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Fenbi Ltd.

粉笔有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2469)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2023, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”). The interim results for the six months ended June 30, 2024 have been reviewed by PricewaterhouseCoopers, the independent auditor of the Company in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity.”

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

RESULTS HIGHLIGHTS

Financial Results

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	1,630,470	1,682,333
Gross profit	883,203	855,680
Net profit for the period	277,739	81,476
Adjusted net profit (non-IFRS measure) ^{Note}	349,097	288,040

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

Operating Information

	As of/for the six months ended June 30, 2024	As of/for the year ended December 31, 2023	As of/for the six months ended June 30, 2023
Employees	7,564	7,325	7,208
Full-time instructors	3,145	3,225	3,536
Other staff	4,419	4,100	3,672
Average monthly active users	9.2 million	9.1 million	9.2 million

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended June 30,	
	<i>Notes</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	1,630,470	1,682,333
Cost of revenue	4, 6	<u>(747,267)</u>	<u>(826,653)</u>
Gross profit		<u>883,203</u>	<u>855,680</u>
Administrative expenses	6	(197,481)	(319,847)
Selling and marketing expenses	6	(320,311)	(304,255)
Research and development expenses	6	(108,222)	(143,092)
Net impairment losses on financial assets		(1,834)	(1,008)
Other income		13,578	9,300
Other gains/(losses), net	5	<u>1,385</u>	<u>(26,452)</u>
Operating profit		270,318	70,326
Fair value losses of financial liabilities at fair value through profit or loss		—	(4,853)
Finance income		20,125	15,176
Finance costs		<u>(3,153)</u>	<u>(4,948)</u>
Finance income, net	7	<u>16,972</u>	<u>10,228</u>
Profit before income tax		287,290	75,701
Income tax (expense)/credit	8	<u>(9,551)</u>	<u>5,775</u>
Profit for the period		<u><u>277,739</u></u>	<u><u>81,476</u></u>
Profit attributable to:			
– Owners of the Company		<u><u>277,739</u></u>	<u><u>81,476</u></u>
Earnings per share for profit attributable to owners of the Company (RMB)			
Basic earnings per share	9	0.13	0.04
Diluted earnings per share	9	0.13	0.04

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>277,739</u>	<u>81,476</u>
Other comprehensive income		
Items that may be reclassified to profit or loss		
— Currency translation differences of the Company's subsidiaries	(3,146)	(5,383)
Items that will not be reclassified to profit or loss		
— Currency translation differences of the Company	<u>11,717</u>	<u>71,192</u>
Other comprehensive income for the period, net of tax	<u>8,571</u>	<u>65,809</u>
Total comprehensive income for the period	<u>286,310</u>	<u>147,285</u>
Total comprehensive income for the period attributable to:		
— Owners of the Company	<u><u>286,310</u></u>	<u><u>147,285</u></u>

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	June 30, 2024 <i>RMB'000</i> (Unaudited)	December 31, 2023 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		85,212	124,051
Right-of-use assets		111,818	116,190
Intangible assets		341	367
Prepayments and other receivables		11,013	11,932
Deferred tax assets	14	40,956	39,916
Term deposits with initial term of over three months		200,066	—
Total non-current assets		449,406	292,456
Current assets			
Inventories		59,897	60,987
Trade receivables	10	47,485	31,075
Contract assets	4	57,299	38,940
Prepayments and other receivables		124,893	66,990
Financial assets at fair value through profit or loss		307,815	195,246
Other financial assets at amortised cost		72,009	76,558
Cash and cash equivalents		689,444	671,530
Restricted cash		—	5,666
Term deposits with initial term of over three months		212,669	683,060
Total current assets		1,571,511	1,830,052
Total assets		2,020,917	2,122,508
Equity			
Equity attributable to owners of the Company			
Share capital	11	152	150
Share premium	11	15,218,307	15,104,233
Other reserves		(9,901,309)	(9,511,560)
Accumulated losses		(4,047,340)	(4,325,079)
Total equity		1,269,810	1,267,744

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	<i>Notes</i>	June 30, 2024	December 31, 2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		68,175	71,683
Deferred tax liabilities	14	11	47
Deferred income		895	1,539
		<hr/>	<hr/>
Total non-current liabilities		69,081	73,269
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	204,832	333,501
Contract liabilities	4	212,177	149,487
Refund liabilities		188,823	227,067
Current income tax liabilities		25,759	24,698
Lease liabilities		50,435	46,578
Financial liabilities at fair value through profit or loss		—	164
		<hr/>	<hr/>
Total current liabilities		682,026	781,495
		<hr/>	<hr/>
Total liabilities		751,107	854,764
		<hr/>	<hr/>
Total equity and liabilities		2,020,917	2,122,508
		<hr/> <hr/>	<hr/> <hr/>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2024		150	15,104,233	(9,511,560)	(4,325,079)	1,267,744
Profit for the period		—	—	—	277,739	277,739
Other comprehensive income		—	—	8,571	—	8,571
Total comprehensive income for the period		—	—	8,571	277,739	286,310
Transactions with owners in their capacity as owners:						
Employee share schemes						
— value of employee services	12	—	—	71,358	—	71,358
Employee share schemes						
— exercise of employee services	11	2	114,074	(114,076)	—	—
Purchase of treasury shares		—	—	(355,602)	—	(355,602)
Total transactions with owners in their capacity as owners		2	114,074	(398,320)	—	(284,244)
Balance at June 30, 2024 (Unaudited)		<u>152</u>	<u>15,218,307</u>	<u>(9,901,309)</u>	<u>(4,047,340)</u>	<u>1,269,810</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Notes	Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2023		47	2,648,395	(9,002,744)	(4,508,623)	(10,862,925)
Profit for the period		—	—	—	81,476	81,476
Other comprehensive income		—	—	65,809	—	65,809
Total comprehensive income for the period		—	—	65,809	81,476	147,285
Transactions with owners in their capacity as owners:						
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	11	1	160,103	—	—	160,104
Profit appropriation to statutory surplus reserves		—	—	84	(84)	—
Employee share schemes — value of employee services	12	—	—	201,711	—	201,711
Employee share schemes — exercise of share options	11	8	463,423	(463,431)	—	—
Purchase of treasury shares		—	—	(53,502)	—	(53,502)
Conversion of preferred shares to ordinary shares	11	92	11,673,545	—	—	11,673,637
Total transactions with owners in their capacity as owners		101	12,297,071	(315,138)	(84)	11,981,950
Balance at June 30, 2023 (Unaudited)		148	14,945,466	(9,252,073)	(4,427,231)	1,266,310

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	219,627	370,374
Interest paid	(2,564)	(3,270)
Interest received	27,191	15,176
Income tax paid	(9,564)	(7,033)
	234,690	375,247
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,078)	(9,755)
Purchase of financial assets at fair value through profit or loss	(187,513)	(693,475)
Redemption of financial assets at fair value through profit or loss	80,995	693,450
Purchase of other financial assets at amortised cost	(181,862)	(245,677)
Redemption of other financial assets at amortised cost	189,197	187,871
Purchase of term deposits with initial term of over three months	(536,744)	(165,990)
Redemption of term deposits with initial term of over three months	802,306	—
Proceeds from sale of property, plant and equipment	374	8,648
Net cash outflow for the settlement of derivatives	(2,450)	(3,401)
Net cash outflow related to disposal of a subsidiary	(2,502)	—
Proceeds from disposal of a subsidiary	1,500	—
	157,223	(228,329)
Net cash generated from/(used in) investing activities		

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)**

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Repurchase of treasury shares	(355,602)	(53,502)
Principal elements of lease payments	(22,714)	(29,289)
Payments for listing expenses	—	(11,894)
Proceeds from issuance of ordinary shares	—	173,114
	<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities	(378,316)	78,429
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	13,597	225,347
Cash and cash equivalents at the beginning of the period	671,530	1,047,402
Exchange differences	4,317	62,580
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	<u>689,444</u>	<u>1,335,329</u>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 condensed consolidated interim financial information are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

2 Basis of preparation and accounting policies

2.1 *Basis of preparation*

This condensed consolidated interim financial information for the six months ended June 30, 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The interim report does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS Accounting Standards**”).

2.2 *Accounting policies*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended IFRS Accounting Standards as set out below.

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from January 1, 2024:

- Classification of liabilities as current or non-current and non-current liabilities with covenants — amendments to IAS 1;
- Lease liability in sale and leaseback — amendments to IFRS 16; and
- Supplier finance arrangements — amendments to IAS 7 and IFRS 7.

The above standards did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published and are not mandatory for the current reporting period 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.

3 **Estimates**

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2023.

4 Segment information

The Group's chief operating decision maker ("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.

As at June 30, 2024, 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 June 30, 2024, 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 gains/(losses), net, finance income, 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 interim 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 interim consolidated financial information. 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 six months ended June 30, 2024 and 2023 were as follows:

	Tutoring services RMB'000	Sales of books RMB'000	Total RMB'000
Six months ended June 30, 2024 (Unaudited)			
Segment revenue	1,378,783	335,176	1,713,959
Inter-segment revenue	—	(83,489)	(83,489)
Revenue from external customers	<u>1,378,783</u>	<u>251,687</u>	<u>1,630,470</u>
Cost of revenue	<u>(580,160)</u>	<u>(167,107)</u>	<u>(747,267)</u>
Gross profit	<u><u>798,623</u></u>	<u><u>84,580</u></u>	<u><u>883,203</u></u>
	Tutoring services RMB'000	Sales of books RMB'000	Total RMB'000
Six months ended June 30, 2023 (Unaudited)			
Segment revenue	1,422,978	344,613	1,767,591
Inter-segment revenue	—	(85,258)	(85,258)
Revenue from external customers	<u>1,422,978</u>	<u>259,355</u>	<u>1,682,333</u>
Cost of revenue	<u>(656,510)</u>	<u>(170,143)</u>	<u>(826,653)</u>
Gross profit	<u><u>766,468</u></u>	<u><u>89,212</u></u>	<u><u>855,680</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.

For the six months ended June 30, 2024, the Group's customer base is diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues.

As of June 30, 2024, 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 June 30, 2024 and the contract liabilities and contract assets will be expected to be recognised within one year:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets relating to certain program	57,759	39,252
Loss allowance	(460)	(312)
	<u>57,299</u>	<u>38,940</u>
Contract assets		
	<u>57,299</u>	<u>38,940</u>
Contract liabilities	<u>212,177</u>	<u>149,487</u>

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

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Contract liabilities	<u>108,962</u>	<u>98,557</u>

(ii) *Unsatisfied contracts*

The majority of contract liabilities as at June 30, 2024 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 June 30, 2024.

5 Other gains/(losses), net

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net fair value (losses)/gains on derivatives	(2,286)	1,530
Fair value gains on financial assets at fair value through profit or loss	5,286	1,769
Net losses related to early termination of lease agreements and the disposal of related leasehold improvements	(489)	(1,223)
Net gains/(losses) on disposal of property, plant and equipment	3	(468)
Donation	(664)	(1,050)
Net foreign exchange losses	(1,556)	(31,591)
Others	1,091	4,581
	<u>1,385</u>	<u>(26,452)</u>

6 Expenses by nature

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	678,418	964,109
Cost of course materials	153,985	156,411
Human resource outsourcing and other labour costs	130,795	119,355
Promotion expenses	68,992	45,513
Depreciation of right-of-use assets	27,136	31,902
Logistic expenses	35,181	39,581
Lease expenses	140,389	114,129
Classroom consumables	14,334	12,111
Meal expenses provided to students	11,964	10,051
Travel expenses	19,313	13,526
Office expenses	3,117	4,712
Depreciation of property, plant and equipment	12,893	21,277
Amortisation of intangible assets	26	49
Services fee for cloud storage	10,848	8,208
Property management costs	6,329	6,389
Tax and surcharge	8,376	9,652
Auditor's remuneration		
— Audit and audit related services	1,785	1,910
— Non-audit services	991	47
Charges for licensed payment institutions	8,495	9,564
Others	39,914	25,351
	<u>1,373,281</u>	<u>1,593,847</u>

7 Finance income, net

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income:		
— Interest income	<u>20,125</u>	<u>15,176</u>
Finance costs:		
— Finance cost on lease liabilities	<u>(2,564)</u>	<u>(3,270)</u>
— Net foreign exchange losses	<u>(589)</u>	<u>(1,678)</u>
	<u>(3,153)</u>	<u>(4,948)</u>
Finance income, net	<u><u>16,972</u></u>	<u><u>10,228</u></u>

8 Income tax expense/(credit)

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	10,627	9,387
Deferred income tax	<u>(1,076)</u>	<u>(15,162)</u>
Income tax expense/(credit)	<u><u>9,551</u></u>	<u><u>(5,775)</u></u>

(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

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

(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.

Certain subsidiaries of the Group in the PRC are approved as High and New Technology Enterprise, and accordingly, are subject to a reduced preferential CIT rate of 15% during the reporting period according to the applicable CIT Law. Certain subsidiaries of the Group in the PRC 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 certain 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.

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing:

The profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	277,739	81,476
Weighted average number of ordinary shares in issue (thousands)	<u>2,167,192</u>	<u>2,036,908</u>
Basic earnings per share (RMB)	<u>0.13</u>	<u>0.04</u>

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	277,739	81,476
Weighted average number of ordinary shares in issue (thousands)	<u>2,167,192</u>	<u>2,036,908</u>
Adjustments for:		
— Share options (thousands)	27,915	95,923
— RSUs (thousands)	<u>7,720</u>	<u>—</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>2,202,827</u>	<u>2,132,831</u>
Diluted earnings per share (RMB)	<u>0.13</u>	<u>0.04</u>

10 Trade receivables

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables from contracts with customers		
— Third parties	47,662	31,509
— Related parties	1,089	—
Loss allowance	(1,266)	(434)
	<u>47,485</u>	<u>31,075</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 ranging from 30 to 90 days.

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

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Up to 3 months	39,420	20,092
3 to 6 months	4,830	8,004
6 to 12 months	1,587	1,744
More than 1 year	2,914	1,669
	<u>48,751</u>	<u>31,509</u>

11 Share capital and Share premium

Company

Authorised:	Number of ordinary shares	Nominal value of ordinary shares USD'000
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**As at January 1, 2024 and June 30, 2024
(Unaudited)**

5,000,000,000 50

Issued:	Number of ordinary shares (Thousands)	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
As at January 1, 2023	<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 (Note a)	20,000	200	1	160,103	160,104
Employee share schemes — exercise of share options	112,612	1,126	8	463,423	463,431
Conversion of preferred shares to ordinary shares (Note b)	<u>1,348,685</u>	<u>13,487</u>	<u>92</u>	<u>11,673,545</u>	<u>11,673,637</u>
As at June 30, 2023 (Unaudited)	<u>2,209,920</u>	<u>22,099</u>	<u>148</u>	<u>14,945,466</u>	<u>14,945,614</u>
As at January 1, 2024	<u>2,281,381</u>	<u>22,814</u>	<u>150</u>	<u>15,104,233</u>	<u>15,104,383</u>
Add:					
Employee share schemes — exercise of share options	<u>11,248</u>	<u>112</u>	<u>2</u>	<u>114,074</u>	<u>114,076</u>
As at June 30, 2024 (Unaudited)	<u>2,292,629</u>	<u>22,926</u>	<u>152</u>	<u>15,218,307</u>	<u>15,218,459</u>

- (a) 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 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.
- (b) 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 Share-based payments

To incentivize its employees and promote the long-term growth of the Company, the Company has adopted the pre-IPO equity incentive scheme in December 2020 (the “**Pre-IPO Share Option Scheme**”), the share option scheme in June 2023 (the “**2023 Share Option Scheme**”) and the restricted share unit scheme in June 2023 (the “**2023 Restricted Share Unit Scheme**”). The 2023 Share Option Scheme and 2023 Restricted Share Unit Scheme were collectively referred as the 2023 Share Incentive Schemes.

(a) *The Pre-IPO Share Option Scheme*

Under the Pre-IPO Share Option Scheme adopted by the Group, participants are granted options which only vest if the service condition are met. The exercise price is nil. Participation in the scheme is at the Board's discretion. The share options shall be subject to different vesting service periods from the vesting commencement date, which is the grant date of options.

As prescribed in the share option agreement and the respective grant letter:

- For vesting schedule of service period for three years, (i) one-third (1/3) of the granted share options are vested on each anniversary from the vesting commencement date; or (ii) 25% of the granted share options are vested on the second anniversary from the vesting commencement date and 30% and 45% of granted share options are vested on the same day in the following two subsequent years, respectively.
- For vesting schedule as four years, (i) 25% of the granted share options are vested on each anniversary from the vesting commencement date; or (ii) the granted share options are vested on the fourth anniversary of the vesting commencement date; or (iii) 15%/25%/25%/35% of the granted share options are vested on the same day in the following four subsequent years, respectively; or (iv) 40%/30%/20%/10% of the granted share options are vested on the same day in the following four subsequent years, respectively.
- For vesting schedule as two years, 50% of the granted share options are vested on each anniversary from the vesting commencement date.
- For vesting schedule that vested immediately upon granted, granted share options are vested upon the vesting commencement date.

In the event a participant's employment or service with the Group is terminated for any reason, the Group shall have a right to repurchase any shares purchased by such participant upon exercise of option or the vested options at a price calculated based on the fair market value on that date as defined in the option agreement.

(i) *Movements in the number of share options granted to participants related to the Pre-IPO Share Option Scheme*

	Number of share options
Outstanding as at January 1, 2024	75,326,760
Forfeited during the period	(115,000)
Exercised during the period	<u>(25,948,890)</u>
Outstanding as at June 30, 2024	49,262,870
— Exercisable as of June 30, 2024	<u><u>38,172,323</u></u>
Outstanding as at January 1, 2023	218,500,500
Forfeited during the period	(658,800)
Exercised during the period (<i>Note a</i>)	<u>(112,612,340)</u>
Outstanding as at June 30, 2023	105,229,360
— Exercisable as of June 30, 2023	<u><u>84,366,860</u></u>

The weighted-average remaining contract life for outstanding share options were 6.59 years as of six months ended June 30, 2024 (2023: 7.59 years).

Note a:

In June 2023, pursuant to the resolution, the directors of the Company has approved the acceleration of the vesting of 19,947,980 options. During the six months ended June 30, 2023, 112,612,340 options (including both the previously vested and accelerated ones) were exercised.

(ii) *Fair value of share options granted*

The Group used the discounted cash flow method to determine the underlying equity fair value of the Group. During the six months ended June 30, 2024 and 2023, there were no grants related to the Pre-IPO Share Option Scheme.

(b) *The 2023 Share Incentive Schemes*

The 2023 Share Option Scheme and 2023 Restricted Share Unit Scheme were approved and adopted by the Company on June 14, 2023. Both schemes shall be valid and effective for a period of ten (10) years commencing on the date of adoption. Pursuant to the terms of the respective agreements as adopted by the Company, participation and vesting conditions in the 2023 Share Incentive Schemes shall be at the Board's discretion under specified circumstances in relation to the options or shares granted to the eligible participants.

On September 4, 2023, the Group granted a total of 894,000 restricted share units (the "RSUs"), representing an aggregate of 894,000 shares, to 363 employees of the Group under the 2023 Restricted Share Unit Scheme at a nil consideration, subject to the acceptance by the grantees. The closing price of the shares on this grant date was HK\$4.67 (equivalent to RMB4.27) per share.

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 at a nil consideration, 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.

On April 3, 2024, the Group granted a total of 8,932,000 RSUs, representing an aggregate of 8,932,000 shares, to 693 employees of the Group under the 2023 Restricted Share Unit Scheme at a nil consideration, subject to the acceptance by the grantees. The closing price of the shares on this grant date was HK\$4.67 (equivalent to RMB4.23) per share.

On June 13, 2024, the Group granted a total of 7,000,000 RSUs, representing an aggregate of 7,000,000 shares, to 1 employee of the Group under the 2023 Restricted Share Unit Scheme at a nil consideration, subject to the acceptance by the grantee. The closing price of the shares on this grant date was HK\$4.29 (equivalent to RMB3.91) per share.

As prescribed in the restricted share unit agreements and the respective grant letter:

- For vesting schedule of service period for three years, 25% of the granted shares are vested on the vesting commencement date and 25% of the granted shares are vested on each anniversary from the vesting commencement date.
- For vesting schedule as four years, 25% of the granted shares are vested on each anniversary from the vesting commencement date.

During the year ended June 30, 2024 and 2023, there were no grants related to the 2023 Share Option Scheme.

(i) *Movements in the number of RSUs granted to participants related to the 2023 Restricted Share Unit Scheme*

	Number of RSUs
Outstanding as at January 1, 2024	866,000
Granted during the period	31,600,000
Forfeited during the period	<u>(484,625)</u>
Outstanding as at June 30, 2024	31,981,375
— Vested and exercisable as at June 30, 2024	<u><u>5,941,875</u></u>

(c) *Expenses arising from share-based payment transactions*

The total expenses arising from share-based payments recognised during the period as part of employee benefit expense were as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Options issued under the Pre-IPO Share Option Scheme	27,715	201,711
Shares issued under the 2023 Restricted Share Unit Scheme	43,643	<u>—</u>
	<u>71,358</u>	<u><u>201,711</u></u>

13 Trade and other payables

	June 30, 2024 <i>RMB'000</i> (Unaudited)	December 31, 2023 <i>RMB'000</i> (Audited)
Current liabilities		
Trade payables	28,069	30,283
Amounts due to related parties	79	—
Accrued salaries, and bonus and welfares	140,766	281,606
Tax payable (other than income tax payables)	25,618	9,282
Accrued auditor's remuneration	2,375	3,263
Others	7,925	9,067
	<u>204,832</u>	<u>333,501</u>

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

	June 30, 2024 <i>RMB'000</i> (Unaudited)	December 31, 2023 <i>RMB'000</i> (Audited)
Within 1 year	27,713	29,823
1 to 2 years	310	435
More than 2 years	46	25
	<u>28,069</u>	<u>30,283</u>

14 Deferred tax balance

The deferred tax assets and liabilities balance as at June 30, 2024 and December 31, 2023 were as follows:

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Deferred tax assets:		
to be recovered after more than 12 months	42,452	41,718
to be recovered within 12 months	19,874	22,318
Total deferred tax assets	<u>62,326</u>	<u>64,036</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	(21,370)	(24,120)
Net deferred tax assets	<u>40,956</u>	<u>39,916</u>
Deferred tax liabilities:		
to be recovered after more than 12 months	(9,909)	(14,421)
to be recovered within 12 months	(11,472)	(9,746)
Total deferred tax liabilities	<u>(21,381)</u>	<u>(24,167)</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	21,370	24,120
Net deferred tax liabilities	<u>(11)</u>	<u>(47)</u>

15 Dividends

The Board did not propose an interim dividend for the six months ended June 30, 2024 (2023: nil).

16 Commitments

As at June 30, 2024 and December 31, 2023, the Group did not have any significant capital commitments.

17 Contingencies

As at June 30, 2024 and December 31, 2023, the Group did not have any significant contingent liabilities.

18 Subsequent events

From July 1, 2024 to July 12, 2024, the Company repurchased a total of 18,359,500 Shares from the market at a total consideration of approximately HK\$70,450,000 (equivalent to RMB64,315,000), which was subsequently cancelled prior to the date of this announcement.

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 RMB99 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. For the six months ended June 30, 2024, revenue generated from the online learning products amounted to approximately RMB64.5 million.

- ***Large-class tutoring courses.*** Large-class courses, which are live tutoring courses mainly including systematic courses, feature high-caliber instructors and well-designed curricula. These courses provide systematic knowledge explanations and relevant exercises to empower students throughout their 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. For the six months ended June 30, 2024, revenue generated from the large-class tutoring courses amounted to approximately RMB265.7 million.
- ***Small-class tutoring sessions.*** Small-class tutoring sessions are primarily conducted online or through an 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 tracks students' learning paths and provides real-time feedback on their weaknesses, significantly enhancing the teaching efficiency. For the six months ended June 30, 2024, revenue generated from the small-class tutoring sessions amounted to approximately RMB1,025.9 million.
- ***Other tutoring courses.*** Other tutoring courses include special tutoring courses and promotional courses. For the six months ended June 30, 2024, revenue generated from other tutoring courses amounted to approximately RMB22.7 million.

We operate a scalable business benefiting from our solid online presence and the significant synergies achieved through an innovative online-merge-offline model (the “**OMO 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

Given the current job market trend, we anticipate sustained interest in government-sponsored job positions among job-seekers. The significant increase in the number of exam applicants over the short to medium term will contribute to the growth of the number of participants. However, due to the lower concentration of the recruitment examination tutoring industry, the average transaction value of the overall industry has been under certain pressure, with a slight increase in the revenue size of the industry on the whole. Regardless of the changes in overall environment and industry conditions, what remains unchanged is the demand in pursuit of high-quality educational services from users, who are willing to pay the cost, or even a premium, for desired services.

The increased popularity of government-sponsored job positions has resulted in more time devoted by students to preparing for exams, reflected by a significant increase in the number of students of long-term courses. It is difficult to differentiate the learning results when there are limits for extension of learning time, in which case the learning quality and learning efficiency will play a greater role as it is based on superior educational research, excellent teaching staff and technology that meets the needs, which are exactly the advantages of the Company.

In terms of small-class tutoring sessions, our OMO Model has been fully launched, which is able to provide students with personalized schedules for exam preparation, through the combination of the scene of offline courses with the high-quality study reminder and question answering services provided by excellent teachers online in addition to the technology. Capitalizing on this model, weakness can be identified in a short period of time, and scores can be improved in a fast manner through targeted exercises and explanations, thereby achieving outstanding learning results.

In light of the aforementioned factors, the revenue of the Company is expected to maintain a steady growth, and there will also be substantial potential for further optimization in our profit margins and operational efficiency without prejudice to our high level of teaching quality.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 3.1% from RMB1,682.3 million for the six months ended June 30, 2023 to RMB1,630.5 million for the six months ended June 30, 2024. The following table sets forth a breakdown of our revenue, both in absolute amounts and as a percentage of total revenue, by business line for the periods indicated.

	Six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Tutoring services	1,378,783	84.6	1,422,978	84.6
Sales of books	251,687	15.4	259,355	15.4
Total	<u>1,630,470</u>	<u>100.0</u>	<u>1,682,333</u>	<u>100.0</u>

- *Tutoring services.* Our revenue generated from tutoring services decreased by 3.1% from RMB1,423.0 million for the six months ended June 30, 2023 to RMB1,378.8 million for the six months ended June 30, 2024, primarily due to the scheduling overlap between the written tests for unified public institution employee examinations and the provincial unified civil servants examinations in the first half of 2024, which resulted in a decrease in our sales volume of public institution employees examination tutoring courses.
- *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 decreased by 3.0% from RMB259.4 million for the six months ended June 30, 2023 to RMB251.7 million for the six months ended June 30, 2024, primarily due to the decrease in our sales volume of public institution employees examination textbooks and learning materials for the reasons discussed above.

Cost of revenue

Our cost of revenue decreased by 9.6% from RMB826.7 million for the six months ended June 30, 2023 to RMB747.3 million for the six months ended June 30, 2024 for the following reasons.

- *Tutoring services.* Our cost of revenue related to tutoring services decreased by 11.6% from RMB656.5 million for the six months ended June 30, 2023 to RMB580.2 million for the six months ended June 30, 2024, primarily due to the decrease in employee benefit expenses as we improved our tutoring efficiency with AI and other online technologies and reduced bonuses in connection with our teaching staff.
- *Sales of books.* Our cost of revenue related to sales of books decreased by 1.8% from RMB170.1 million for the six months ended June 30, 2023 to RMB167.1 million for the six months ended June 30, 2024, in line with the decrease in revenue generated from sales of books.

Gross profit and gross profit margin

Our gross profit increased by 3.2% from RMB855.7 million for the six months ended June 30, 2023 to RMB883.2 million for the six months ended June 30, 2024, and the corresponding gross profit margin increased from 50.9% to 54.2%. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	Six months ended June 30,			
	2024		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>%</u>
	(Unaudited)		(Unaudited)	
Tutoring services	798,623	57.9	766,468	53.9
Sales of books	84,580	33.6	89,212	34.4
Total	883,203	54.2	855,680	50.9

- *Tutoring services.* Our gross profit margin for tutoring services increased from 53.9% for the six months ended June 30, 2023 to 57.9% for the six months ended June 30, 2024, primarily due to (1) the decrease in employee benefit expenses and (2) the enhancement in our operating efficiency.
- *Sales of books.* Our gross profit margin for sales of books remained relatively stable at 34.4% and 33.6% for the six months ended June 30, 2023 and 2024, respectively.

Administrative expenses

Our administrative expenses decreased by 38.3% from RMB319.8 million for the six months ended June 30, 2023 to RMB197.5 million for the six months ended June 30, 2024, primarily due to the decrease in share-based payments for our administrative personnel.

Selling and marketing expenses

Our selling and marketing expenses increased by 5.3% from RMB304.3 million for the six months ended June 30, 2023 to RMB320.3 million for the six months ended June 30, 2024, primarily because we strategically increased our marketing expenses in line with our long-term business development strategy.

Research and development expenses

Our research and development expenses decreased by 24.4% from RMB143.1 million for the six months ended June 30, 2023 to RMB108.2 million for the six months ended June 30, 2024, primarily due to the decrease in share-based payments for our research and development personnel.

Net impairment losses on financial assets

Our net impairment losses on financial assets increased by 81.9% from RMB1.0 million for the six months ended June 30, 2023 to RMB1.8 million for the six months ended June 30, 2024, primarily due to the increase in impairment provisions on prepayments and other receivables.

Other income

Our other income increased by 46.0% from RMB9.3 million for the six months ended June 30, 2023 to RMB13.6 million for the six months ended June 30, 2024, primarily due to (1) the increase in interest income of other financial assets at amortised cost and (2) the increase in government grants.

Other gains/(losses), net

We recorded other gains, net of RMB1.4 million for the six months ended June 30, 2024, as compared to other losses, net of RMB26.5 million for the six months ended June 30, 2023, primarily due to the decrease in net foreign exchange losses.

Finance income, net

Our finance income, net increased by 65.9% from RMB10.2 million for the six months ended June 30, 2023 to RMB17.0 million for the six months ended June 30, 2024, primarily due to (1) the increase in term deposits with an initial term of over three months and (2) the decrease in foreign exchange losses as a result of adjustments in our capital management structure.

Profit before income tax

As a result of the foregoing, we recorded profit before income tax of RMB287.3 million for the six months ended June 30, 2024.

Income tax credit/(expense)

We recorded income tax expense of RMB9.6 million for the six months ended June 30, 2024, as compared to income tax credit of RMB5.8 million for the six months ended June 30, 2023, primarily due to the recognition of deferred tax assets for eligible losses we carried forward against future taxable income on June 30, 2023, which were not materially updated on June 30, 2024.

Profit for the period

As a result of the foregoing, we recorded net profit of RMB277.7 million for the six months ended June 30, 2024, representing net profit margin of 17.0%.

Non-IFRS measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with IFRS. We define adjusted net profit (non-IFRS measure) as profit for the period adjusted by share-based payments and fair value losses on financial liabilities at fair value through profit or loss. Share-based payments arise from granting options and restricted share units 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. 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 certain non-cash or non-recurring items that our management does not consider indicative of our operating performance.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	277,739	81,476
<i>Add:</i>		
Share-based payments	71,358	201,711
Fair value losses of financial liabilities at fair value through profit or loss	—	4,853
Adjusted net profit (non-IFRS measure)	349,097	288,040

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 RMB38.9 million as of December 31, 2023 to RMB57.3 million as of June 30, 2024, primarily due to the increase in the 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 RMB149.5 million as of December 31, 2023 to RMB212.2 million as of June 30, 2024, primarily due to the increase in the sales volume of our prepaid courses for the upcoming exam season, with course fees not yet recognized as revenue. The majority of contract liabilities were expected to be recognized within one year.

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 RMB227.1 million as of December 31, 2023 to RMB188.8 million as of June 30, 2024, primarily because (1) 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 and (2) we made refunds in the six months ended June 30, 2024 following the results announcement of civil servants examinations.

Liquidity and capital resources

For the six months ended June 30, 2024, 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 decreased from RMB1,048.6 million as of December 31, 2023 to RMB889.5 million as of June 30, 2024, primarily due to the increases in term deposits with an initial term of over three months, which are classified as non-current assets.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of bank deposits on demand. Our cash and cash equivalents remained relatively stable at RMB671.5 million and RMB689.4 million as of December 31, 2023 and June 30, 2024, respectively.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	234,690	375,247
Net cash generated from/ (used in) investing activities	157,223	(228,329)
Net cash (used in)/generated from financing activities	(378,316)	78,429
Net increase in cash and cash equivalents	13,597	225,347
Cash and cash equivalents at beginning of the period	671,530	1,047,402
Exchange difference	4,317	62,580
Cash and cash equivalents at the end of the period	<u>689,444</u>	<u>1,335,329</u>

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 RMB33.3 million and RMB2.1 million for the six months ended June 30, 2023 and 2024, respectively.

In addition, for the six months ended June 30, 2024, we recorded exchange differences on translation of RMB8.6 million as other comprehensive income, as compared to RMB65.8 million for the six months ended June 30, 2023, 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

For the six months ended June 30, 2024, our total capital expenditure amounted to RMB6.1 million, as compared to RMB9.8 million for the six months ended June 30, 2023, which primarily consisted of purchases of property, plant and equipment. We funded our capital expenditure requirements primarily through cash generated from our operating activities for the six months ended June 30, 2024.

Capital commitments

As of June 30, 2024, we did not have any significant capital commitments (December 31, 2023: nil).

Contingent liabilities

As of June 30, 2024, 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

For the six months ended June 30, 2024, 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 June 30, 2024, we had no charges on our assets (December 31, 2023: nil).

Borrowings and gearing ratio

As of June 30, 2024, we did not have any outstanding bank loans or other borrowings. Accordingly, the gearing ratio as of June 30, 2024 (as calculated by total interest-bearing bank borrowings divided by total equity as of the period end) was not applicable (December 31, 2023: N/A).

Key financial indicators

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

	As of/for the six months ended June 30,	
	2024	2023
Profitability ratios		
Gross profit margin ⁽¹⁾	54.2%	50.9%
Net profit margin ⁽²⁾	17.0%	4.8%
Adjusted net profit margin (non-IFRS measure) ⁽³⁾	21.4%	17.1%
Liquidity ratios		
Current ratio ⁽⁴⁾	2.3	2.3
Quick ratio ⁽⁵⁾	2.2	2.2

- (1) The calculation of gross profit margin is based on gross profit divided by revenue for the period indicated and multiplied by 100.0%.
- (2) The calculation of net profit margin is based on net profit divided by revenue for the period indicated and multiplied by 100.0%.
- (3) The calculation of adjusted net profit margin, a non-IFRS measure, is based on adjusted net profit divided by revenue for the period indicated and multiplied by 100.0%.
- (4) The calculation of current ratio is based on current assets divided by current liabilities as of the period end.
- (5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of the period 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 of the Company (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:

	Net Proceeds from the Global Offering as of the Listing Date <i>Amount</i> <i>HK\$ in million</i>	Unutilized Net Proceeds as of January 1, 2024 <i>Amount</i> <i>HK\$ in million</i>	Utilized Net Proceeds during the Reporting Period <i>Amount</i> <i>HK\$ in million</i>	Unutilized Net Proceeds as of June 30, 2024 <i>Amount</i> <i>HK\$ in million</i>
Enriching our course offerings and expanding our student base	58.9	55.9	4.1	51.8
Enhancing our content and technological development capabilities (group-wide for both online and classroom-based services)	32.2	15.3	15.3	—
Conducting marketing campaigns primarily for our newly developed courses (group-wide for both online and classroom-based services)	13.6	13.6	—	13.6
Working capital and other general corporate purposes (group-wide for both online and classroom-based services)	8.5	4.2	—	4.2
	<u>113.2</u>	<u>89.0</u>	<u>19.4</u>	<u>69.6</u>
Total	<u>113.2</u>	<u>89.0</u>	<u>19.4</u>	<u>69.6</u>

Employees

As of June 30, 2024, the Group had 7,564 full-time employees, as compared to 7,325 full-time employees as of December 31, 2023. For the six months ended June 30, 2024, the Group incurred total staff costs (including Directors' emoluments) of RMB678.4 million, which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfare including share-based payments.

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

During the six months ended June 30, 2024, the Company repurchased a total of 35,871,000 Shares at an aggregate consideration of approximately HK\$154.1 million on the Stock Exchange in order to reflect the Company's confidence in its long-term business prospects and to enhance the value of the Shares, thereby improving the return to shareholders of the Company. The details of the repurchase of such Shares are set out as follows:

Month of repurchase	Number of Shares repurchased	Maximum price paid per Share (HK\$)	Minimum price paid per Share (HK\$)	Total consideration (HK\$'000)
May 2024	3,634,500	4.28	4.13	15,372
June 2024	<u>32,236,500</u>	4.51	4.11	<u>138,743</u>
Total	<u><u>35,871,000</u></u>			<u><u>154,115</u></u>

35,871,000 Shares repurchased during the six months ended June 30, 2024 were cancelled as of the date of this announcement and the issued share capital of the Company was reduced by the nominal value thereof, and no Shares repurchased were held as treasury shares (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) as of June 30, 2024. As of June 30, 2024, the Company did not hold any treasury shares.

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 54,565,500 Shares at a total consideration of approximately HK\$236.5 million during the Reporting Period.

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 (including sales of treasury shares) during the Reporting Period.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Board, as of the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance practices. 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 of the Listing Rules as its own code of corporate governance.

During the Reporting Period, 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 during the Reporting Period.

Interim Dividend

The Board has resolved not to recommend payment of any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

Audit Committee and Review of Interim Financial 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 interim financial results of the Group for the six months ended June 30, 2024. The Audit Committee has also reviewed together with the management the accounting principles and policies adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group. The Audit Committee considers that the interim financial results of the Group for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PricewaterhouseCoopers, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2024 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”

Events after the Reporting Period

Save for the subsequent events disclosed in Note 18 to the consolidated financial information set forth in this announcement, there has been no other significant event since June 30, 2024 and up to the date of this announcement that is required to be disclosed by the Company.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company’s control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

PUBLICATION OF 2024 INTERIM RESULTS AND 2024 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.fenbi.com). The interim report of the Company for the six months ended June 30, 2024 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, August 23, 2024

As of 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.