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**Fenbi Ltd.**

**粉笔有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2469)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Fenbi Ltd. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2022. The results have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

In this announcement, “we,” “us,” “our” and “Fenbi” refer to the Company and where the context otherwise requires, the Group.

### RESULTS HIGHLIGHTS

#### Financial Results

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3,021,318	2,810,429
Gross profit	1,569,823	1,365,705
Profit/(loss) for the year	188,566	(2,088,707)
Adjusted net profit (non-IFRS measure) <sup>Note</sup>	445,130	190,134

*Note:* We define adjusted net profit (non-IFRS measure) as profit/loss for the year adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss and listing expenses.

#### Operating Results

	As of/for the year ended December 31, 2023	As of/for the year ended December 31, 2022
Employees	7,325	7,440
Full-time instructors	3,225	3,941
Other staff	4,100	3,499
Operational hubs	202	198
Average monthly active users	9.1 million	7.9 million

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	Restated RMB'000
Revenue	3	3,021,318	2,810,429
Cost of revenue	3, 6	(1,451,495)	(1,444,724)
<b>Gross profit</b>		<b>1,569,823</b>	<b>1,365,705</b>
Administrative expenses	6	(471,478)	(543,689)
Selling and marketing expenses	6	(673,908)	(516,762)
Research and development expenses	6	(251,354)	(196,592)
Net impairment losses on financial assets		(3,173)	(324)
Other income	4	28,896	32,575
Other losses, net	5	(17,792)	(121,770)
<b>Operating profit</b>		<b>181,014</b>	<b>19,143</b>
Fair value losses of financial liabilities at fair value through profit or loss	13	(4,853)	(2,031,793)
Finance income		42,247	9,195
Finance costs		(13,455)	(42,071)
Finance income/(costs), net	7	28,792	(32,876)
<b>Profit/(loss) before income tax</b>		<b>204,953</b>	<b>(2,045,526)</b>
Income tax expense	8	(16,387)	(43,181)
<b>Profit/(loss) for the year</b>		<b>188,566</b>	<b>(2,088,707)</b>
<b>Profit/(loss) attributable to:</b>			
— Owners of the Company		<b>188,566</b>	<b>(2,088,707)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB)</b>			
Basic earnings/(loss) per share	9	0.09	(2.87)
Diluted earnings/(loss) per share	9	0.08	(2.87)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	Restated <i>RMB'000</i>
Profit/(loss) for the year	<b>188,566</b>	(2,088,707)
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss		
— Currency translation differences of the Company's subsidiaries	268	(3,398)
Items that will not be reclassified to profit or loss		
— Currency translation differences of the Company	34,246	(739,220)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>34,514</b>	(742,618)
<b>Total comprehensive income/(loss) for the year</b>	<b>223,080</b>	(2,831,325)
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
— Owners of the Company	<b>223,080</b>	(2,831,325)

## CONSOLIDATED BALANCE SHEET

		As at December 31,	
	Notes	2023	2022
		RMB'000	Restated RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		124,051	129,978
Right-of-use assets		116,190	161,925
Intangible assets		367	874
Prepayments and other receivables		11,932	13,254
Deferred tax assets	14	39,916	37,401
<b>Total non-current assets</b>		<b>292,456</b>	<b>343,432</b>
<b>Current assets</b>			
Inventories		60,987	94,173
Trade receivables	10	31,075	15,936
Contract assets	3	38,940	9,000
Prepayment and other receivables		66,990	62,403
Financial assets at fair value through profit or loss		195,246	20,033
Other financial assets at amortised cost		76,558	41,071
Cash and cash equivalents		671,530	1,047,402
Restricted cash		5,666	—
Term deposits with initial term of over three months		683,060	—
<b>Total current assets</b>		<b>1,830,052</b>	<b>1,290,018</b>
<b>Total assets</b>		<b>2,122,508</b>	<b>1,633,450</b>

## CONSOLIDATED BALANCE SHEET (Continued)

	<i>Notes</i>	<b>As at December 31,</b>	
		<b>2023</b>	2022
			Restated
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Equity/(deficit)</b>			
<b>Equity/(deficit) attributable to owners of the Company</b>			
Share capital	<i>11</i>	<b>150</b>	47
Share premium	<i>11</i>	<b>15,104,233</b>	2,648,395
Other reserves		<b>(9,511,560)</b>	(9,002,744)
Accumulated losses		<b>(4,325,079)</b>	(4,508,710)
		<u><b>1,267,744</b></u>	<u>(10,863,012)</u>
<b>Total equity/(deficit)</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>71,683</b>	101,650
Financial liabilities at fair value through profit or loss	<i>13</i>	—	11,668,784
Deferred tax liabilities	<i>14</i>	<b>47</b>	21
Deferred income		<b>1,539</b>	1,408
		<u><b>73,269</b></u>	<u>11,771,863</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>333,501</b>	238,588
Contract liabilities	<i>3</i>	<b>149,487</b>	117,866
Refund liabilities		<b>227,067</b>	275,024
Current income tax liabilities		<b>24,698</b>	25,562
Lease liabilities		<b>46,578</b>	62,628
Financial liabilities at fair value through profit or loss	<i>13</i>	<b>164</b>	4,931
		<u><b>781,495</b></u>	<u>724,599</u>
<b>Total current liabilities</b>			
		<u><b>854,764</b></u>	<u>12,496,462</u>
<b>Total liabilities</b>			
		<u><b>2,122,508</b></u>	<u>1,633,450</u>
<b>Total equity/(deficit) and liabilities</b>			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

Fenbi Ltd. (the “**Company**”) was incorporated in the Cayman Islands on December 14, 2020 as an exempted company with limited liability under the Company Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in providing non-formal vocational education and training services in the People’s Republic of China (the “**PRC**”).

The ultimate controlling party are Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin as they entered into a concert party agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since January 9, 2023 (the “**Listing**”) by way of its initial public offering (the “**IPO**”).

The financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

## 2 Basis of preparation and changes in accounting policies

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS Accounting Standards**”) as issued by the International Accounting Standards Board (“**IASB**”). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (“**IFRIC Interpretations**”) or its predecessor body, the Standing Interpretations Committee (“**SIC Interpretations**”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates — amendments to IAS 8
- International Tax Reform — Pillar Two Model Rules — amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to IAS 12
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the amendments to IAS 12 deferred tax related to assets and liabilities arising from a single transaction (“**Amendment to IAS 12 Income Taxes**”). See the commentary to Note 2.2 for details.

#### *New standards and interpretations not yet adopted*

Certain amendments to accounting standards have been published and are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2.2 Changes in accounting policies

### *Change in accounting policy on Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Amendments to IAS 12 Income Taxes require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to transactions such as the recognition of right-of-use assets and the corresponding lease liabilities and the recognition of assets and decommissioning obligations, which requires the recognition of additional deferred tax assets and liabilities.

Adoption of this amendment represents a change in accounting policy. The Group recognised the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented which is January 1, 2022. This change in accounting policy has been accounted for on a retrospective basis and comparative information has been restated.

<b>The change in accounting policy</b>	<b>Items</b>	<b>As at January 1, 2022 RMB'000</b>
According to Amendment IAS 12 Income Taxes, an entity recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	Deferred tax assets	100,194
	Deferred tax liabilities	(98,921)
	Accumulated losses	(1,273)
		<b>As at December 31, 2022 RMB'000</b>
	Deferred tax assets	33,840
	Deferred tax liabilities	(33,927)
	Accumulated losses	87
		<b>Year ended December 31, 2022 RMB'000</b>
	Income tax expense	1,360



### 3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”).

The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

The Group’s CODM has been identified as executive directors who considers the business from the service perspective.

The CODM review the Group’s internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

During the year ended December 31, 2023, the number of course products integrated online and classroom-based teaching model continued to increase, the CODM does not consider the tutoring services through classroom-based platforms or tutoring services through online platforms to be a business that should be separately reviewed. The Group has restated the presentation of its reportable segments for prior year to conform to the current presentation.

As at December 31, 2023, the CODM have identified the following reportable segments:

- Tutoring services: the tutoring services are offered by the Group through classroom-based platforms which teaching to the students who physically attend the lectures in tutoring centers and tutoring bases/campuses, or through online platforms which mainly represent online tutoring courses services, membership package, challenge exercise etc.
- Sales of books: including books provided with tutoring services and printing business relevant with book selling business.

As at December 31, 2023, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments’ performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other losses, net, finance income/(costs), net, income tax expense and assets and liabilities are also not allocated to individual operating segment.

The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of profit or loss. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements. There were no segment assets and segment liabilities information provided to the CODM for measure of the segments' performance.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. The revenue is mainly generated in the PRC.

The segment information provided to the CODM for the reportable segments for the year ended December 31, 2023 and 2022 were as follows:

	<b>Year ended December 31, 2023</b>		
	<b>Tutoring services</b>	<b>Sales of books</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	2,514,526	657,895	3,172,421
Inter-segment revenue	—	(151,103)	(151,103)
	<u>2,514,526</u>	<u>506,792</u>	<u>3,021,318</u>
Revenue from external customers			
	<u>2,514,526</u>	<u>506,792</u>	<u>3,021,318</u>
Cost of revenue	(1,120,672)	(330,823)	(1,451,495)
	<u>(1,120,672)</u>	<u>(330,823)</u>	<u>(1,451,495)</u>
Gross profit	<u>1,393,854</u>	<u>175,969</u>	<u>1,569,823</u>

	Year ended December 31, 2022		
	Tutoring services <i>RMB'000</i>	Sales of books <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	2,353,858	604,662	2,958,520
Inter-segment revenue	<u>—</u>	<u>(148,091)</u>	<u>(148,091)</u>
Revenue from external customers	<u>2,353,858</u>	<u>456,571</u>	<u>2,810,429</u>
Cost of revenue	<u>(1,141,713)</u>	<u>(303,011)</u>	<u>(1,444,724)</u>
Gross profit	<u><u>1,212,145</u></u>	<u><u>153,560</u></u>	<u><u>1,365,705</u></u>

For tutoring services, the timing of revenue recognition is over time. For sales of books, the timing of revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The reconciliation of gross profit to profit before income tax of individual year during the year ended December 31, 2023 was shown in the consolidated statement of profit or loss.

For the year ended December 31, 2023, the Group's customer base was diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues.

As of December 31, 2023, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in the PRC.

### ***Contract liabilities and contract assets***

The Group has recognised the following contract liabilities, which represented the unsatisfied performance obligation and contract assets as at December 31, 2023 and the contract liabilities and contract assets will be expected to be recognised within one year:

	<b>As at December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Contract assets relating to certain program	<b>39,252</b>	9,069
Loss allowance	<b>(312)</b>	(69)
	<hr/>	<hr/>
Contract assets	<b><u>38,940</u></b>	<b><u>9,000</u></b>
	<hr/>	<hr/>
Contract liabilities	<b><u>149,487</u></b>	<b><u>117,866</u></b>

#### *(i) Revenue recognised in relation to contract liabilities*

	<b>As at December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Contract liabilities	<b><u>98,557</u></b>	<b><u>134,725</u></b>

#### *(ii) Unsatisfied contracts*

The majority of contract liabilities as at December 31, 2023 were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at December 31, 2023.

## *Accounting policies of revenue recognition*

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Consignment sales are the sales of books of the Group under consignment arrangement with certain distributor which undertakes to sell the books to end customers on behalf of the Group. Revenue is recognised by the Group when the control of the goods is transferred to the end customers.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group's revenue is mainly generated from providing vocational education and training services and selling books.

#### 4 Other income

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Government grants	<b>6,809</b>	2,022
Rental and sub-lease income	<b>304</b>	4,594
VAT reduction	<b>6,923</b>	15,928
Interest income on other financial assets at amortised cost	<b>5,704</b>	—
Others	<b>9,156</b>	10,031
	<b><u>28,896</u></b>	<b><u>32,575</u></b>

## 5 Other losses, net

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gains on financial assets at fair value through profit or loss	<b>6,120</b>	8,863
Net losses related to early termination of lease agreements and the disposal of related leasehold improvements	<b>(4,113)</b>	(29,632)
Net fair value gain/(losses) on derivatives (a)	<b>640</b>	(17,480)
Net losses on disposal of property, plant and equipment and intangible assets	<b>(1,087)</b>	(8,234)
Donation	<b>(1,644)</b>	(430)
Net foreign exchange losses	<b>(20,738)</b>	(77,741)
Others	<b>3,030</b>	2,884
	<b><u>(17,792)</u></b>	<b><u>(121,770)</u></b>

- (a) For the year ended December 31, 2023, the Group entered into certain Foreign Currency Contracts. For the year ended December 31, 2023, a gain recognised mainly due to the settlement of the foreign exchange forward contract and foreign exchange swap contracts.

## 6 Expenses by nature

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	<b>1,657,185</b>	1,569,262
Cost of course materials	<b>299,283</b>	257,252
Human resource outsourcing and other labour costs	<b>200,177</b>	174,143
Promotion expenses	<b>120,440</b>	72,934
Depreciation of right-of-use assets	<b>60,744</b>	101,573
Logistic expenses	<b>73,603</b>	79,560
Lease expenses	<b>202,916</b>	158,181
Classroom consumables	<b>22,121</b>	17,123
Meal expenses provided to students	<b>12,217</b>	15,727
Travel expenses	<b>30,399</b>	21,216
Office expenses	<b>8,171</b>	8,186
Depreciation of property, plant and equipment	<b>39,633</b>	58,517
Amortisation for intangible assets	<b>76</b>	113
Services fee for cloud storage	<b>18,386</b>	18,561
Property management costs	<b>13,324</b>	18,951
Tax and surcharge	<b>14,463</b>	14,535
Auditor's remuneration		
— Audit and audit related services	<b>4,564</b>	4,685
— Non-audit services	<b>720</b>	917
Charges for licensed payment institutions	<b>18,038</b>	15,657
Listing expenses	<b>—</b>	45,368
Others	<b>51,775</b>	49,306
	<b><u>2,848,235</u></b>	<b><u>2,701,767</u></b>



## 7 Finance income/(costs), net

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Finance income:</b>		
Interest income	<u>42,247</u>	<u>9,195</u>
<b>Finance costs:</b>		
Finance cost on borrowings	—	(202)
Finance cost on lease liabilities	(6,082)	(11,825)
Net foreign exchange losses	<u>(7,373)</u>	<u>(30,044)</u>
	<u>(13,455)</u>	<u>(42,071)</u>
Finance income/(costs), net	<u><u>28,792</u></u>	<u><u>(32,876)</u></u>

## 8 Income tax expense

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### 8.1 Accounting policies of income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

### *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

### *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 8.2 *Financial information of income tax expense*

### (a) *Income tax expense*

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	Restated <i>RMB'000</i>
Current income tax	<b>18,876</b>	14,480
Deferred income tax	<b>(2,489)</b>	28,701
Income tax expense	<b><u>16,387</u></b>	<b><u>43,181</u></b>

#### (i) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and, accordingly, is exempted from local income tax.

#### (ii) Hong Kong profits tax

No provision for Hong Kong profit tax was provided as the Group did not have assessable profits in Hong Kong during the year.

(iii) PRC corporate income tax (“**CIT**”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the reporting period.

A subsidiary of the Group in the PRC is approved as High and New Technology Enterprise, and accordingly, it was subject to a reduced preferential CIT rate of 15% during the reporting period according to the applicable CIT Law. Certain of the Group’s PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the reporting period.

(iv) PRC Withholding Tax (“**WHT**”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be 5%.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of reporting period.

(b) *Numerical reconciliation of income tax expense to prima facie tax payable*

		Year ended December 31,	
	Note	2023	2022
		RMB'000	Restated RMB'000
Profit/(loss) before income tax		<u>204,953</u>	<u>(2,045,526)</u>
Tax expense calculated at applicable statutory tax rate	(i)	56,992	18,440
Preferential tax rates on income of certain subsidiaries		(33,007)	(21,101)
Expenses not deductible for taxation purposes	(ii)	63,981	51,644
Temporary difference for which no deferred tax was recognised		1,157	21,376
Previously unrecognised tax losses now recouped to reduce current tax expense		(59,320)	(35,914)
Additional deduction of research and development expense		(17,665)	(14,961)
Tax losses for which no deferred tax asset was recognised		<u>4,249</u>	<u>23,697</u>
		<u><b>16,387</b></u>	<u><b>43,181</b></u>

- (i) Taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.
- (ii) Expenses not deductible for taxation purposes during the year were mainly share-based compensation accrued by employee share incentive schemes.
- (iii) During the year ended December 31, 2023, the Company incurred a loss of approximately RMB15,761,000 (2022: RMB2,082,182,000). Since the Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and is exempted from local income tax, the related tax calculated based on the losses incurred by the Company was nil.

## 9 Earnings/(loss) per share

### 9.1 Accounting policies of earnings/(loss) per share

#### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

The profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

#### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated based on the profit/(loss) attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the year.

### 9.2 Financial information of earnings/(loss) per share

#### (a) Basic earnings/(loss) per share

	Year ended December 31,	
	2023	2022
		Restated
Profit/(loss) attributable to owners of the Company (RMB'000)	188,566	(2,088,707)
Weighted average number of ordinary shares in issue (thousands) (i)	<u>2,153,997</u>	<u>728,623</u>
Basic earnings/(loss) per share (RMB)	<u>0.09</u>	<u>(2.87)</u>

(b) *Diluted earnings/(loss) per share*

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
		Restated
Profit/(loss) attributable to owners of the Company ( <i>RMB'000</i> )	<b>188,566</b>	(2,088,707)
Weighted average number of ordinary shares in issue ( <i>thousands</i> ) (i)	<b>2,153,997</b>	728,623
Adjustments for:		
— Share options ( <i>thousands</i> )	<b>72,142</b>	—
— RSUs ( <i>thousands</i> )	<b>285</b>	—
Adjusted weighted average number of ordinary shares for diluted earnings/(loss) per share ( <i>thousands</i> )	<b><u>2,226,424</u></b>	<b><u>728,623</u></b>
Diluted earnings/(loss) per share ( <i>RMB</i> )	<b><u>0.08</u></b>	<b><u>(2.87)</u></b>

- (i) In the calculation of weighted average number of ordinary shares outstanding for the years ended December 31, 2022, the share split occurred on December 20, 2022 had been retrospectively adjusted as if those share split had been occurred since January 1, 2022.

## 10 Trade receivables

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	31,509	16,168
Loss allowance	(434)	(232)
	<u>31,075</u>	<u>15,936</u>

- (a) Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.
- (b) The credit terms given to trade customers are determined on an individual basis with normal credit period mainly ranging from 30 to 60 days.

The aging analysis of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	20,092	14,375
3 to 6 months	8,004	445
6 to 12 months	1,744	785
1 to 2 years	1,669	563
	<u>31,509</u>	<u>16,168</u>

(c) *Impairment and risk exposure*

The Group applies the IFRS 9 simplified approach to trade receivables. The loss allowance for trade receivables at amortised cost was not material during the year ended December 31, 2023.



## 11 Share capital and Share premium

### Company

<b>Authorised:</b>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares USD'000</b>
<b>As at January 1, 2022</b>	500,000,000	50
Effect of Share Subdivision ( <i>Note a</i> )	4,500,000,000	—
<b>As at December 31, 2022 and December 31, 2023</b>	<u>5,000,000,000</u>	<u>50</u>

<b>Issued:</b>	<b>Number of ordinary shares (Thousands)</b>	<b>Nominal value of ordinary shares USD</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total share capital and share premium RMB'000</b>
<b>As at January 1, 2022</b>	72,862	7,286	47	2,648,395	2,648,442
Add: Effect of Share Subdivision ( <i>Note a</i> )	655,761	—	—	—	—
<b>As at December 31, 2022</b>	<u>728,623</u>	<u>7,286</u>	<u>47</u>	<u>2,648,395</u>	<u>2,648,442</u>
Add: Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs ( <i>Note b</i> )	20,000	200	1	160,103	160,104
Employee share schemes — exercise of share options	184,073	1,841	10	622,190	622,200
Conversion of preferred shares to ordinary shares ( <i>Note c</i> )	1,348,685	13,487	92	11,673,545	11,673,637
<b>As at December 31, 2023</b>	<u>2,281,381</u>	<u>22,814</u>	<u>150</u>	<u>15,104,233</u>	<u>15,104,383</u>

- (a) On December 20, 2022, the shareholders of the Company resolved a share subdivision (the “**Share Subdivision**”) pursuant to which each of the issued and unissued shares with par value of US\$0.00001 each be subdivided into ten shares of the Company with par value of US\$0.00001 each, after which, the authorized share capital of the Company shall be US\$50,000 divided into 5,000,000,000 shares with par value of US\$0.00001 each.
- (b) Upon completion of the IPO, the Company issued 20,000,000 new shares at par value of US\$0.00001 each for cash consideration of HK\$9.90 each, and raised gross proceeds of approximately RMB173,114,000. The respective share capital amount was approximately RMB1,000 and share premium arising from the issuance was approximately RMB160,103,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers’ fees, reporting accountant’s fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB13,010,000 were treated as a deduction against the share premium arising from the issuance.
- (c) According to the terms and conditions of the convertible preferred shares, each convertible preferred share should be automatically converted, based on the respective then-effective conversion price, without the payment of any additional consideration, into fully-paid and non assessable ordinary shares upon the closing of IPO. All convertible preferred shares of the Company were converted into ordinary shares upon completion of the IPO on January 9, 2023 accordingly. The differences of the fair value related to the convertible preferred shares between December 31, 2022 and the date of the conversion were then recognised in the profit or loss subsequent to the year end.

## 12 Trade and other payables

	<b>As at December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
<b>Current liabilities</b>		
Trade payables	<b>30,283</b>	22,010
Accrued salaries, bonus and welfares	<b>281,606</b>	173,313
Tax payable (other than income tax payable)	<b>9,282</b>	16,543
Accrued auditor’s remuneration	<b>3,263</b>	4,719
Others	<b>9,067</b>	22,003
	<b><u>333,501</u></b>	<b><u>238,588</u></b>

The ageing analysis of the trade payables based on their respective invoice and issue dates were as follows:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Within 1 year	<b>29,823</b>	21,885
1 to 2 years	<b>435</b>	79
More than 2 years	<b>25</b>	46
	<u><b>30,283</b></u>	<u>22,010</u>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

### **13 Financial liabilities at fair value through profit or loss**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Non-current liabilities</b>		
Convertible preferred shares		
— Series A preferred shares	—	8,940,747
— Series B preferred shares	—	2,728,037
	<u>—</u>	<u>11,668,784</u>
<b>Current liabilities</b>		
Foreign currency option contracts	<b>164</b>	4,931
	<u><b>164</b></u>	<u>4,931</u>
	<u><b>164</b></u>	<u>11,673,715</u>

Beijing Fenbi Bluesky Technology Co., Ltd. (“**Beijing Fenbi Bluesky**”) was controlled by Chalk Ltd, an exempted company with limited liability incorporated in the Cayman Islands in February 2018 and a non-wholly owned subsidiary of YUAN Inc, through a series of contractual agreements. In order for the spin-off of from YUAN Inc and its subsidiaries and transfer the business to the Company and in preparation for the IPO of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganization. On December 31, 2020, as the consideration of the spin-off of the Group from YUAN Inc, the Company issued 113,252,200 Series A preferred shares of the Company with a par value of USD0.0001 each to the respective shareholders of YUAN Inc at nominal consideration, to reflect the beneficial ownership of the shareholders of YUAN Inc in the Listing Business (the “**Series A preferred shares**”).

Pursuant to the share purchase agreement dated February 7, 2021, Series B investors agreed to subscribe for 31,529,700 Series B preferred shares of the Company with par value of USD0.0001 each (the “**Series B preferred shares**”). The Series A preferred shares and Series B preferred shares are called convertible preferred shares, collectively. All convertible preferred shares of the Company were converted into ordinary shares upon completion of the IPO on January 9, 2023.

(i) *Movements of convertible preferred shares are:*

	<b>Year ended December 31,</b>
<b>As at January 1, 2022</b>	8,756,164
Changes in fair value	2,031,793
Currency translation differences	880,827
	<u>11,668,784</u>
<b>As at December 31, 2022</b>	<u>11,668,784</u>
Changes in fair value	4,853
Converted to ordinary shares	<u>(11,673,637)</u>
<b>As at December 31, 2023</b>	<u>—</u>

On January 9, 2023, the Company has successfully listed on the Main Board of the Stock Exchange. All convertible preferred shares were converted into ordinary shares upon completion of the IPO on January 9, 2023. The fair value of each of convertible preferred share on the conversion date is the offer price in the global offering.

Management considered that fair value changes in the preferred shares that are attributable to changes of credit risk of this liability are not significant.

#### 14 Deferred tax balances

The deferred tax assets and liabilities balance as at December 31, 2023 and 2022 were as follows:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
		Restated
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Deferred tax assets:		
to be recovered after more than 12 months	<b>41,718</b>	51,945
to be recovered within 12 months	<b>22,318</b>	19,362
	<u>          </u>	<u>          </u>
<b>Total deferred tax assets</b>	<b><u>64,036</u></b>	<b><u>71,307</u></b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(24,120)</u>	<u>(33,906)</u>
Net deferred tax assets	<b><u>39,916</u></b>	<b><u>37,401</u></b>
Deferred tax liabilities:		
to be recovered after more than 12 months	<b>(14,421)</b>	(20,324)
to be recovered within 12 months	<b>(9,746)</b>	(13,603)
	<u>          </u>	<u>          </u>
<b>Total deferred tax liabilities</b>	<b><u>(24,167)</u></b>	<b><u>(33,927)</u></b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>24,120</u>	<u>33,906</u>
Net deferred tax liabilities	<b><u>(47)</u></b>	<b><u>(21)</u></b>

Note a:

**Tax losses**

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	<u>777,743</u>	<u>1,139,950</u>

The unused tax losses were incurred by subsidiaries that is not likely to generate taxable income in the foreseeable future. Most of the tax losses shall expire in five or ten years from year of occurrence under current tax legislation.

The expiry date of tax losses was as follow:

	As December 31,	
	2023	2022
	RMB'000	RMB'000
As at December 31, 2025	101,441	101,441
As at December 31, 2026	516,707	541,795
As at December 31, 2027	16,281	16,281
As at December 31, 2028	9,300	—
As at December 31, 2031	—	358,078
Deductible losses without expiry date (i)	<u>134,014</u>	<u>122,355</u>
At the end of the year	<u>777,743</u>	<u>1,139,950</u>

Note i:

Deductible losses without expiry date were incurred by a subsidiary which was incorporated in Hong Kong and can be carried forward for subsequent years until full absorbed.

Movements in deferred tax assets and deferred tax liabilities during the year are as follows:

<b>Deferred tax assets</b>	<b>Tax losses</b> <i>RMB'000</i>	<b>Lease liabilities</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at January 1, 2022 (Restated)</b>	65,075	100,194	165,269
Charged to profit or loss	<u>(27,608)</u>	<u>(66,354)</u>	<u>(93,962)</u>
<b>As at December 31, 2022 (Restated)</b>	37,467	33,840	71,307
Credited/(charged) to profit or loss	<u>2,452</u>	<u>(9,723)</u>	<u>(7,271)</u>
<b>As at December 31, 2023</b>	<u><u>39,919</u></u>	<u><u>24,117</u></u>	<u><u>64,036</u></u>
<b>Deferred tax liabilities</b>	<b>Unrealised investment income</b> <i>RMB'000</i>	<b>Right-of-use assets</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at January 1, 2022 (Restated)</b>	(267)	(98,921)	(99,188)
Charged to profit or loss	<u>267</u>	<u>64,994</u>	<u>65,261</u>
<b>As at December 31, 2022 (Restated)</b>	—	(33,927)	(33,927)
(Charged)/credited to profit or loss	<u>(42)</u>	<u>9,802</u>	<u>9,760</u>
<b>As at December 31, 2023</b>	<u><u>(42)</u></u>	<u><u>(24,125)</u></u>	<u><u>(24,167)</u></u>

## **15 Dividends**

The Board did not propose a final dividend during the year ended December 31, 2023 (2022: nil).

## **16 Subsequent events**

On January 2, 2024, the Group granted a total of 15,668,000 RSUs, representing an aggregate of 15,668,000 shares, to 6,039 employees of the Group under the 2023 Restricted Share Unit Scheme, subject to the acceptance by the grantees. The closing price of the shares on this grant date was HK\$4.52 (equivalent to RMB4.09) per share. The fair value of the shares of approximately HK\$70,819,000 (equivalent to RMB64,137,000) is determined by the total number of shares granted multiplied by the closing price of the shares on the grant date.

From January 1, 2024 to January 26, 2024, the trustee purchased a total of 47,254,000 shares from the market to hold on trust for the benefit of the eligible participants pursuant to the terms and conditions of the 2023 Restricted Share Unit Scheme. The average price of the shares among the period was HK\$4.34 (equivalent to RMB3.95) per share. The fair value of the shares of approximately HK\$205,158,000 (equivalent to RMB186,509,000) is determined by the total number of shares purchased multiplied by the closing price of the shares on the purchased date.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

We are a non-formal vocational education and training (“VET”) service provider in China, dedicated to making high-quality non-formal VET services accessible through technology and innovation. As a leading career test preparation service provider in China, we provide a comprehensive suite of recruitment and qualification examination tutoring courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries. We help college graduates excel in the competitive selection process administered by governmental institutions, and help professionals obtain the relevant qualifications. Most importantly, we help our students advance their personal development and fulfill their own potentials. Leveraging our high-quality tutoring services, comprehensive course offerings and student-centric teaching philosophy, we have successfully established “Fenbi” amid the most recognized brands in China’s career test preparation industry.

We have followed an integrated approach to develop a comprehensive portfolio of career test preparation products and services that generate significant synergies. We deliver our tutoring services through omni-channels. Leveraging our online business strengths and the capability to integrate offline teaching resources, we have developed an advanced portfolio of course offerings:

- ***Online learning products.*** Online learning products include membership packages and challenge exercises. We offer members access to exam notes and videos explaining exercises, news updates, hot topics, exercise sets, and course materials on the Fenbi online platform. The monthly price for membership packages of major subjects is generally between RMB20 to RMB70, based on the benefits and duration of the membership. The challenge exercises are generally priced between RMB199 to RMB598. Our system recommends different sets of exercises to students based on their areas of improvement and suitable difficulty level, which they can “pass through” one by one as they progress in the learning process. Students who achieve the target score within a prescribed period will be granted a partial or full refund of the purchase price. In 2023, revenue generated from the online learning products amounted to approximately RMB126 million.

- ***Large-class tutoring courses.*** Large-class courses, being live large-class tutoring courses mainly including systematic courses, are equipped with high-caliber instructors and well-designed curricula. These courses provide systematic knowledge explanations and relevant exercises to empower students throughout the examination preparation process. Our online large-class tutoring courses typically have over 1,000 students, with teaching durations ranging from 30 to 90 days and are generally priced between RMB300 to RMB980. In 2023, revenue generated from the large-class tutoring courses amounted to approximately RMB666 million.
- ***Small-class tutoring sessions.*** Small-class tutoring sessions are small classes primarily with online teaching model or integrated online and offline teaching model. Our written test classes for major subjects typically have 30 to 60 students, with tutoring durations ranging from 30 to 120 days. The written test classes for civil servants examination are generally priced over RMB7,000. Our interview test classes for major subjects typically have 8 to 12 students, with tutoring durations ranging from 5 to 15 days. The interview test classes for civil servants examination are generally priced over RMB8,000. Our small-class tutoring sessions offer personalized tutoring services for students, utilizing the internet to effectively manage the quality of our teaching staff and their teaching performance, ensuring consistent teaching results across different classes thereby gradually achieving the brand recognition for our course products. Leveraging our proprietary technology and extensive learning behavior data, our online learning system comprehensively records learning path and provides real-time feedback on students' weaknesses, significantly enhancing the teaching efficiency. Supported by our increasingly accumulated data, we offer personalized and targeted comprehensive learning solutions to each student. In 2023, revenue generated from the small-class tutoring sessions amounted to approximately RMB1,665 million.
- ***Other tutoring courses.*** Other tutoring courses include special tutoring courses and promotional courses. In 2023, revenue generated from other tutoring courses amounted to approximately RMB57 million.

We operate a scalable business benefiting from our solid online presence and the significant synergies achieved through an innovative online-merge-offline model. We are the first internet-born recruitment examination tutoring service provider that integrated offline resources and achieved economies of scale in omni-channels to create unique competitive advantages.

## OUTLOOK

In 2023, the recruitment examination tutoring market in China was characterized by both opportunities and challenges. There was robust growth in demand for examination enrollments and significant changes in the competitive landscape of the industry. In addition, the rapid development of artificial intelligence technology has started to reshape various industries, including the education and training industry. In this market environment, maintaining competitive edges and keeping pace with technological innovations are essential for future growth.

Looking forward, we anticipate that demand for recruitment examination enrollments will continue to rise in the short term. In the face of intensified competition, students' expectations for course quality will increase. Training institutions with a strong brand that offer high-quality course content and services will enjoy a competitive edge. Conversely, institutions lacking such advantages may find themselves compelled to engage in price competition. Consequently, we expect market concentration to undergo reconsolidation.

Our strategy focuses on achieving stable growth, which relies on our dedication to maintaining superior course quality and outstanding teaching results. We believe that offering high-quality education is the foundation of a strong brand, rather than mere expansion in scale. A robust brand facilitates market and consumer recognition, leads to favourable gross margins, and allows for significant investments in content, qualified teaching staff, and research and development in technology. Enhancements in these areas will directly benefit our students, thus creating a virtuous cycle of positive feedback.

We are keenly aware that artificial intelligence technology will lead to a profound transformation in the education and training industry. Attributable to our early and decisive investments in technology integration, our teaching efficiency significantly improved in 2023. We are dedicated to continuing our investment and exploration of artificial intelligence technology, with an aim to enhance the learning experience and efficiency through technology empowerment. This commitment not only strengthens our existing competitive advantages but also positions us to develop new strengths.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by 7.5% from RMB2,810.4 million in 2022 to RMB3,021.3 million in 2023. The following table sets forth a breakdown of our revenue, both in absolute amount and as a percentage of total revenue, by business line for the years indicated.

	Year ended December 31,			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Tutoring services</b>	<b>2,514,526</b>	<b>83.2</b>	2,353,858	83.8
<b>Sales of books</b>	<b>506,792</b>	<b>16.8</b>	456,571	16.2
<b>Total</b>	<b><u>3,021,318</u></b>	<b><u>100.0</u></b>	<b><u>2,810,429</u></b>	<b><u>100.0</u></b>

- *Tutoring services.* Our revenue generated from tutoring services increased by 6.8% from RMB2,353.9 million in 2022 to RMB2,514.5 million in 2023, primarily driven by (1) the strong demand for recruitment examination tutoring in 2023, and (2) the Group's effective use of its advantaged online course products and the online small-class teaching model and integrated online and offline small-class teaching model, resulting in a steady increase in average revenue per small-class paying student and a continuous enhancement of the brand image of the Group and the reputation among the students.
- *Sales of books.* Revenue generated from sales of books was related to (1) standalone sales activities in relation to our textbooks and learning materials through e-commerce platforms or to third-party book sellers, and (2) sales that accompany our tutoring services. Our revenue generated from sales of books increased by 11.0% from RMB456.6 million in 2022 to RMB506.8 million in 2023, primarily due to (1) the resumption of book delivery in 2023, which was adversely impacted by the COVID-19 pandemic in 2022, and (2) the increase in the number of recruitments and applicants for civil servants and public institutions, resulting in an increase in sales of book.

## Cost of revenue

Our cost of revenue remained relatively stable at RMB1,444.7 million in 2022 and RMB1,451.5 million in 2023, respectively.

- *Tutoring services.* Our cost of revenue related to tutoring services decreased by 1.8% from RMB1,141.7 million in 2022 to RMB1,120.7 million in 2023, primarily due to the decrease in employee benefit expenses as our teaching efficiency empowered by AI technology and other online technologies has improved significantly.
- *Sales of books.* Our cost of revenue related to sales of books increased by 9.2% from RMB303.0 million in 2022 to RMB330.8 million in 2023, primarily due to the increased sales volume of our textbooks and learning materials.

## Gross profit and gross profit margin

Our gross profit increased by 14.9% from RMB1,365.7 million in 2022 to RMB1,569.8 million in 2023, and the corresponding gross profit margin increased from 48.6% to 52.0%. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years indicated.

	Year ended December 31,			
	2023		2022	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Tutoring services	1,393,854	55.4	1,212,145	51.5
Sales of books	175,969	34.7	153,560	33.6
<b>Total</b>	<b>1,569,823</b>	<b>52.0</b>	<b>1,365,705</b>	<b>48.6</b>

- *Tutoring services.* Our gross profit margin for tutoring services increased from 51.5% in 2022 to 55.4% in 2023, primarily due to our continuous optimization of the cost structure, resulting from (1) our efforts in deepening the integration of online and offline teaching models to enable students to flexibly choose service formats and improve class fill rate, (2) the enhanced teaching efficiency empowered by AI technology and other online technologies, and (3) our improved operational efficiency.

- *Sales of books.* Our gross profit margin for sales of books increased from 33.6% in 2022 to 34.7% in 2023, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the scale-up of our in-house printing facilities, despite our revenue growth.

### **Administrative expenses**

Our administrative expenses decreased by 13.3% from RMB543.7 million in 2022 to RMB471.5 million in 2023, primarily due to (1) the decrease in listing expenses, and (2) the decrease in leased premises.

### **Selling and marketing expenses**

Our selling and marketing expenses increased by 30.4% from RMB516.8 million in 2022 to RMB673.9 million in 2023, primarily due to the increases in (1) employee benefit expenses as a result of the increased performance incentives paid to our sales and marketing personnel resulting from the increased sales volume and increased sales and marketing personnel, and (2) promotion expenses as a result of our enhanced efforts to promote our brand and services.

### **Research and development expenses**

Our research and development expenses increased by 27.9% from RMB196.6 million in 2022 to RMB251.4 million in 2023, primarily due to the increase in employee benefit expenses as a result of (1) the increased headcount of our R&D team to accommodate our long-term business strategy and (2) the increase in average salary paid to our R&D team.

### **Net impairment losses on financial assets**

Our net impairment losses on financial assets increased significantly from RMB0.3 million in 2022 to RMB3.2 million in 2023, primarily because of the increase in loss allowance provision resulting from potential uncollectibility of other receivables related to leased properties.

### **Other income**

Our other income decreased by 11.3% from RMB32.6 million in 2022 to RMB28.9 million in 2023, primarily due to the impact of policy of the reduction in value-added tax credit, partially offset by the increase in interest income on other financial assets at amortised cost.

### **Other losses, net**

Our other losses, net decreased by 85.4% from RMB121.8 million in 2022 to RMB17.8 million in 2023, primarily due to (1) the decrease in net foreign exchange losses, (2) the decrease in net losses related to early termination of lease agreements and disposal of related leasehold improvements, and (3) the recognition of net fair value gains on derivatives in 2023, as compared to the recognition of net fair value losses on derivatives in 2022.

### **Finance income/(costs), net**

We recorded finance income, net of RMB28.8 million in 2023, as compared to finance costs, net of RMB32.9 million in 2022, primarily due to (1) an increase in the finance income as the Company adjusted its cash management strategy to focus on fixed deposits in 2023, and (2) a decrease in net foreign exchange losses.

### **Profit/(loss) before income tax**

As a result of the foregoing, we recorded profit before income tax of RMB205.0 million in 2023, as compared to loss before income tax of RMB2,045.5 million in 2022.

### **Income tax expense**

Our income tax expense decreased by 62.1% from RMB43.2 million in 2022 to RMB16.4 million in 2023, primarily due to the recognition of deferred tax assets for eligible losses we carried forward against future taxable income, partially offset by the increase in current income tax on profits before income tax.

### **Profit/(loss) for the year**

As a result of the foregoing, we recorded net loss of RMB2,088.7 million and net profit of RMB188.6 million in 2022 and 2023, respectively, representing net loss margin of 74.3% and net profit margin of 6.2%, respectively.

### **Non-IFRS measure**

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/loss as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We define adjusted net profit/loss (non-IFRS measure) as profit/loss for the year adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss, and listing expenses.

Share-based payments arise from granting options to employees. We exclude share-based payments as such expenses are non-cash in nature and do not result in cash outflows. Fair value losses on financial liabilities at fair value through profit or loss represent fair value changes relating to convertible preferred shares issued in our equity financings. The convertible preferred shares have been automatically converted into ordinary shares after the completion of the global offering of the Company (the “**Global Offering**”), and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the completion of the Global Offering. Listing expenses were incurred in connection with our preparation for the Global Offering. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance.

The following table reconciles our adjusted net profit/loss for the year presented to the most directly comparable financial measure calculated and presented under IFRS.

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<i><b>RMB’000</b></i>	<i><b>RMB’000</b></i>
<b>Profit/(Loss) for the year</b>	<b>188,566</b>	<b>(2,088,707)</b>
<i>Add:</i>		
Share-based payments	<b>251,711</b>	201,680
Fair value losses of financial liabilities at fair value through profit or loss	<b>4,853</b>	2,031,793
Listing expenses	<b>—</b>	45,368
<b>Adjusted net profit (non-IFRS measure)</b>	<b><u>445,130</u></b>	<b><u>190,134</u></b>

### **Contract assets**

Contract assets primarily represented our right to consideration in relation to our postpaid contractual classes that allow for postponed payment of a portion of the course fees only upon passing the relevant examinations. Our contract assets increased from RMB9.0 million as of December 31, 2022 to RMB38.9 million as of December 31, 2023, primarily due to the increased sales volume of our postpaid contractual classes as we adjusted our business development strategy to meet the market demand.



## **Contract liabilities**

Our contract liabilities primarily represented prepaid course fees we received from our students for our tutoring services, for which our performance obligation had not been satisfied. Our contract liabilities increased from RMB117.9 million as of December 31, 2022 to RMB149.5 million as of December 31, 2023, primarily due to the increased prepaid course fees we received along with the business growth.

## **Refund liabilities**

Our refund liabilities represented primarily the courses fees which we do not expect to be entitled to, including primarily the portion of course fees of our contractual classes for which we expect withdrawals or no-pass refund requests, and to a much lesser extent, the portion of course fees of other non-contractual classes at withdrawal and our online learning products, mainly including the challenge exercise product. Our refund liabilities decreased from RMB275.0 million as of December 31, 2022 to RMB227.1 million as of December 31, 2023, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass.

## **Liquidity and capital resources**

In 2023, our primary use of cash is to fund the daily operations of our business. We financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our net current assets increased from approximately RMB565.4 million as of December 31, 2022 to approximately RMB1,048.6 million as of December 31, 2023, primarily due to the increases in cash and cash equivalents and short-term bank deposits resulting from the cash generated from our operating activities and the net proceeds from the Global Offering.

## **Cash and cash equivalents**

Our cash and cash equivalents primarily consisted of bank deposits on demand. Our cash and cash equivalents decreased from RMB1,047.4 million as of December 31, 2022 to RMB671.5 million as of December 31, 2023, primarily due to cash used in investing activities as we purchased term deposits with initial term of over three months and wealth management products in 2023, partially offset by the cash generated from our operating activities and the net proceeds from the Global Offering.

The following table sets forth our cash flows for the year indicated.

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash generated from/(used in) operating activities	<b>587,839</b>	(83,992)
Net cash used in investing activities	<b>(911,537)</b>	(36,792)
Net cash used in financing activities	<b>(74,496)</b>	(85,243)
Net decrease in cash and cash equivalents	<b>(398,194)</b>	(206,027)
Cash and cash equivalents at beginning of the year	<b>1,047,402</b>	1,159,867
Exchange difference	<b>22,322</b>	93,562
Cash and cash equivalents at the end of the year	<b><u>671,530</u></b>	<b><u>1,047,402</u></b>

### **Exposure to exchange rate fluctuation**

The functional currency of our subsidiaries in China is Renminbi, while the functional currency of our Company and subsidiaries outside China is U.S. dollar. Foreign exchange risk arises from the fluctuation in exchange where our monetary assets are denominated in currency other than functional currency. We recognized net foreign exchange losses of RMB28.1 million in 2023 as finance costs and other losses, net, as compared to RMB107.8 million in 2022.

In addition, in 2023, we recorded exchange differences on translation of RMB34.5 million as other comprehensive income, as compared to RMB742.6 million as other comprehensive loss in 2022, primarily due to the exchange rate fluctuation.

We have continued to closely track and manage our exposure to fluctuation in foreign exchange rates confronted by the majority of our deposits in foreign currencies. We invested in foreign exchange derivatives to manage our exposure to foreign exchange risk in relation to proceeds from our equity financing denominated in U.S. dollars. Our management will continue to monitor the movement of the foreign currency rates and will take measures when necessary for the purpose of reducing our exposure to foreign currency exchange risk.

### **Capital expenditure**

In 2023, our total capital expenditure amounted to approximately RMB56.3 million, compared to RMB36.0 million in 2022, which primarily consisted of purchases of property, plant and equipment. We funded our capital expenditure requirements primarily through cash generated from our operating activities in 2023.

## **Capital commitments**

As of December 31, 2023, we did not have any significant capital commitments (2022: Nil).

## **Contingent liabilities**

As of December 31, 2023, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

## **Significant investments, material acquisitions and disposals**

During the year ended December 31, 2023, we did not hold any significant investments, nor did we have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **Future plans for material investments and capital assets**

Save as disclosed in the prospectus of the Company dated December 23, 2022 (the “**Prospectus**”) and this announcement, we did not have other substantial future plans for material investments and capital assets.

## **Charge on Group’s assets**

As of December 31, 2023, we had no charges on our assets (2022: Nil).

## **Borrowings and gearing ratio**

As of December 31, 2023, we did not have any outstanding bank loans or other borrowings. Accordingly, the gearing ratio as of December 31, 2023 (as calculated by total interest-bearing bank borrowings as at the end of respective period divided by total equity as at the same date) was not applicable (2022: N/A).

## Key financial indicators

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated.

	As of/for the year ended December 31,	
	2023	2022
<b>Profitability ratios</b>		
Gross profit margin <sup>(1)</sup>	52.0%	48.6%
Net profit/(loss) margin <sup>(2)</sup>	6.2%	(74.3%)
Adjusted net profit margin (non-IFRS measure) <sup>(3)</sup>	14.7%	6.8%
<b>Liquidity ratios</b>		
Current ratio <sup>(4)</sup>	2.3	1.8
Quick ratio <sup>(5)</sup>	2.3	1.7

- (1) The calculation of gross profit margin is based on gross profit divided by revenue for the year indicated and multiplied by 100%.
- (2) The calculation of net profit/(loss) margin is based on profit/(loss) for the year divided by revenue for the respective year and multiplied by 100%.
- (3) The calculation of adjusted net profit margin (non-IFRS measure) is based on adjusted net profit divided by revenue for the respective year and multiplied by 100%.
- (4) The calculation of current ratio is based on current assets divided by current liabilities as of year end.
- (5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year end.

## OTHER INFORMATION

### Use of Proceeds from the Global Offering

The ordinary shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on January 9, 2023 (the “**Listing Date**”), whereby 20,000,000 new Shares were issued at the offer price of HK\$9.90 each by the Company. The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and other related expenses payable by the Company, was approximately HK\$113.2 million (the “**Net Proceeds**”).

There has been no change in the intended use of Net Proceeds as previously disclosed in the Prospectus. The Group will utilize the Net Proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to “Future Plans and Use of Proceeds” in the Prospectus for details. The Net Proceeds are expected to be fully utilized by December 2026 which may be subject to changes based on business development of the Group and future development of market conditions.

The following table sets forth the details of the Net Proceeds originally raised, utilized and unutilized Net Proceeds as of the dates indicated:

	<b>Net Proceeds from the Global Offering as of the Listing Date <i>Amount</i> <i>HK\$ in million</i></b>	<b>Utilized Net Proceeds during the period from the Listing Date to December 31, 2023 <i>Amount</i> <i>HK\$ in million</i></b>	<b>Unutilized Net Proceeds as of December 31, 2023 <i>Amount</i> <i>HK\$ in million</i></b>
Enriching our course offerings and expanding our student base	58.9	3.0	55.9
Enhancing our content and technological development capabilities (group-wide for both online and classroom-based services)	32.2	16.9	15.3
Conducting marketing campaigns primarily for our newly developed courses (group-wide for both online and classroom-based services)	13.6	—	13.6
Working capital and other general corporate purposes (group-wide for both online and classroom-based services)	8.5	4.3	4.2
Total	<u>113.2</u>	<u>24.2</u>	<u>89.0</u>

## Employees

As of December 31, 2023, the Group had 7,325 full-time employees, as compared to approximately 7,440 full-time employees as of December 31, 2022. The Group incurred a total staff costs (including Directors’ emoluments), which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares including share-based payment, in the amount of approximately RMB1,657.2 million for the year ended December 31, 2023.

Substantially all of the Group's employees are based in China. As required under PRC labor laws, the Group enters into individual employment contracts with its employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In compliance with PRC regulations, the Group participates in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

To incentivize its employees and promote the long-term growth of the Company, the Company has also adopted the pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”), the 2023 restricted share unit scheme (the “**2023 Restricted Share Unit Scheme**”) and the 2023 share option scheme to provide equity incentive to the Group's employees, directors and senior management.

The Group provides robust training programs for its employees, which we believe are effective in equipping them with the skill set and work ethics. The Group recognizes the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, the Group is committed to the continuing education and development of the Directors and employees of the Group.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Pursuant to the rules of the 2023 Restricted Share Unit Scheme adopted by the Company on June 14, 2023, the trustee of the 2023 Restricted Share Unit Scheme purchased on the Stock Exchange a total of 44,519,500 Shares at a total consideration of approximately HK\$194.1 million during the period from the adoption date of the 2023 Restricted Share Unit Scheme to December 31, 2023.

Save as disclosed above and other than the issuance of Shares for the purpose of the Pre-IPO Share Option Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2023.

### **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## **Compliance with Corporate Governance Code**

The Group is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) under Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance.

Since the Listing Date and up to the date of this announcement, the Company has complied with all the applicable code provisions under the CG Code with the exception of code provision C.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The roles of the Chairman and Chief Executive Officer of the Company are held by Mr. ZHANG Xiaolong. With extensive experience in the non-formal VET industry, Mr. Zhang is responsible for the overall strategic planning and business development and operation, as well as overall technological and curriculum development of the Group and is instrumental to the growth and business expansion of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group and ensures consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The balance of power and authority is not impaired and is ensured by the operation of the senior management and the Board, which comprises experienced individuals. In light of the above, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in the circumstances of the Company.

## **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this announcement.

## **Final Dividend**

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2023 (2022: Nil).

## **Annual General Meeting (the “AGM”)**

The AGM will be held on Thursday, June 13, 2024. A notice convening the AGM will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.fenbi.com](http://www.fenbi.com)), and will be dispatched (if requested) to the Shareholders in accordance with the requirements of the Listing Rules in due course.

## **Closure of Register of Members**

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, June 7, 2024 to Thursday, June 13, 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, June 6, 2024.

## **Review of Annual Results**

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. YUEN Kai Yiu Kelvin, Mr. QIU Dongxiao Larry and Ms. YUAN Jia, with Mr. YUEN Kai Yiu Kelvin being the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2023. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2023 and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group. The Audit Committee considers that the annual results of the Group are in compliance with the applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.



## **Scope of Work of the Auditor**

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, based on the amounts set out in the audited consolidated financial statements of the Group for the Reporting Period.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **Events after the Reporting Period**

Save for the subsequent events disclosed in Note 16 to the consolidated financial information set forth in this announcement, there has been no other significant event since the end of the Reporting Period and up to the date of this announcement that is required to be disclosed by the Company.

## **PUBLICATION OF 2023 ANNUAL RESULTS AND 2023 ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.fenbi.com](http://www.fenbi.com)). The annual report of the Company for the year ended December 31, 2023 will be dispatched (if requested) to the Shareholders and published on the aforesaid websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to express our sincere gratitude to the Shareholders for their continuous support, our customers, suppliers and business partners for their trust in the Company and our staff and management team for their diligence, dedication, loyalty and integrity.

By order of the Board  
**Fenbi Ltd.**  
**ZHANG Xiaolong**  
*Chairman*

Hong Kong, March 28, 2024

*As at the date of this announcement, the Board comprises Mr. ZHANG Xiaolong and Mr. WEI Liang as executive Directors; Mr. LI Yong and Mr. LI Xin as non-executive Directors; Mr. QIU Dongxiao Larry, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia as independent non-executive Directors.*