each divested entity and the divested assets are free from any mortgage, pledge, retention or other encumbrances, or are subject to compulsory measures such as sealing, freezing, or seizure by courts, arbitration institutions, or other authorized institutions; There are no third-party claims or restrictions on the exercise of rights, nor are there any lawsuits or arbitrations against the aforementioned assets. All necessary approval documents, registration, and other procedures for the abovementioned assets have been obtained or completed and remain valid.

For the properties used by each divested entity through leasing (hereinafter referred to as “**Leased Properties**”), each divested entity enjoys legal and complete leasing rights and has the right to use such leased properties in accordance with the provisions of the leasing contract, and such leased properties have no defects in terms of property ownership, leasing rights, etc. that may cause material adverse effects on the business operations of the divested entity.

To the best of the Transferor’s knowledge, each divested entity has not infringed upon the rights of third parties with respect to the assets it owns or is authorized to use, and has not received any claims from third parties that it constitutes infringement. There are no pending disputes or judicial proceedings related to the aforementioned assets.

The Transferor or its related parties have the necessary power and authorization to transfer and divest assets. After the divested assets are transferred or licensed to the Target Company or its designated divested entity in accordance with the provisions of the transaction documents, the Target Company or its designated divested entity will have full and unrestricted ownership or use rights over the divested assets (except as otherwise agreed in writing in the transaction documents or by all parties).

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## **9. Intellectual Property**

Each divested entity has obtained or been licensed to obtain all intellectual property rights that it needs to use in its business process. The divested entity's rights to such intellectual property are legal and valid, and it has taken legal or appropriate measures (such as filing registration, renewing annual fees) to maintain its rights.

To the best of the Transferor's knowledge, each divested entity has not engaged in any infringement of the intellectual property rights of others, has not received any claims from third parties claiming infringement of intellectual property rights, and there are no pending intellectual property disputes or judicial proceedings; To the best of the Transferor's knowledge, there is no circumstance where anyone else is infringing, abusing, or misappropriating the intellectual property rights of each divested entity.

## **10. Contract**

Each divested entity shall perform the contract in accordance with normal commercial practices and contract terms, and there shall be no significant breach of contract. To the best of the Transferor's knowledge, there shall be no circumstance that may cause the divested entity to bear significant breach of contract liability and/or compensation liability to the counterparty. To the best of the Transferor's knowledge, the signing and performance of transaction documents by each divested entity will not result in the divested entity bearing significant breach of contract and/or compensation liability to the counterparty, nor will any counterparty claim to cancel or terminate such contracts as a result.

## **11. Liabilities**

Except for the debts already reflected herein and financial information, as well as the debts arising from the daily business activities of the divested entity between the financial statement date corresponding to the latest financial information (i.e. November 30, 2023) and the closing date, there are no other significant debts of the divested entity.

## **12. Employees**

Except for fulfilling the closing conditions stipulated in Article 3.1, each divested entity and its employees have signed labor contracts and entered into legal labor relationships in accordance with the law. The labor employment and labor dispatch of each divested entity comply with applicable laws in significant aspects. Each divested entity has timely and fully paid employee salaries and remuneration, and has fully withdrawn or paid personal income tax, social insurance premiums, and other welfare expenses as required by law. There are no unresolved labor disputes between each divested entity and its employees.

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### **13. Taxation**

Each divested entity has complied with various tax regulations, accurately, completely, and timely declared all taxable income in accordance with the regulations of the Chinese national and local tax authorities, and has paid all due taxes and fees accordingly. There is no need to add or supplement any taxes and fees (including corporate income tax, employee personal income tax withheld and paid on behalf of employees). Each divested entity has not received any outstanding collection or supplementary payment documents issued by the tax authority or any other competent department, or any notice requesting inspection or audit of any tax declaration form. There are no unresolved audits, measures, procedures, investigations, disputes or claims, and there are no circumstances where the tax authority or other competent department may claim tax compensation from the divested entity.

### **14. Punishments, Litigation, and Claims**

There are no unresolved or foreseeable litigation, arbitration, or administrative penalty cases among the divested entities, and there are no disputes or illegal acts that may cause litigation, arbitration, or administrative penalty procedures. Additionally, no judicial preservation or enforcement measures have been taken against the divested entities.

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## **Appendix II (B) Representations and warranties of the Transferee**

The Transferee hereby represents and warrants to each Transferor that the following representations and warranties are true, complete, and accurate on the signing date and closing date of this Agreement.

### **1. Disposing Capacity and Authorization**

The Transferee is officially established and validly existing in accordance with the laws of its place of registration. The Transferee has obtained sufficient and necessary authorization to sign the transaction documents, fulfill all obligations under the transaction documents, and complete the transactions under the transaction documents. The transaction documents signed by it as one party are legally binding on the Transferee.

### **2. No Conflict**

The signing and performance of the transaction document agreement shall not violate or conflict with any provisions of the articles of association and other organizational rules of the Transferee; shall not result in any breach or non-performance of obligations under any contract or legal document binding on the Transferee; shall not violate any order, judgment or decree of any court or government agency that is binding on them, nor shall violate any mandatory laws and regulations in China; and shall not result in any violation of any license, approval or permit issued to the Transferee, and/or any condition for the continued validity of such license, approval or permit, or cause any approval issued to the Transferee to be terminated, revoked or subject to additional conditions.

### **3. Establishment and Existing**

The Transferee is legally established and validly existing in accordance with Chinese laws and has independent civil rights and disposing capacity. There is no circumstance where termination is required by laws, regulations, normative documents or its articles of association.

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## List of Subsidiaries and Variable Interest Entities

Name	Jurisdiction of Incorporation	Affiliate Relationship with the Registrant
TCTM Kids IT Education Inc.	Cayman Islands	
Kids IT Education Inc.	Cayman Islands	Wholly-owned subsidiary of TCTM Kids IT Education Inc.
TCTM Kids IT Education Inc.	Hong Kong	Wholly-owned subsidiary of TCTM Kids IT Education Inc.
TechArena Canada Inc.	Canada	Wholly-owned subsidiary of Tarena Hong Kong Limited
Kids IT Education (HK) Limited	Hong Kong	Wholly-owned subsidiary of Kids IT Education Inc.
Beijing Tongchengshidai Technologies Inc.	PRC	Wholly-owned subsidiary of Kids IT Education (HK) Limited
Beijing Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary of Beijing Tongchengshidai Technologies Inc.
Beijing Youth Talent Technology Co., Ltd.	PRC	Wholly-owned subsidiary of Beijing Tongchengshidai Technologies Inc.
Beijing Tongcheng Jinqiao Technology Co., Ltd.	PRC	Variable interest entity
Zhengzhou Tongcheng Jinqiao Technology Co., Ltd.	PRC	Variable interest entity
Tianjin Tongcheng and Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Guangzhou Tongcheng Tezhnology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuhan Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shanghai TongCheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Xi'an TongCheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shijiazhuang Tarena TongCheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Jiaxing Tongcheng Software Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shenyang Tongchengtongmei Educational Counseling Co., Ltd.	PRC	Wholly-owned subsidiary
Wenzhou Tongcheng Software Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Qingdao Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Jinan Youhang Children Education Technology Co. Ltd.	PRC	Wholly-owned subsidiary
Chengdu Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Zhuhai Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Suzhou Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Nanchang Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Taizhou Tongcheng Software Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Xiamen Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuxi Tongcheng Networking Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Kunming Tongcheng Education Information Consulting Co. Ltd.	PRC	Wholly-owned subsidiary
Wuhan HaoXiaoZi Robot Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Haikou Tongcheng Tongmei Coding Training Co., Ltd. (formerly known as Haikou Tongcheng Technology Co., Ltd.)	PRC	Wholly-owned subsidiary
Yantai Tongcheng Software Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Hefei Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Luoyang Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Zhenzhou Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shenzhen Tongcheng Tongmei Education Co., Ltd.	PRC	Wholly-owned subsidiary
Harbin Tongmei Educational Counseling Co., Ltd.	PRC	Wholly-owned subsidiary
Dongguan Tongchen Information Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shenyang Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuhu Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Ningbo Haishu Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Fuzhou Tongchen Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Taiyuan Tongcheng Tongmei Mdt InfoTech Ltd.	PRC	Wholly-owned subsidiary
Hangzhou Tongcheng Programme Education Co., Ltd.	PRC	Wholly-owned subsidiary

Name	Jurisdiction of Incorporation	Affiliate Relationship with the Registrant
Qinhuangdao Tongmei Cultural Diffusion Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Bengbu Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Chongqing Tongchuang Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Inner Mongolia Tongcheng Tongmei Network Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Changchun Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Guiyang Tong Cheng Tongmei Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Dalian Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Changzhou Tongcheng Technology Education Co., Ltd.	PRC	Wholly-owned subsidiary
Changsha Tongchuang Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Foshan Tongcheng Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Changsha Tongcheng Tongchuang Technology Co. Ltd.	PRC	Wholly-owned subsidiary
Guangzhou Tongmei Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Xuzhou Coding Computer Training Co., Ltd.	PRC	Wholly-owned subsidiary
Nanchang Qingshanhu Tongcheng Tongmei Technology Training Center Co., Ltd.	PRC	Wholly-owned subsidiary
Tangshan Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Guiyang Guanshan Lake Tongchuang Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Zibo Tongcheng Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Taian Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Nanjing Tongcheng Tongmei Computer Training Co., Ltd.	PRC	Wholly-owned subsidiary
Huizhou Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Guangzhou Tongchuang Educational Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Guangxinanning Tongcheng Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Changzhou Tongcheng Tongmei Technology Training Co., Ltd.	PRC	Wholly-owned subsidiary
Lanzhou Tongcheng Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Tongchuang Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Qingxiu District Tonghui Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Qingxiu District Tongcheng Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Xixiangtang District Tonghui Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Qingxiu District Tong Can Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Qingxiu District Tonghang Training School Co., Ltd.	PRC	Wholly-owned subsidiary
Beijing Youcheng Future Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Shenzhen Tongcheng Tongmei Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Weifang Tongcheng Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Nanchang Xihu District Tongcheng Tongmei Programming Training Center Co., Ltd.	PRC	Wholly-owned subsidiary
Chongqing Tongyan Tongsi Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Nanning Tonghang Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Dongguan ChangAn Tongcheng Tongmei Education Consulting Co., Ltd.	PRC	Wholly-owned subsidiary
Beijing Tongcheng Tonghui Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Hunan Tongcheng Tongmei Children Programming Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuhan Tongchuang Youke Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Chengdu Tongcheng Tongmei Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuhan Tongzhuo Youchuang Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Wuhan Tongcheng Youke Technology Co., Ltd.	PRC	Wholly-owned subsidiary



<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Affiliate Relationship with the Registrant</u>
Chengdu Tongcheng Youchuang Technology Co., Ltd.	PRC	Wholly-owned subsidiary
Beijing Children's Youchuang Future Technology Development Co., Ltd.	PRC	Wholly-owned subsidiary
Changsha Kaifu Tongcheng Tongmei Education Training School (formerly known as Science Kid Robot Education Training School)	PRC	School sponsored by Wuhan HaoXiaoZi Robot Technology Co., Ltd., a wholly-owned subsidiary of Tarena International, Inc.
Shijiazhuang Tongcheng Education School Co., Ltd.	PRC	School sponsored by Shijiazhuang Tongcheng Technology Co., Ltd.
Shenyang Heping Tongcheng Educational Center	PRC	School sponsored by Shenyang Tongcheng Technology Co., Ltd.
Shijiazhuang Yuhuaqu Tongxincheng Education Training School Co., Ltd.	PRC	School sponsored by Shijiazhuang Tarena TongCheng Technology Co., Ltd. and Shijiazhuang Tongcheng Education School Co., Ltd.
Shijiazhuang Changanqu Tongzhicheng Education Training School Co., Ltd.	PRC	School sponsored by Shijiazhuang Tarena TongCheng Technology Co., Ltd. and Shijiazhuang Tongcheng Education School Co., Ltd.
Jinan Gaoxin Tongcheng Tongmei Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Education Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Qingdao Shinan Tongcheng Technology Education Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Shenyang Tiexi Tongcheng Tongmei Educational Center	PRC	School sponsored by Shenyang Tongcheng Educational Counseling Co., Ltd. and Meiyang Zhang
Jinan Lixia Tongcheng Tongmei Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Kunming Wuhua Tongcheng Tongmei Education Training School Co., Ltd.	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.
Shenyang Shenhe Tongcheng Tongmei Education School Co., Ltd.	PRC	School sponsored by Shenyang Tongcheng Technology Co., Ltd.
Taiyuan Xinghualing Tongcheng Tongmei Training School Co., Ltd.	PRC	School sponsored by Taiyuan Tongcheng Technology Co., Ltd.
Qingdao Shibei District Tongcheng Tongchuang Computer Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Kunming Xishan District Tongcheng Tongmei Culture and Art Training School Co., Ltd.	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.
Kunming Guandu Tongcheng Tongmei Education Training School Co., Ltd.	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.
Chengdu Tongcheng Tongmei Kechuang Education and Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Tai'an Taishan District Tongcheng Tongmei Training School Co., Ltd.	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.
Nanchang Honggutan New District Tongchuang Training Center Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Qingdao West Coast New Area Tong Youwei Science and Technology Training School Co., Ltd.	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 7 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 6 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 8 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 1 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 5 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Zibo Tongcheng Tongmei Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 2 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.

Name	Jurisdiction of Incorporation	Affiliate Relationship with the Registrant
Tianjin Tongcheng Tongmei Coding NO 9 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 10 Extracurricular Training School Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Qinghuangdao Haigang District Tongcheng Tongmei Education School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Taiyuan Xiaodian District Tongcheng Tongmei Tongchuang Training School Co., Ltd.	PRC	School sponsored by Taiyuan Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Coding NO 9 Extracurricular Training Center Co., Ltd.	PRC	School sponsored by Tianjin Tongcheng Technology Co., Ltd.
Guangxi Nanning Tongcheng Tongmei Technology Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Guangxi Nanning Tongchuang Technology Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Weifang Kuiwen District Tongcheng Tongmei Education Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Qingdao Laoshan District Tongcheng Tongmei Science and Technology Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Chengdu Shuangliu Tongcheng Tongmei Science and Technology Training School Co., Ltd.	PRC	School sponsored by Beijing Tongcheng Technology Co., Ltd.
Tianjin Tongcheng Tongmei Programming Fourth Extracurricular Training Center Co., Ltd.	PRC	School sponsored by Chengdu Tongcheng Tongmei Technology Co., Ltd.
Fuzhou Gulou Tongcheng Tongchuang Technology Extracurricular Training Co., Ltd.(formerly known as Fuzhou Gulou Tarena Professional Education Co., Ltd.)	PRC	School sponsored by Beijing Tarena Jinqiao Technology Co., Ltd.

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**Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ying Sun, certify that:

1. I have reviewed this annual report on Form 20-F of TCTM Kids IT Education Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 19, 2024

/s/ Ying Sun

Name: Ying Sun

Title: Chief Executive Officer

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**Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiaobo Shao, certify that:

1. I have reviewed this annual report on Form 20-F of TCTM Kids IT Education Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 19, 2024

/s/ Xiaobo Shao

Name: Xiaobo Shao

Title: Chief Financial Officer

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**Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of TCTM Kids IT Education Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ying Sun, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2024

/s/ Ying Sun

Name: Ying Sun

Title: Chief Executive Officer

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**Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of TCTM Kids IT Education Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiaobo Shao, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2024

/s/ Xiaobo Shao

\_\_\_\_\_  
Name: Xiaobo Shao

Title: Chief Financial Officer

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# CONYERS

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19 April 2024

TCTM Kids IT Education Inc.  
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Beijing 100011  
The People's Republic of China

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[Alexander.Doyle@conyers.com](mailto:Alexander.Doyle@conyers.com)

Dear Sirs,

**Re: TCTM Kids IT Education Inc.**

We consent to the reference to our firm under the heading “Item 10. Additional Information — E. Taxation — Cayman Islands Taxation” in TCTM Kids IT Education Inc.’s Annual Report on Form 20- F for the year ended 31 December 2023 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of April 2024, and further consent to the incorporation by reference into the Registration Statements on Form S-8 (File No.: 333-197226) filed on July 3, 2014, Form S-8 (File No.: 333-204494) filed on May 28, 2015, Form S-8 (File No.: 333-228771) filed on December 13, 2018 and Form S-8 (File No.: 333-270547) filed on March 15, 2023, in each case pertaining to TCTM Kids IT Education Inc.’s 2008 share plan and 2014 share incentive plan of the summary of our opinion under the heading “Item 10. Additional Information — E. Taxation — Cayman Islands Taxation” in the Annual Report. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Conyers Dill & Pearman

**Conyers Dill & Pearman**

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**HANKUN**  
汉坤律师事务所  
Han Kun Law Offices

April 19, 2024

TCTM Kids IT Education Inc.  
6/F, No. 1 Andingmenwai Street, Litchi Tower,  
Chaoyang District, Beijing 100011,  
The People's Republic of China

Dear Sir/Madam:

We hereby consent to the reference of our name under the heading “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure,” “Item 4. Information on the Company—C. Organizational Structure” and “Item 10. Additional Information—E. Taxation—Mainland China Taxation” in TCTM Kids IT Education Inc.’s Annual Report on Form 20-F for the year ended December 31, 2023 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of April 2024, and further consent to the incorporation by reference into the Registration Statements on Form S-8 (File No.: 333-197226) filed on July 3, 2014, Form S-8 (File No.: 333-204494) filed on May 28, 2015, Form S-8 (File No.: 333-228771) filed on December 13, 2018 and Form S-8 (File No.: 333-270547) filed on March 15, 2023, in each case pertaining to TCTM Kids IT Education Inc.’s 2008 share plan and 2014 share incentive plan of the summary of our opinion under the heading “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure,” “Item 4. Information on the Company—C. Organizational Structure” and “Item 10. Additional Information—E. Taxation—Mainland China Taxation” in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Han Kun Law Offices  
\_\_\_\_\_  
Han Kun Law Offices

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CONFIDENTIALITY. This document contains confidential information which may be protected by privilege from disclosure. Unless you are the intended or authorised recipient, you shall not copy, print, use or distribute it or any part thereof or carry out any act pursuant thereto and shall advise Han Kun Law Offices immediately by telephone, e-mail or facsimile and return it promptly by mail. Thank you.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of TCTM Kids IT Education Inc. on Form S-8 (No.333-204494, No.333-197226, No. 333-228771 and No.333-270547) of our report dated April 19, 2024, with respect to our audits of the consolidated financial statements of TCTM Kids IT Education Inc. as of December 31, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023 and our report dated April 19, 2024 with respect to our audit of internal control over financial reporting of TCTM Kids IT Education Inc. as of December 31, 2023, which reports are included in this Annual Report on Form 20-F of TCTM Kids IT Education Inc. for the year ended December 31, 2023.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP  
Beijing, China  
April 19, 2024

BEIJING OFFICE · Unit 2419-2422 · Kerry Center South Tower · 1 Guang Hua Road · Chaoyang District, Beijing · 100020  
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## TCTM KIDS IT EDUCATION INC.

## CLAWBACK POLICY

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of TCTM Kids IT Education Inc. (formerly known as Tarena International, Inc.) (the “Company”) believes that it is appropriate for the Company to adopt this Clawback Policy (the “Policy”) to be applied to the Executive Officers of the Company and adopts this Policy to be effective as of the Effective Date.

**1. Definitions**

For purposes of this Policy, the following definitions shall apply:

- a) “Company Group” means the Company and each of its subsidiaries or consolidated affiliated entities, as applicable.
- b) “Covered Compensation” means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after October 2, 2023 (the effective date of the Nasdaq listing standards), (ii) after the person became an Executive Officer, and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association such as Nasdaq.
- c) “Effective Date” means December 1, 2023.
- d) “Erroneously Awarded Compensation” means the amount of Covered Compensation granted, vested or paid to a person during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained that exceeds the amount of Covered Compensation that otherwise would have been granted, vested or paid to the person had such amount been determined based on the applicable Restatement, computed without regard to any taxes paid (i.e., on a pre-tax basis). For Covered Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid and the Committee shall maintain documentation of such determination and provide such documentation to Nasdaq.
- e) “Exchange Act” means the U.S. Securities Exchange Act of 1934.
- f) “Executive Officer” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (whether or not an officer or employee of the Company) who performs similar policy-making functions for the Company. “Policy-making function” does not

include policy-making functions that are not significant. Both current and former Executive Officers are subject to the Policy in accordance with its terms.

- g) “Financial Reporting Measure” means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures and may consist of IFRS/U.S. GAAP or non-IFRS/non-U.S. GAAP financial measures (as defined under Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Exchange Act), (ii) stock price or (iii) total shareholder return. Financial Reporting Measures need not be presented within the Company’s financial statements or included in a filing with the SEC.
- h) “Home Country” means the Company’s jurisdiction of incorporation, i.e., the Cayman Islands.
- i) “Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- j) “Lookback Period” means the three completed fiscal years (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company’s fiscal year) immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period, with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on whether or when the Restatement is actually filed.
- k) “Nasdaq” means the Nasdaq Stock Market.
- l) “Received”: Incentive-Based Compensation is deemed “Received” in the Company’s fiscal period during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.
- m) “Restatement” means a required accounting restatement of any Company financial statement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a “Big R” restatement) or (ii) to correct an error in previously issued financial statements that is not material to the previously issued financial statements but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a “little r” restatement). Changes to the Company’s financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute Restatements. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

n) “SEC” means the U.S. Securities and Exchange Commission.

## **2. Recovery of Erroneously Awarded Compensation**

In the event of a Restatement, any Erroneously Awarded Compensation Received during the Lookback Period prior to the Restatement (a) that is then-outstanding but has not yet been paid shall be automatically and immediately forfeited and (b) that has been paid to any person shall be subject to reasonably prompt repayment to the Company Group in accordance with Section 3 of this Policy. The Committee must pursue (and shall not have the discretion to waive) the forfeiture and/or repayment of such Erroneously Awarded Compensation in accordance with Section 3 of this Policy, except as provided below.

Notwithstanding the foregoing, the Committee (or, if the Committee is not a committee of the Board responsible for the Company’s executive compensation decisions and composed entirely of independent directors, a majority of the independent directors serving on the Board) may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any person if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances: (i) the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees) to assist in enforcing the Policy would exceed the amount to be recovered, including the costs that could be incurred if pursuing such recovery would violate local laws other than the Company’s Home Country laws (following reasonable attempts by the Company Group to recover such Erroneously Awarded Compensation, the documentation of such attempts, and the provision of such documentation to Nasdaq), (ii) pursuing such recovery would violate the Company’s Home Country laws adopted prior to November 28, 2022 (provided that the Company obtains an opinion of Home Country counsel acceptable to Nasdaq that recovery would result in such a violation and provides such opinion to Nasdaq), or (iii) recovery would likely cause any otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **3. Means of Repayment**

In the event that the Committee determines that any person shall repay any Erroneously Awarded Compensation, the Committee shall provide written notice to such person by email or certified mail to the physical address on file with the Company Group for such person, and the person shall satisfy such repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recover the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the U.S. Internal Revenue Code and the regulations and guidance thereunder. If the Committee does not specify a repayment timing in the written notice described above, the applicable person shall be required to repay the Erroneously Awarded Compensation to the Company Group by wire, cash, cashier’s check or other means as agreed by the Committee no later than thirty (30) days after receipt of such notice.

#### **4. No Indemnification**

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Policy, nor shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Policy. For this purpose, “indemnification” includes any modification to current compensation arrangements or other means that would amount to *de facto* indemnification (for example, providing the person a new cash award which would be cancelled to effect the recovery of any Erroneously Awarded Compensation). In no event shall the Company Group be required to award any person an additional payment if any Restatement would result in a higher incentive compensation payment.

#### **5. Miscellaneous**

This Policy generally will be administered and interpreted by the Committee, provided that the Board may, from time to time, exercise discretion to administer and interpret this Policy, in which case, all references herein to “Committee” shall be deemed to refer to the Board. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Policy, if any, need not be uniform with respect to all persons, and may be made selectively amongst persons, whether or not such persons are similarly situated.

This Policy is intended to satisfy the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the Nasdaq, including any additional or new requirements that become effective after the Effective Date which upon effectiveness shall be deemed to automatically amend this Policy to the extent necessary to comply with such additional or new requirements.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. Recovery of Erroneously Awarded Compensation under this Policy is not dependent upon the Company Group satisfying any conditions in this Policy, including any requirements to provide applicable documentation to the Nasdaq.

The rights of the Company Group under this Policy to seek forfeiture or reimbursement are in addition to, and not in lieu of, any rights of recovery, or remedies or rights other than recovery, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

#### **6. Amendment and Termination**

To the extent permitted by, and in a manner consistent with applicable law, including SEC and Nasdaq rules, the Committee may terminate, suspend or amend this Policy at any time in its discretion.

## **7. Successors**

This Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.