The following is the text of a report set out on pages [I-1] to [I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagement 200 (the "HKSIR 200"), Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FENBI LTD., CITIGROUP GLOBAL MARKETS ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

We report on the historical financial information of Fenbi Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-69], which comprises the consolidated balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, the Company balance sheets as at December 31, 2020, 2021 and June 30, 2022 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 29 to the Historical Financial Information which states that no dividends have been paid by Fenbi Ltd. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	1,160,315	2,132,074	3,428,559	1,885,417	1,451,032
Cost of sales	5, 8	(624,073)	(1,642,142)	(2,587,692)	(1,562,874)	(761,721)
Gross profit		536,242	489,932	840,867	322,543	689,311
Administrative expenses	8	(142,424)	(484,342)	(1,119,886)	(579,719)	(264,922)
Selling and marketing expenses	8	(116,191)	(404,896)	(704,125)	(385,853)	(253,142)
Research and development expenses	8	(104,117)	(124,389)	(286,959)	(111,667)	(85,348)
Net impairment losses on financial assets and contract assets		(24)	(923)	(641)	(1,489)	(89)
Other income	6	7,823	9,776	25,005	9,900	12,160
Other gains/(losses), net	7	4,739	3,554	1,226	18,361	(67,118)
Operating profit/(loss)		186,048	(511,288)	(1,244,513)	(727,924)	30,852
Fair value losses of financial liabilities at fair value through profit or loss	26	—	—	(582,957)	(19,698)	(383,799)
Loss on settlement of financial liabilities at fair value through profit or loss	26	—	—	(212,760)	(212,760)	—
Finance income		1,153	1,357	2,304	1,317	2,508
Finance costs		(3,165)	(7,236)	(20,003)	(11,217)	(10,810)
Finance costs — net	10	(2,012)	(5,879)	(17,699)	(9,900)	(8,302)
Profit/(loss) before income tax		184,036	(517,167)	(2,057,929)	(970,282)	(361,249)
Income tax (expense)/credit	11	(29,966)	32,695	11,958	24,769	(30,521)
Profit/(loss) for the year/period		154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Profit/(loss) attributable to:						
— Owners of the Company		154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Earnings per share for profit/(loss) attributable to owners of the Company						
Basic earnings/(loss) per share	12	2.11	(6.65)	(28.08)	(12.98)	(5.38)
Diluted earnings/(loss) per share	12	2.02	(6.65)	(28.08)	(12.98)	(5.38)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) for the year/period		154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Other comprehensive income						
Items that may be reclassified to profit or loss						
Currency translation differences of the Company's subsidiaries		—	—	(122)	1	(1,614)
Items that will not be reclassified to profit or loss						
Currency translation differences of the Company		—	—	175,054	75,826	(393,660)
Other comprehensive income/(loss) for the year/period, net of tax		—	—	174,932	75,827	(395,274)
Total comprehensive income/(loss) for the year/period		154,070	(484,472)	(1,871,039)	(869,686)	(787,044)
Total comprehensive income/(loss) for the year/period attributable to:						
— Owners of the Company		154,070	(484,472)	(1,871,039)	(869,686)	(787,044)

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	*13*	19,068	133,574	231,105	164,346
Right-of-use assets	*15*	69,983	338,120	429,680	269,570
Intangible assets	*14*	770	691	882	827
Prepayment and other receivables	*18*	11,240	13,748	35,234	20,538
Deferred income tax assets	*28*	—	39,993	64,808	41,487
Total non-current assets		101,061	526,126	761,709	496,768
Current assets					
Inventories	*19*	52,636	73,849	87,197	88,732
Trade receivables	*17*	4,740	7,522	5,656	18,205
Contract assets	*5*	—	—	20,528	60,160
Prepayment and other receivables	*18*	45,493	77,147	97,127	75,885
Financial assets at fair value through profit or loss	*20*	280,181	351,639	10,139	—
Cash and cash equivalents	*21*	161,783	332,650	1,159,867	1,253,529
Total current assets		544,833	842,807	1,380,514	1,496,511
Total assets		645,894	1,368,933	2,142,223	1,993,279
Equity/deficit					
Equity/deficit attributable to owners of the Company					
Share capital	*22*	—	42	47	47
Share premium	*22*	—	2,307,991	2,648,395	2,648,395
Other reserves	*24*	61,048	(8,516,304)	(8,465,224)	(8,776,812)
Retained earnings/(accumulated losses)		116,583	(367,889)	(2,417,858)	(2,810,126)
Total equity/(deficit)		177,631	(6,576,160)	(8,234,640)	(8,938,496)
Liabilities					
Non-current liabilities					
Lease liabilities	*15*	40,577	178,563	267,904	172,296
Financial liabilities at fair value through profit or loss	*26*	—	6,390,956	8,756,164	9,614,491
Deferred income		—	—	—	1,000
Total non-current liabilities		40,577	6,569,519	9,024,068	9,787,787
Current liabilities					
Trade and other payables	*25*	76,453	312,528	313,360	167,808
Contract liabilities	*5*	109,314	156,103	169,194	157,618
Refund liabilities	*27*	196,103	757,752	680,293	685,002
Current income tax liabilities		19,333	20,439	22,164	26,782
Lease liabilities	*15*	26,456	128,752	167,784	106,778
Deferred tax liabilities	*28*	27	—	—	—
Total current liabilities		427,686	1,375,574	1,352,795	1,143,988
Total liabilities		468,263	7,945,093	10,376,863	10,931,775
Total equity/(deficit) and liabilities		645,894	1,368,933	2,142,223	1,993,279

COMPANY BALANCE SHEETS

	Notes	As at 31 December		As at 30 June
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Investments in subsidiaries		8,866,524	9,622,312	9,705,500
Total non-current assets		8,866,524	9,622,312	9,705,500
Current assets				
Cash and cash equivalents	*21*	—	16,434	16,751
Prepayment and other receivables	*18*	—	1,526,904	1,598,866
Total current assets		—	1,543,338	1,615,617
Total assets		8,866,524	11,165,650	11,321,117
Equity				
Equity attributable to owners of the Company				
Share capital	*22*	42	47	47
Share premium	*22*	2,307,991	2,648,395	2,648,395
Other reserves	*24*	167,535	555,148	244,676
Accumulated losses		—	(804,846)	(1,214,644)
Total equity		2,475,568	2,398,744	1,678,474
Liabilities				
Non-current liabilities				
Financial liabilities at fair value through profit or loss	*26*	6,390,956	8,756,164	9,614,491
Total non-current liabilities		6,390,956	8,756,164	9,614,491
Current liabilities				
Trade and other payables		—	10,742	28,152
Total current liabilities		—	10,742	28,152
Total liabilities		6,390,956	8,766,906	9,642,643
Total equity and liabilities		8,866,524	11,165,650	11,321,117

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to equity holders of the Company				
		Share capital	Share premium	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		—	—	34,727	(32,337)	2,390
Profit for the year		—	—	—	154,070	154,070
Total comprehensive income for the year		—	—	—	154,070	154,070
Transactions with owners in their capacity as owners:						
Profit appropriation to statutory surplus reserves		—	—	5,150	(5,150)	—
Employee share option plan — value of employee services	*9, 23*	—	—	21,171	—	21,171
Total transactions with owners in their capacity as owners		—	—	26,321	(5,150)	21,171
Balance at 31 December 2019		—	—	61,048	116,583	177,631

	Notes	Attributable to equity holders of the Company				
		Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		—	—	61,048	116,583	177,631
Loss for the year		—	—	—	(484,472)	(484,472)
Total comprehensive loss for the year		—	—	—	(484,472)	(484,472)
Transactions with owners in their capacity as owners:						
Reorganization related to spin off from the predecessor holding company — issuance of Series A preferred shares	*1.2.2 (iii), 22, 26*	42	2,307,991	(8,698,989)	—	(6,390,956)
Employee share option plan — value of employee services	*9, 23*	—	—	121,637	—	121,637
Total transactions with owners in their capacity as owners		42	2,307,991	(8,577,352)	—	(6,269,319)
Balance at 31 December 2020		42	2,307,991	(8,516,304)	(367,889)	(6,576,160)

	Notes	Attributable to equity holders of the Company				
		Share capital	Share premium	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		42	2,307,991	(8,516,304)	(367,889)	(6,576,160)
Loss for the year		—	—	—	(2,045,971)	(2,045,971)
Other comprehensive income		—	—	174,932	—	174,932
Total comprehensive loss for the year		—	—	174,932	(2,045,971)	(1,871,039)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	*22*	5	340,404	(340,409)	—	—
Profit appropriation to statutory surplus reserves		—	—	3,998	(3,998)	—
Employee share option plan — value of employee services	*9, 23*	—	—	325,542	—	325,542
Employee share option plan — repurchase value	*23*	—	—	(112,983)	—	(112,983)
Total transactions with owners in their capacity as owners		5	340,404	(123,852)	(3,998)	212,559
Balance at 31 December 2021		47	2,648,395	(8,465,224)	(2,417,858)	(8,234,640)

	Notes	Attributable to equity holders of the Company				
		Share capital	Share premium	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		47	2,648,395	(8,465,224)	(2,417,858)	(8,234,640)
Loss for the period		—	—	—	(391,770)	(391,770)
Other comprehensive income		—	—	(395,274)	—	(395,274)
Total comprehensive loss for the period		—	—	(395,274)	(391,770)	(787,044)
Transactions with owners in their capacity as owners:						
Profit appropriation to statutory surplus reserves		—	—	498	(498)	—
Employee share option plan value of employee services	*9,23*	—	—	83,188	—	83,188
Total transactions with owners in their capacity as owners		—	—	83,686	(498)	83,188
Balance at 30 June 2022		47	2,648,395	(8,776,812)	(2,810,126)	(8,938,496)

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		42	2,307,991	(8,516,304)	(367,889)	(6,576,160)
Loss for the period		—	—	—	(945,513)	(945,513)
Other comprehensive income		—	—	75,827	—	75,827
Total comprehensive loss for the period		—	—	75,827	(945,513)	(869,686)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	*22*	5	340,404	(340,409)	—	—
Profit appropriation to statutory surplus reserves		—	—	427	(427)	—
Employee share option plan — value of employee services	*9, 23*	—	—	89,000	—	89,000
Employee share option plan — repurchase value	*23*	—	—	(103,919)	—	(103,919)
Total transactions with owners in their capacity as owners		5	340,404	(354,901)	(427)	(14,919)
Balance at 30 June 2021 (Unaudited)		47	2,648,395	(8,795,378)	(1,313,829)	(7,460,765)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	30	448,614	458,550	(882,646)	(271,782)	63,491
Interest paid		(1,418)	(7,236)	(20,003)	(11,217)	(7,744)
Interest received		870	1,074	2,229	1,317	2,508
Income tax (paid)/received		(13,967)	6,737	(14,709)	(4,845)	(878)
Net cash generated from/(used in) operating activities		434,099	459,125	(915,129)	(286,527)	57,377
Cash flows from investing activities						
Payment for acquisition of subsidiary, net of cash acquired		—	(700)	—	—	—
Purchase of property, plant and equipment		(13,147)	(135,571)	(219,003)	(183,272)	(20,505)
Proceeds from government related to purchase property, plant and equipment		—	—	—	—	1,000
Purchase of intangible assets	14	(664)	—	(289)	(266)	—
Purchase of financial assets at fair value through profit or loss	3	(745,640)	(1,072,010)	(3,691,338)	(2,724,044)	(1,489,960)
Redemption of financial assets at fair value through profit or loss	3	470,280	1,010,329	4,052,345	2,393,493	1,505,159
Proceeds from sale of property, plant and equipment		4	692	14,801	2,375	27,687
Repayment of loans by third parties		—	5,000	—	—	—
Repayment of loans by related parties	33(e)	—	4,000	—	—	—
Interest received from third parties		283	283	—	—	—
Net cash in for the settlement of derivatives		—	—	—	—	2,059
Net cash (used in)/generated from investing activities		(288,884)	(187,977)	156,516	(511,714)	25,440
Cash flows from financing activities						
Proceeds from bank borrowing		—	—	—	—	54,530
Repayments of bank borrowing		—	—	—	—	(54,530)
Payments for **[REDACTED]** expenses		—	—	(764)	—	(877)
Repayments of borrowing from the related party	33(d)	(68,550)	—	—	—	—
Payment for redemption of certain preferred shares	26	—	—	(754,310)	(754,310)	—
Principal elements of lease payments	30(b)	(22,176)	(100,281)	(157,904)	(101,522)	(49,018)
Proceeds from issuance of preferred shares	26	—	—	2,525,415	2,525,415	—
Net cash (used in)/generated from financing activities		(90,726)	(100,281)	1,612,437	1,669,583	(49,895)
Net increase in cash and cash equivalents		54,489	170,867	853,824	871,342	32,922
Cash and cash equivalents, at the beginning of the year/period		109,041	161,783	332,650	332,650	1,159,867
Exchange difference		(1,747)	—	(26,607)	(6,235)	60,740
Cash and cash equivalents at the end of the year/period	21	161,783	332,650	1,159,867	1,197,757	1,253,529

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Fenbi Ltd. (the "Company") was incorporated in the Cayman Islands on 14 December 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. During the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2022, 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 "**[REDACTED]** Business").

1.2 Reorganization

1.2.1 History of the Group

Prior to the incorporation of the Company and completion of the Group reorganization as described in Note 1.2.2 (the "Reorganization"), the **[REDACTED]** Business was carried out through Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司, "Beijing Fenbi Bluesky"), a limited liability company established in the PRC in February 2015, and its subsidiaries (collectively, the "Operating Entities"). Mr. ZHANG Xiaolong (張小龍) and Mr. WEI Liang (魏亮) started the **[REDACTED]** Business in February 2015 and has served as chief executive officer and chief technology officer of the **[REDACTED]** Business respectively since then.

Prior to the completion of the Reorganization, 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 among Chalk Ltd and its subsidiary, Chalk HK Limited, Beijing Fenbi Zhiwuya Technology Co., Ltd. (北京粉筆知無涯科技有限公司, "Beijing Fenbi Zhiwuya" or "YUAN Inc WFOE"), Beijing Fenbi Bluesky and its subsidiaries and the then registered shareholders of Beijing Fenbi Bluesky (referred as the "YUAN Inc VIE Arrangement"). Mr. LI Yong (李勇) and Mr. LI Xin (李鑫), who are the shareholders and directors of YUAN Inc have served as directors of Chalk Ltd representing the interests of YUAN Inc in the **[REDACTED]** Business.

On 6 September 2021, Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin (collectively, the "Concert Parties") entered into a concert party agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company since 31 December 2020. The Concert Parties, who directly as well as through their respective controlled intermediary entities, namely Chalk Sky Ltd, Chalk World Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P., collectively held approximately 35.33 % of the total issued share capital of the Company as of 30 June 2022. The Concert Parties have served as directors in the Board of the Company (the "Board").

1.2.2 Reorganization

In order for the spin-off of the Operating Entities from YUAN Inc and its subsidiaries and transfer the **[REDACTED]** Business to the Company and in preparation for the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization, pursuant to which the beneficial interests of the companies engaged in the **[REDACTED]** Business were transferred to the Company. Details of the Reorganization are set out below:

(i) Prior to the Reorganization, Beijing Fenbi Bluesky was controlled by Chalk Ltd through a series of contractual agreements among Beijing Fenbi Bluesky, YUAN Inc WFOE and certain then current registered shareholders.

On 26 November 2020, a registered shareholder of Beijing Fenbi Bluesky, Beijing Yuanli Education Technology Co., Ltd., transferred all its 80% equity interest in Beijing Fenbi Bluesky to Mr. LI Yong, Mr. LI Xin and another employee of YUAN Inc, respectively, who have served as new registered shareholders of Beijing Fenbi Bluesky since then.

Accordingly, on the same date, a set of transitional contractual agreements ("YUAN Inc Transitional VIE Arrangement") with substantially the same terms as the YUAN Inc VIE Arrangement were entered into by and among Chalk Ltd, Chalk HK Limited, Beijing Fenbi Zhiwuya, Beijing Fenbi Bluesky and its subsidiaries and then existing registered shareholders, in order to reflect such changes in registered shareholders of Beijing Fenbi Bluesky and replace the predecessor YUAN Inc VIE Arrangement.

(ii) On 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each, among which, 477,534,400 ordinary shares were designated as Class A ordinary shares and 22,465,600 ordinary shares were designated as Class B ordinary shares.

(iii) As the consideration of the spin-off of the Group from YUAN Inc, the Company completed the below share issuance of Class A ordinary shares, Class B ordinary shares and Series A preferred shares of the Company to the respective shareholders of YUAN Inc or their designated representatives on a pro rata basis to reflect and mirror the beneficial ownership of the shareholders of YUAN Inc in the **[REDACTED]** Business.

On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of: (i) 2,628,000 Class A ordinary shares with a par value of USD0.0001 each, and (ii) 113,252,200 Series A preferred shares with a par value of USD0.0001 each. On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each.

(iv) On 31 December 2020, in anticipation of the establishment of new corporate structure of the Group, the YUAN Inc Transitional VIE Arrangement was terminated. As a transitional arrangement and part of the Reorganization, on the same date, a confirmation agreement (the "Confirmation Agreement") was entered into by and among the Company, Beijing Fenbi Bluesky and its then current registered shareholders. Pursuant to the Confirmation Agreement, the Company was entitled to control the operation and management of Beijing Fenbi Bluesky and its subsidiaries until the new contractual arrangements were established on 31 July 2021 as described (vii) below.

(v) On 15 January 2021, Fenbi Education Technology (HK) Limited was incorporated under the laws of Hong Kong with limited liability as a wholly owned subsidiary of the Company.

(vi) On 9 April 2021 and 22 July 2021, Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司, "Fenbi ShangAn") and Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司, "Fenbi ChuXin") were established under the laws of the PRC, respectively, as the new wholly foreign owned entities (the "New WFOE") of the Group.

(vii) On 31 July 2021, after the completion of the establishment of New WFOE of the Company, a series of new contractual arrangements for the business of the Group was entered into among and by, among others, New WFOE, Operating Entities and the respective registered shareholders. The Confirmation Agreement then became invalid upon signing the series of new contractual arrangements.

Pursuant to the series of new contractual arrangements, New WFOE is able to: exercise effective financial and operational control over Operating Entities; exercise equity holders' voting rights of Operating Entities; receive substantially all of the economic interest returns generated by the Operating Entities in consideration for the business support, technical and consulting services provided by New WFOE; obtain an irrevocable and exclusive right to purchase all of equity interests in Operating Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. New WFOE may exercise such options at any time until it has acquired all of equity interests in and/or all assets of the Operating Entities permitted under the PRC laws and regulations. In addition, Operating Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of New WFOE; and obtain a pledge overall of equity interest of Operating Entities from their equity holders to secure performance of the obligations of Operating Entities under the contractual arrangements.

Upon completion of the above Reorganization, the Company became the holding company of the companies now comprising the Group.

(viii) For the purpose to ensure the narrowly tailored requirements of the Stock Exchange in relation with the contractual arrangement, the Group processed internal restructuring activities of certain onshore companies within the Group. On 30 November 2021, 2% equity interests in Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司, "Beijing Fenbi Tianxia Culture") and Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司, "Beijing Fenbi Tianxia Education") were transferred and immediately after which, each of Beijing Fenbi Tianxia Culture and Beijing Fenbi Tianxia Education was owned as to 98% by Beijing Fenbi Bluesky and as to 2% by an individual shareholder. On 31 December 2021, Fenbi ChuXin entered into agreements to acquire 100% equity interest in Beijing Fenbi Tianxia Culture and Beijing Fenbi Tianxia Education from Beijing Fenbi Bluesky and the individual shareholder.

As at the date of this report, the Company has direct or indirect interests in the following companies:

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held as at					Principal activities	Notes
			As at 31 December			As at 30 June	As at the date of this report		
			2019	2020	2021	2022			
Directly held by the Company									
Fenbi Education Technology (HK) Limited.	Hong Kong/ 15 January 2021/ Limited liability company	HKD 1	—	—	100%	100%	100%	Holding Company	Note a
Indirectly held by the Company									
Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司).	PRC Mainland China/ 25 February 2015/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	Provision of education and training services	Note b
Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司, "Beijing Fenbi Tianxia Culture").	PRC Mainland China/ 25 March 2016/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	Sales of books	Note b
Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司, "Beijing Fenbi Tianxia Education")	PRC Mainland China/ 15 November 2016/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	Provision of education and training services	Note b
Kunming Wuhua District Bilan Education Training School Co., Ltd. (昆明市五華區筆藍教育培訓學校有限公司)	PRC Mainland China/ 27 November 2020/ Limited liability company	RMB500,000	—	100%	—	—	—	Provision of education and training services	Note a
Nanjing Youxue Culture Media Co., Ltd. (南京優學文化傳媒有限公司) .	PRC Mainland China/ 5 June 2018/ Limited liability company	RMB1,000,000	100%	100%	100%	—	—	Provision of education and training services	Note a
Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司).	PRC Mainland China/ 27 October 2020/ Limited liability company	RMB10,000,000	—	100%	100%	100%	100%	Manufacturing books	Note c
Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司)	PRC Mainland China/ 15 June 2005/ Limited liability company	RMB2,000,000	100%	100%	100%	100%	100%	Sales of books	Note c
Zhejiang Huacai Fenbi Education Technology Co., Ltd. (浙江華才粉筆教育科技有限公司).	PRC Mainland China/ 17 December 2018/ Limited liability company	RMB5,000,000	100%	100%	100%	100%	100%	Provision of education and training services	Note a
Jiangsu Fenbi Training Center Co., Ltd. (江蘇粉筆培訓中心有限公司) .	PRC Mainland China/ 15 April 2021/ Limited liability company	RMB10,000,000	—	—	100%	100%	100%	Provision of education and training services	Note c

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held as at					Principal activities	Notes
			As at 31 December			As at 30 June	As at the date of this report		
			2019	2020	2021	2022			
Sichuan Yinmei world Technology Co., Ltd. (四川印美天下科技有限公司)	PRC Mainland China/ 9 August 2021/ Limited liability company	RMB5,000,000	—	—	100%	—	—	Provision of education and training services	Note a
Qingdao West Coast New Area Fenbi Tianxia Culture Training School Co., Ltd. (青島西海岸新區粉筆天下文化培訓學校有限公司)	PRC Mainland China/ 4 January 2021/ Limited liability company	RMB400,000	—	—	100%	—	—	Provision of education and training services	Note a
Chongqing Fenyou Bixing Education Technology Co., Ltd. (重慶粉優筆行教育科技有限公司)	PRC Mainland China/ 21 January 2021/ Limited liability company	RMB5,000,000	—	—	100%	100%	100%	Provision of education and training services	Note c
Shanghai Bizhuo Technology Co., Ltd. ("上海筆灼科技有限公司")	PRC Mainland China/ 10 June 2021/ Limited liability company	RMB1,000,000	—	—	100%	100%	100%	Provision of technical services	Note a
Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)	PRC Mainland China/ 23 March 2021/ Limited liability company	RMB500,000	—	—	100%	100%	100%	Provision of education and training services	Note a
Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司, "Fenbi ShangAn")	PRC Mainland China/ 9 April 2021/ Limited liability company	USD 10,000,000	—	—	100%	100%	100%	Provision of education and training services	Note a
Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司, "Fenbi ChuXin")	PRC Mainland China/ 22 July 2021/Limited liability company	USD 10,000,000	—	—	100%	100%	100%	Provision of education and training services	Note a
Diqing Bilan Education Training Co., Ltd. (迪慶筆藍教育培訓有限公司)	PRC Mainland China/ 24 August 2021/ Limited liability company	RMB500,000	—	—	100%	100%	100%	Provision of education and training services	Note a
Tianjin Fenshu Bimeng Training School Co., Ltd.(天津粉書筆夢培訓學校有限公司)	PRC Mainland China/ 23 July 2021/ Limited liability company	RMB5,000,000	—	—	100%	—	—	Provision of education and training services	Note a
Anhui Fenbi Tianxia Training School Co., Ltd. (安徽粉筆天下培訓學校有限公司)	PRC Mainland China/ 18 March 2021/ Limited liability company	RMB5,000,000	—	—	100%	100%	100%	Provision of education and training services	Note c
Beijing Fenbi Planet Technology Co., Ltd. (北京粉筆星球科技有限公司)	PRC Mainland China/ 15 June 2022/ Limited liability company	RMB10,000,000	—	—	—	100%	100%	Provision of education and training services	Note a

Note a: No audited financial statements have been prepared for these companies as they are not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

Note b: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises were audited by Beijing Dongshen Dingli Accounting Firm Co,. Ltd (北京東審鼎立國際會計師事務所有限責任公司) for the year ended 31 December 2019, Beijing Yongkun Accounting Firm (General Partnership) (北京永坤會計師事務所(普通合夥)) for the year ended 31 December 2020 and Beijing Zhongyongyan Certified Public Accountants (General Partnership) (北京中永焱會計師事務所(普通合夥)) for the year ended 31 December 2021.

Note c: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises were audited by Beijing Zhongyongyan Certified Public Accountants (General Partnership) (北京中永焱會計師事務所(普通合夥)) for the year ended 31 December 2021.

* The English name of certain subsidiaries referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the **[REDACTED]** Business has been conducted by the Operating Entities. Pursuant to the Reorganization, the **[REDACTED]** Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the **[REDACTED]** Business with no change in management of such business and the ultimate owners of the **[REDACTED]** Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business and, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis and is presented using the carrying values of the **[REDACTED]** Business under the Operating Entities for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with IFRS

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value though profit or loss and financial liabilities at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, including IFRS 16 Leases ("IFRS 16") which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group throughout the Track Record Period.

(b) Going concern

As at 30 June 2022, the Group's current assets exceeded its current liabilities by RMB352,523,000 and the Group had cash and cash equivalents of RMB1,253,529,000. For the six months ended 30 June 2022, loss for the period was RMB391,770,000, primarily due to the significant fair value losses of financial liabilities at fair value through profit or loss of RMB383,799,000. During the six months ended 30 June 2022, the net cash generated from operating activities was RMB57,377,000.

As at 30 June 2022, the Group had net liabilities of RMB8,938,496,000. Total liabilities of RMB10,931,775 mainly consisted of refund liabilities of RMB685,002,000 which were included in current liabilities and financial liabilities at fair value through profit or loss of RMB9,614,491,000 relating to convertible preferred shares which were included in non-current liabilities because the settlement were not required within the next twelve months from 30 June 2022.

Taking into considerations of the financial resources (i.e. cash and cash equivalents amounting to RMB1,253,529,000) presently available to the Group and the working capital forecast covering a period of not less than twelve months from 30 June 2022, the Group will have sufficient funds to fulfill its financial obligations for the next twelve months from 30 June 2022.

Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

2.1.1 Changes in accounting policy and disclosures

(a) New standards and interpretations have not yet been adopted

Certain new accounting standards and interpretations have been published and are not effective for financial year beginning on 1 January 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	NA

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. Management expects that "IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'", after its adoption on 1 January 2023, may cause a reclassification of "convertible preferred shares" from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time. Except for this, no significant impact on the finance performance and positions of the Group is expected when they become effective.

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.2(b)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in Historical Financial Information.

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,

- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

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.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currencies of the subsidiaries in mainland of the PRC is Renminbi ("RMB"), while the Company's functional currency is US Dollar ("USD"). As the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information is presented in RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to consolidated statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

• Electronic Equipment	2–5 years
• Machinery	3–10 years
• Motor Vehicles	4 years
• Furniture, fittings and equipment	2–5 years
• Leasehold Improvement	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

Intangible assets represent the computer software.

All the acquired intangible assets except goodwill are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use all the intangible assets. The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Software	10 years

Research and development costs

Research expenditure that do not meet the criteria below are recognised as an expense as incurred. Development expenditure are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2.8 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

Inventories comprise raw materials, work in progress- outsourced and finished goods.

Raw materials and work in progress- outsourced and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 1 year and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Convertible preferred shares

The Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income.

The convertible preferred shares are classified as non-current liabilities if the convertible preferred shares holders cannot demand the Company to redeem the convertible preferred shares for at least 12 months after the end of the reporting period.

2.18 Current and deferred income tax

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.

2.19 Employee benefits

Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

Pension obligations

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

Housing funds

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan (the "ESOP") adopted by the Company.

Employee Share Option

The fair value of options granted under the ESOP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions

— excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognized in profit or loss for the period. Equity-settled transactions are not remeasured after the grant date.

Share-based payment transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancellations

The Group may modify the terms and conditions on which the employee share option plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the employee share option plan, that is cancelled or settled during the vesting year, is treated as an acceleration of vesting. The Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 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 recognize a refund liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (i.e., amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) will be updated at the end of each reporting period for changes in circumstances.

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

(a) Providing services

The services that the Group provide to the customers via different platform can be classified as classroom-based tutoring services and online tutoring services. Revenue related to online tutoring services includes tutoring courses and other online learning products (i.e., membership package and challenge exercise). The tutoring courses service via online or classroom-based platforms could also be classified as the non-contractual class and contractual classes based on different refund policies.

Fees are generally received in advance prior to the beginning of certain courses. The Group recognised as revenue at the minimum amount of variable consideration in the transaction price if there is the amount that is not constrained ("The minimum amount"). The minimum amount is recognised proportionately over the relevant period in which the services are rendered.

As for constraint on the amount of variable consideration, the Group will recognise some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Sales of books

Revenue from sales of books is recognised when or as the control of the products is transferred to a customer. Control of the products is transferred to the customers, when an agreement has been signed with a customer and the required documents have been delivered.

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees

- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. There are no low-value assets during the Track Record Periods.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 6). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Track Record Periods profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk — foreign exchange	Recognised financial assets and liabilities not denominated in RMB	Sensitivity analysis
Market risk — interest rate	Interest income/costs from cash and cash equivalents and borrowing as a result of changes in interest rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, contract assets, trade receivables, and prepayment and other receivables	Credit ratings
Liquidity risk	Trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss	Maturity analysis
Price risk	Financial assets at fair value through profit or loss	Sensitivity analysis

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently has not used any derivative financial instruments to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland of the PRC is RMB, while the functional currency of the Company and subsidiaries outside mainland of the PRC is USD. Foreign exchange risk arises from the fluctuation in exchange where the Group's monetary assets are denominated in currency other than functional currency.

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits in foreign currencies during the year. The Group also entered into foreign currency forward contracts, cross currency swap contracts and foreign currency option contracts (the "**Foreign Currency Contracts**") to hedge certain risk exposures. These Foreign Currency Contracts are related to manage its exposure to fluctuation in foreign exchange rates. No hedge accounting is applied on the Foreign Currency Contracts. These contracts are accounted for as held for trading with gains/ (losses) recognised in profit or loss.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the carrying amounts of the Group's monetary assets that are denominated in currency other than functional currency of the respective group entities are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
RMB (functional currency—USD)	—	—	702,093	272,295

Impact on post tax profit

As shown in the table above, the Group is primarily exposed to changes in USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Impact on post tax profit				
USD/RMB exchange rate — weaken 5%	(65)	—	(463)	(1,762)
USD/RMB exchange rate — strengthen 5%	65	—	463	1,762

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rate.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, if the interest rates of cash and cash equivalents had been increased/decreased by 50 basis points with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Year/period ended				
Net profit decrease/(increase)				
— increase in interest rate	607	1,247	4,350	4,701
— decrease in interest rate	(607)	(1,247)	(4,350)	(4,701)

(iii) Price risk

The Group is exposed to price risk in respect of financial assets held by the Group which are carried at fair value with changes in the fair value recognized in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of investments held by the Group please refer to Note 20.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contract assets, trade receivables, other receivables and lease receivables.

(i) Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

Credit risk is managed on a group basis. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents and trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade receivables and other receivables have no collateral.

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- contract assets

- trade receivables
- other receivables
- lease receivables

Cash and cash equivalents

As at 1 January 2019, 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's cash and cash equivalents were held in state-owned financial institutions, local banks or financial institutions. Management does not expect any losses from non-performance by these counterparties.

Lease receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for lease receivables. The carrying amount and the expected credit loss on lease receivables are insignificant to the Group.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables mainly represents the trade receivables from customers for providing vocational education and training services and selling books. The loss allowance for trade receivables at amortised cost was not material during the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected credit loss rate for the provision matrix is for trade receivables which are mainly related to our vocational education and training services and books selling services. As there is no significant change in the business operation of these services, actual loss rates for trade receivables, customer profile and the adjustments for forward-looking macroeconomic data during the Track Record Periods, the change in the expected credit loss rates for the provision matrix is insignificant throughout the Track Record Periods.

The loss allowance for trade receivables and contract assets carried at amortised cost as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconciles to the opening loss allowance as follows:

31 December 2019	**Up to 3 months**	**4 to 6 months**	**6 to 12 months**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Expected loss rate	0.06% to 3.49%	0.75% to 3.50%	—	—
Gross carrying amount — trade receivables	4,641	150	—	4,791
Gross carrying amount — contract assets	—	—	—	—
Loss allowance	48	3	—	51

31 December 2020	**Up to 3 months**	**4 to 6 months**	**6 to 12 months**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Expected loss rate	0.07% to 3.50%	4.52%	—	—
Gross carrying amount — trade receivables	7,244	463	—	7,707
Gross carrying amount — contract assets	—	—	—	—
Loss allowance	165	20	—	185

31 December 2021	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.08% to 2.44%	2.48% to 3.31%	3.33%	—
Gross carrying amount — trade receivables	4,861	837	72	5,770
Gross carrying amount — contract assets	20,682	—	—	20,682
Loss allowance	246	20	2	268

30 June 2022	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.08% to 2.41%	2.49%	2.57%	—
Gross carrying amount — trade receivables	17,248	621	582	18,451
Gross carrying amount — contract assets	60,611	—	—	60,611
Loss allowance	667	15	15	697

The loss allowances for trade receivables and contract assets as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconcile to the opening loss allowances as follows:

	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2019	34
Increase in the allowance recognised in profit or loss during the year	17
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2019 (Note 5, Note 17)	51

	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2020	51
Increase in the allowance recognised in profit or loss during the year	134
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2020 (Note 5, Note 17)	185

	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2021	185
Increase in the allowance recognised in profit or loss during the year	83
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2021 (Note 5, Note 17)	268

	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2022	268
Increase in the allowance recognised in profit or loss during the period	429
Receivables written off during the period as uncollectible	—
Closing loss allowance as at 30 June 2022 (Note 5, Note 17)	697

Other receivables

The Group applies the IFRS 9 general approach to measuring expected credit losses for all other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Periods. Other receivables at the end of each reporting period were mainly deposits from third parties. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

- actual or expected significant changes in the operating results of the counterparty.
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Receivables for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Stage 3	Interest and/or principal repayments are 180 days past due	Lifetime expected losses

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables				
At 31 December 2019				
Gross carrying amount	22,718	—	—	22,718
Loss allowance provision	(267)	—	—	(267)
At 31 December 2020				
Gross carrying amount	47,462	304	—	47,766
Loss allowance provision	(963)	(93)	—	(1,056)
At 31 December 2021				
Gross carrying amount	55,626	845	—	56,471
Loss allowance provision	(1,122)	(485)	—	(1,607)
At 30 June 2022				
Gross carrying amount	46,889	749	—	47,638
Loss allowance provision	(545)	(250)	—	(795)

The loss allowance for other receivables carried at amortised cost as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconciles to the opening loss allowance as follows:

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2019	260
Increase in the allowance recognised in profit or loss during the year	7
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2019 (Note 18)	267

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2020	267
Increase in the allowance recognised in profit or loss during the year	789
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2020 (Note 18)	1,056

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2021	1,056
Increase in the allowance recognised in profit or loss during the year	581
Receivables written off during the year as uncollectible	(30)
Closing loss allowance as at 31 December 2021 (Note 18)	1,607

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2022	1,607
Decrease in the allowance recognised in profit or loss during the year	(340)
Receivables written off during the year as uncollectible	(472)
Closing loss allowance as at 30 June 2022 (Note 18)	795

(c) Liquidity risk

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations cash flows. The Company expects to fund its future cash flow needs through internally generated cash flows from operations.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has cash and cash equivalents of RMB161,783,000, RMB332,650,000, RMB1,159,867,000 and RMB 1,300,117,000 respectively (Note 21) that are expected to generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows during the Track Record Periods.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	33,858	—	—	—	33,858
Lease liabilities	30,372	30,519	9,941	—	70,832
	64,230	30,519	9,941	—	104,690
At 31 December 2020					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	36,481	—	—	—	36,481
Lease liabilities	140,412	112,170	72,045	3,746	328,373
Financial liabilities at fair value through profit or loss	—	—	6,390,956	—	6,390,956
	176,893	112,170	6,463,001	3,746	6,755,810
At 31 December 2021					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	52,356	—	—	—	52,356
Lease liabilities	181,918	120,117	123,447	40,370	465,852
Financial liabilities at fair value through profit or loss	—	—	8,756,164	—	8,756,164
	234,274	120,117	8,879,611	40,370	9,274,372
At 30 June 2022					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	47,492	—	—	—	47,492
Lease liabilities	116,992	95,868	87,915	691	301,466
Financial liabilities at fair value through profit or loss	—	—	9,614,491	—	9,614,491
	164,484	95,868	9,702,406	691	9,963,449

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's strategy remains constant throughout the Track Record Periods.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debts.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 was as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	468,263	7,945,093	10,376,863	10,931,775
Total assets	645,894	1,368,933	2,142,223	1,993,279
The liability-to-asset ratio	72%	580%	484%	548%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss	—	—	280,181	280,181
At 31 December 2020				
Assets				
Financial assets at fair value through profit or loss	—	—	351,639	351,639
Liabilities				
Financial liabilities at fair value through profit or loss	—	—	6,390,956	6,390,956
At 31 December 2021				
Assets				
Financial assets at fair value through profit or loss	—	—	10,139	10,139
Liabilities				
Financial liabilities at fair value through profit or loss	—	—	8,756,164	8,756,164
At 30 June 2022				
Assets				
Financial assets at fair value through profit or loss	—	—	—	—
Liabilities				
Financial liabilities at fair value through profit or loss	—	—	9,614,491	9,614,491

There were no transfers between level 1, level 2 and level 3 during the year ended 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022, respectively.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022, respectively:

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2019	—	—	—
Additions	545,640	200,000	745,640
Settlements	(269,211)	(201,069)	(470,280)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	3,752	1,069	4,821
Closing balance as at 31 December 2019	280,181	—	280,181

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2020	280,181	—	280,181
Additions	1,002,010	70,000	1,072,010
Settlements	(940,133)	(70,196)	(1,010,329)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	9,581	196	9,777
Closing balance as at 31 December 2020	351,639	—	351,639

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2021	351,639	—	351,639
Additions	3,691,338	—	3,691,338
Settlements	(4,052,345)	—	(4,052,345)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	19,507	—	19,507
Closing balance as at 31 December 2021	10,139	—	10,139

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2021	351,639	—	351,639
Additions	2,724,044	—	2,724,044
Settlements	(2,393,493)	—	(2,393,493)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	15,689	—	15,689
Closing balance as at 30 June 2021 (Unaudited)	697,879	—	697,879

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2022	10,139	—	10,139
Additions	1,489,960	—	1,489,960
Settlements	(1,505,159)	—	(1,505,159)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	5,060	—	5,060
Closing balance as at 30 June 2022	—	—	—

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

The fair value measurements and movements of the financial liabilities at fair value through profit or loss are in Note 26.

(c) Valuation inputs and relationships to fair value

Financial Assets

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see above for the valuation techniques adopted):

Description	Fair value at 31 December			Fair value at 30 June	Unobservable Inputs
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management products. . . .	280,181	351,639	10,139	—	The estimated weighted average return rates of these products were 2.56% to 4.20% per annum.

The financial assets measured at fair value through profit and loss were investment in wealth management products and investment in structured deposit that usually held for several days or over one year. The increase of estimated weighted average return rates will lead to the higher fair value of the financial products. If the estimated weighted average return rates had increased/decreased by 0.5% with all other variables held constant, the profit before income tax for the year ended 31 December 2019, 2020 and 2021, and for six months ended 30 June 2021 and 2022, would have been approximately RMB24,000, RMB49,000 and RMB98,000, RMB78,000 and RMB25,000 higher/lower respectively.

Financial liabilities

The valuation techniques used to determine the fair value of our level 3 instruments are discounted cash flow method and option-pricing method (Note 26).

(d) The Group's valuation processes

For the financial assets and liabilities, including level 3 fair values, the Company's finance department performs the valuations. The finance department reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and finance department annually, in line with the Company's annual reporting dates.

Financial Assets

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

Financial Liabilities

The valuations of financial liabilities at FVTPL as of 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, performed by independent professional valuer, were adopted by the Group for financial reporting purposes, including the convertible prefer shares. The external experts report directly to the CFO.

Changes in level 3 fair values are analysed at the end of each reporting period during the valuation discussion between the CFO and external experts. As part of this discussion the external experts presents a report that explains the reason for the fair value movements.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements, together with a quantitative sensitivity analysis as at the end of each of the Track Record Periods.

	Fair value at							Relationship of significant unobservable inputs to fair value
Description	31 December 2020	31 December 2021	30 June 2022	Significant unobservable inputs	31 December 2020	31 December 2021	30 June 2022	
	RMB'000	RMB'000	RMB'000					
Convertible preferred shares .	6,390,956	8,756,164	9,614,491	Discount rate	15%	13.5%	13.0%	The higher the discount rate, the lower the fair value. 31 December 2020: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB593.7 million/686.8 million. 31 December 2021: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB752.3 million/913.4 million. 30 June 2022: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB 821.0 million/1,024.2 million.
				Discounts for lack of marketability ("DLOM")	20%	10%–20%	10%–20%	The higher the discount for lack of marketability, the lower the fair value. 31 December 2020: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB399.4 million/399.4 million. 31 December 2021: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB517.4 million/517.4 million. 30 June 2022: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB 567.9 million/567.9 million.
				Expected volatility	48.03%	49.68%–50.89%	52.29%–57.60%	The higher the expected volatility, the lower the fair value. 31 December 2020: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB52.8 million/51.6 million. 31 December 2021: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB22.4 million/20.0 million. 30 June 2022: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB 17.8 million/15.2 million.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual arrangements

The Group conducts a substantial portion of the business through the Operating Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's Operating Entities in the PRC. The Group does not have any equity interest in the Operating Entities. The Directors assessed whether or not the Group has control over the Operating Entities, has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Operating Entities as a result of the contractual agreements and accordingly the financial position and their operating results of the Operating Entities are included in the Group's consolidated financial statements throughout the Track Record Periods.

Nevertheless, the contractual agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Operating Entities. Significant judgement is involved in determining whether the Group is able to control these entities through these contractual arrangements. The Directors, based on the advice of its legal counsel, consider that the contractual agreements among the Operating Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Estimation of the refund liabilities related to tutoring courses service of the Group

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

Based on different refund policies, the tutoring courses service that the Group provide to customers can be classified as non-contractual classes and contractual classes.

In terms of non-contractual classes, under the Group's standard contract terms, customers are usually entitled to refund for the considerations received in relation with undelivered tutoring courses programs and services. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

In terms of contractual classes, depending on the contract terms specified in the contracts, customers are eligible to obtain a partial or full refund if the customers complete the tutoring courses and fail the exam and meet certain agreed refund conditions specified in the contracts. To calculate the refund liabilities, the Group estimates the refund rates based on historical records of the refund claimed by the customers. The estimated refund rates constitute a reduction of the transaction price when recognizing revenues ratably as tutoring courses programs and services are provided over the relevant period in which the services are rendered. The Group reviews and supervises the refund rates on a periodic basis. When there are no sufficient historical records for the Group's estimation on behaviour-based refunds rate, revenue will not be recognized until uncertainty associated with the variable considerations is resolved, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The estimation of the refund liabilities related to tutoring courses service may involve significant judgements related to customer behaviours and performance. New information may become available that causes the Group to change its judgement regarding the adequacy of the refund liabilities. Such changes to refund liabilities will impact revenue recognised in the period that such determination is made.

(c) Recognition of share-based compensation expenses

As disclosed in note 2.20 and 23, an equity-settled share-based compensation plan was adopted by the Group and share options under the plan were granted to the participants. The fair value of the share options is developed based on the fair value of the ordinary shares, which is derived from the equity value of the Group determined under discounted cash flow method performed by an independent valuer. The share-based compensation is to be expensed over the vesting period. Significant estimate on key assumptions, such as discount rate, risk-free interest rate and discount for lack of marketability, are made by the management in applying the valuation model.

(d) Fair value of convertible preferred shares

As disclosed in notes 2.17, 3.3 and 26, the fair values of convertible preferred shares at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of convertible preferred shares, which involved the use of significant accounting estimates and judgments.

5 SEGMENT INFORMATION

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.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the CODM have identified the following reportable segments:

- Classroom-based tutoring services: the tutoring services are offered by the Group through classroom teaching to the students who physically attend the lectures in tutoring centers and tutoring bases/campuses.
- Online tutoring services: the tutoring services are offered by the Group via online. This service includes all the tutoring courses services except for the Classroom-based tutoring courses services, and mainly represent online tutoring courses services, membership package, challenge exercise etc.
- Sales of books.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and distribution expenses, administrative expenses and research and development costs 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 loss on financial assets, other (losses)/gains, net, finance costs, 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 statements 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 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 is as follows:

	Year ended 31 December 2019			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	354,447	657,432	298,192	1,310,071
Inter-segment revenue	—	—	(149,756)	(149,756)
Revenue from external customers	354,447	657,432	148,436	1,160,315
Cost of sales	(264,302)	(261,139)	(98,632)	(624,073)
Gross profit	90,145	396,293	49,804	536,242

	Year ended 31 December 2020			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	886,500	986,232	518,181	2,390,913
Inter-segment revenue	—	—	(258,839)	(258,839)
Revenue from external customers	886,500	986,232	259,342	2,132,074
Cost of sales	(985,084)	(494,250)	(162,808)	(1,642,142)
Gross profit	(98,584)	491,982	96,534	489,932

	Year ended 31 December 2021			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,617,330	1,396,125	704,636	3,718,091
Inter-segment revenue	—	—	(289,532)	(289,532)
Revenue from external customers	1,617,330	1,396,125	415,104	3,428,559
Cost of sales	(1,622,240)	(680,476)	(284,976)	(2,587,692)
Gross profit	(4,910)	715,649	130,128	840,867

	Six months ended 30 June 2021			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
Segment revenue	1,005,464	678,809	400,182	2,084,455
Inter-segment revenue	—	—	(199,038)	(199,038)
Revenue from external customers	1,005,464	678,809	201,144	1,885,417
Cost of sales	(1,024,108)	(394,872)	(143,894)	(1,562,874)
Gross profit	(18,644)	283,937	57,250	322,543

	Six months ended 30 June 2022			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	523,534	716,831	288,750	1,529,115
Inter-segment revenue	—	—	(78,083)	(78,083)
Revenue from external customers	523,534	716,831	210,667	1,451,032
Cost of sales	(333,318)	(284,840)	(143,563)	(761,721)
Gross profit	190,216	431,991	67,104	689,311

For online tutoring services and classroom-based tutoring services, the timing of revenue recognition is over time. For sales of physical 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 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 is shown in the consolidated statements of profit or loss.

For the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022, the Group's customer base is diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues, respectively.

As of 31 December 2019, 2020 and 2021 and 30 June 2022, 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 31 December 2019, 2020 and 2021 and 30 June 2022 and the contract liabilities and contract assets will be expected to be recognised within one year:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets relating to certain program	—	—	20,682	60,611
Loss allowance	—	—	(154)	(451)
Contract assets	—	—	20,528	60,160
Contract liabilities	109,314	156,103	169,194	157,618

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year/period				
Contract liabilities	71,069	100,635	131,075	116,982

(ii) Unsatisfied contracts

The majority of contract liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 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 31 December 2019, 2020 and 2021 and 30 June 2022.

6 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants	—	564	8	—	864
Rental and sub-lease income	5,330	11	3,089	26	3,713
VAT refund and VAT reduction	2,180	8,936	21,617	9,588	6,470
Others	313	265	291	286	1,113
	7,823	9,776	25,005	9,900	12,160

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net fair value losses on derivatives (b)	—	—	—	—	(13,388)
Fair value gains on financial assets at fair value through profit or loss	4,821	9,777	19,507	15,689	5,060
Net gains/(losses) related to early termination of lease agreements and the disposal of related leasehold improvements (a)	(303)	49	(31,299)	1,865	(14,392)
Net gains/(losses) on disposal of property, plant and equipment	1	(32)	(3,660)	5	(6,781)
Donation	(575)	(6,433)	(29)	(10)	(54)
Net foreign exchange gains/(losses)	—	—	12,261	—	(43,919)
Others	795	193	4,446	812	6,356
	4,739	3,554	1,226	18,361	(67,118)

(a) The net losses of RMB31,299,000 and RMB 14,392,000 for the year ended 31 December 2021 and the six months ended 30 June 2022 were mainly related to the process of the Group starting in the fourth quarter of 2021 to close part of its local operational hubs in order to streamline its national offline network.

(b) For the six months ended 30 June 2022, the Group entered into certain Foreign Currency Contracts. As at 30 June 2022, a loss due to the settlement of the foreign exchange forward contract and foreign exchange swap contracts amounting to RMB13,388,000 was recognized.

8 EXPENSES BY NATURE

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses	9	338,376	1,173,348	2,719,223	1,411,662	771,313
Cost of course materials	19	205,214	330,501	380,139	257,029	135,079
Human resource outsourcing and other labour costs		151,818	325,834	225,575	146,745	76,615
Promotion expenses		41,853	103,882	142,813	87,479	31,928
Depreciation of right-of-use assets	15	21,565	72,426	214,389	98,418	68,035
Logistic expenses		43,651	64,675	85,278	49,370	44,056
Lease expenses	15	80,669	272,798	372,847	256,718	82,525
Classroom consumables		7,647	51,775	70,493	55,914	11,712
Meal expenses provided to students		25,062	45,301	41,084	32,043	12,728
Travel expenses		8,769	51,414	68,053	43,152	10,587
Office expenses		6,951	46,805	70,341	54,508	3,990
Depreciation of property, plant and equipment	13	5,562	18,879	78,000	39,881	31,495
Amortisation for intangible assets	14	22	79	98	44	55
Services fee for cloud storage		6,867	10,528	13,653	6,027	9,058
Property management costs		3,436	10,455	33,861	13,059	11,202
Tax and surcharge		3,991	4,728	17,635	7,640	8,053
Charges for licensed payment institutions		8,068	22,129	26,996	18,508	9,090
[REDACTED] expenses		—	—	12,518	—	20,415
Others		27,284	50,212	125,666	61,916	27,197
		986,805	2,655,769	4,698,662	2,640,113	1,365,133

9 EMPLOYEE BENEFIT EXPENSE

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonus		245,762	912,369	1,753,687	960,979	532,778
Pension costs — defined contribution plans	*(a)*	16,130	4,584	122,290	71,684	37,833
Other social security costs		25,230	93,700	200,936	115,999	68,412
Share based payment	23	21,171	121,637	415,379	172,303	83,188
Other employee welfares		30,083	41,058	226,931	90,697	49,102
Total employee benefit expenses		338,376	1,173,348	2,719,223	1,411,662	771,313

Employee benefit expenses changed in the consolidated statements of profit or loss are as follow:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	123,798	670,139	1,439,906	792,146	382,168
Administrative expenses	57,062	179,611	547,687	274,861	117,686
Selling and distribution expenses	59,721	208,378	460,022	238,588	197,706
Research and development costs	97,795	115,220	271,608	106,067	73,753
	338,376	1,173,348	2,719,223	1,411,662	771,313

(a) During the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022, there were no forfeited contributions under the Group's defined contribution plans.

Pension costs — defined contribution plans in 2020 was significantly lower, primarily due to the reduction and exemption policy of pension by the local municipal government due to COVID-19 outbreak in 2020.

(b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the Track Record Periods include nil, nil, 1, nil, nil director whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining 5, 5, 4, 5, 5 individuals during the Track Record Periods respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonus	5,094	649	5,646	1,564	3,784
Pension costs — defined contribution plans	223	8	158	102	143
Other social security costs	346	70	231	156	191
Share based payment	6,520	71,340	176,033	125,277	49,089
Other employee welfares	—	—	—	—	—
Total employee benefit expense	12,183	72,067	182,068	127,099	53,207

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Emolument bands (in HK dollar)					
HK1,000,001 to HK1,500,000	—	—	—	—	—
HK$1,500,001 — HK$2,000,000.	2	—	—	—	—
HK$2,000,001 — HK$2,500,000.	—	—	—	—	—
HK$2,500,001 — HK$3,000,000.	—	—	—	—	—
Over HK$3,000,001	3	5	4	5	5
	5	5	4	5	5

10 FINANCE COSTS, NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income:					
— Interest received	1,153	1,357	2,229	1,317	2,508
— Net foreign exchange gains	—	—	75	—	—
	1,153	1,357	2,304	1,317	2,508
Finance costs:					
— Finance cost on borrowings	—	—	—	—	(202)
— Finance cost on lease liabilities	(1,418)	(7,236)	(20,003)	(11,217)	(7,542)
— Net foreign exchange losses	(1,747)	—	—	—	(3,066)
	(3,165)	(7,236)	(20,003)	(11,217)	(10,810)
Finance costs, net	(2,012)	(5,879)	(17,699)	(9,900)	(8,302)

11 INCOME TAX EXPENSE/CREDIT

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.

(a) Income tax expense/(credit)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	29,939	7,325	12,857	3,377	7,200
Deferred income tax	27	(40,020)	(24,815)	(28,146)	23,321
Income tax expense/(credit)	29,966	(32,695)	(11,958)	(24,769)	30,521

(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 Track Record Periods.

(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% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

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% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022 according to the applicable CIT Law. Two subsidiaries of the Group in the PRC are approved as Small and Micro Enterprises, and accordingly, they were subject to a reduced preferential CIT rate of 5% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022 according to the applicable CIT Law.

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

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax		184,036	(517,167)	(2,057,929)	(970,282)	(361,249)
Tax expense calculated at applicable statutory tax rate	*(a)*	46,010	(129,291)	(314,177)	(185,489)	15,570
Preferential tax rates on income of certain subsidiaries		(17,857)	11,985	39,229	38,398	(15,005)
Expenses not deductible for taxation purposes	*(b)*	6,363	32,940	104,707	43,156	24,107
Temporary difference for which no deferred tax asset was recognised		209	888	3,394	1,976	862
Previously unrecognised tax losses now recouped to reduce current tax expense		(1,426)	—	(7)	(22)	(289)
Additional deduction of research and development expense		(8,048)	(6,111)	(11,278)	(5,536)	(6,360)
Tax losses for which no deferred tax asset was recognised		4,715	56,894	166,174	82,748	11,636
		29,966	(32,695)	(11,958)	(24,769)	30,521

(a) 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.

(b) Expenses not deductible for taxation purposes during the Track Record Period were mainly share-based compensation accrued by Employee Share Option Plan.

(c) During the year ended 31 December 2021 and period ended 30 June 2022, the Company incurred a loss of approximately RMB804,846,000 and RMB409,798,000, respectively. 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.

12 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 financial year

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit / (Loss) attributable to equity holders of the Company (RMB'000)	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Weighted average number of ordinary shares in issue (thousands) (Note a)	72,862	72,862	72,862	72,862	72,862
Basic earnings /(losses) per share (RMB Yuan)	2.11	(6.65)	(28.08)	(12.98)	(5.38)

(b) Diluted

Diluted 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 financial year

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Weighted average number of outstanding ordinary shares (thousands) (Note a)	72,862	72,862	72,862	72,862	72,862
Adjustments for:					
Weighted average number of share options (thousands)	3,542	—	—	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	76,404	72,862	72,862	72,862	72,862
Diluted earnings/(losses) per share (RMB Yuan)	2.02	(6.65)	(28.08)	(12.98)	(5.38)

Note a: When calculating the basic and diluted earnings per share, the ordinary shares of 72,862,000 shares in Note 1.2.2 (iii) was treated as if it has been in issuance since 1 January 2019.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Group incurred losses for the years ended 31 December 2020 and 2021 and for the six months ended 30 June 2021 and 2022, respectively, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for years ended 31 December 2020 and 2021 and for the six months ended 30 June 2021 and 2022 are same as basic loss per share for the respective years.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019						
Opening net book amount	—	8,381	264	1,442	1,732	11,819
Additions	—	3,513	1,527	615	7,161	12,816
Disposals	—	(5)	—	—	—	(5)
Depreciation charge	—	(3,415)	(128)	(636)	(1,383)	(5,562)
Closing net book amount	—	8,474	1,663	1,421	7,510	19,068
As at 31 December 2019						
Cost	—	16,384	1,798	2,870	16,048	37,100
Accumulated depreciation	—	(7,910)	(135)	(1,449)	(8,538)	(18,032)
Net book amount	—	8,474	1,663	1,421	7,510	19,068

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020						
Opening net book amount	—	8,474	1,663	1,421	7,510	19,068
Additions	—	52,538	11,887	9,814	59,806	134,045
Disposals	—	(4)	(656)	—	—	(660)
Depreciation charge	—	(9,227)	(1,403)	(673)	(7,576)	(18,879)
Closing net book amount	—	51,781	11,491	10,562	59,740	133,574
As at 31 December 2020						
Cost	—	68,918	12,949	12,684	75,854	170,405
Accumulated depreciation	—	(17,137)	(1,458)	(2,122)	(16,114)	(36,831)
Net book amount	—	51,781	11,491	10,562	59,740	133,574

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021						
Opening net book amount	—	51,781	11,491	10,562	59,740	133,574
Additions	60,270	40,317	20,010	16,670	83,173	220,440
Disposals	(781)	(12,568)	(3,112)	(2,000)	(26,448)	(44,909)
Depreciation charge	(3,026)	(27,686)	(6,434)	(2,758)	(38,096)	(78,000)
Closing net book amount	56,463	51,844	21,955	22,474	78,369	231,105
As at 31 December 2021						
Cost	59,463	91,648	28,963	27,156	133,387	340,617
Accumulated depreciation	(3,000)	(39,804)	(7,008)	(4,682)	(55,018)	(109,512)
Net book amount	56,463	51,844	21,955	22,474	78,369	231,105

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Six months ended 30 June 2021						
Opening net book amount	—	51,781	11,491	10,562	59,740	133,574
Additions	37,072	38,858	18,882	10,674	60,351	165,837
Disposals	—	(16)	(735)	(1,619)	—	(2,370)
Depreciation charge	(493)	(12,049)	(2,487)	(968)	(23,884)	(39,881)
Closing net book amount	36,579	78,574	27,151	18,649	96,207	257,160
As at 30 June 2021						
Cost	37,072	107,757	31,096	21,738	136,205	333,868
Accumulated depreciation	(493)	(29,183)	(3,945)	(3,089)	(39,998)	(76,708)
Net book amount	36,579	78,574	27,151	18,649	96,207	257,160

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2022							
Opening net book amount	56,463	51,844	21,955	22,474	78,369	—	231,105
Additions	394	2,337	1,887	404	3,940	10,432	19,394
Disposals	(1,987)	(21,567)	(8,004)	(2,910)	(20,190)	—	(54,658)
Depreciation charge	(2,949)	(9,304)	(3,317)	(613)	(15,312)	—	(31,495)
Closing net book amount	51,921	23,310	12,521	19,355	46,807	10,432	164,346
As at 30 June 2022							
Cost	57,721	59,377	20,192	23,947	96,120	10,432	267,789
Accumulated depreciation	(5,800)	(36,067)	(7,671)	(4,592)	(49,313)	—	(103,443)
Net book amount	51,921	23,310	12,521	19,355	46,807	10,432	164,346

(a) No property, plant and equipment of the Group were pledged as security as at 31 December 2019, 2020 and 2021 and 30 June 2022.

(b) Depreciation charges were charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	732	3,569	20,637	8,142	11,092
Administrative expenses	2,729	12,129	45,542	28,412	16,813
Selling expenses	401	1,631	9,918	2,668	2,993
Research and development expenses	1,700	1,550	1,903	659	597
	5,562	18,879	78,000	39,881	31,495

14 INTANGIBLE ASSETS

	Computer software
	RMB'000
Year ended 31 December 2019	
Opening net book amount	128
Additions	664
Amortisation	(22)
Closing net book amount as at 31 December 2019	770
At 31 December 2019	
Cost	793
Accumulated depreciation	(23)
Net book amount	770
Year ended 31 December 2020	
Opening net book amount	770
Additions	—
Amortisation	(79)
Closing net book amount as at 31 December 2020	691
At 31 December 2020	
Cost	793
Accumulated depreciation	(102)
Net book amount	691
Year ended 31 December 2021	
Opening net book amount	691
Additions	289
Amortisation	(98)
Closing net book amount as at 31 December 2021	882
At 31 December 2021	
Cost	1,082
Accumulated depreciation	(200)
Net book amount	882
Six months ended 30 June 2021 (Unaudited)	
Opening net book amount	691
Additions	266
Amortisation	(44)
Closing net book amount as at 30 June 2021	913
At 30 June 2021 (Unaudited)	
Cost	1,059
Accumulated depreciation	(146)
Net book amount	913
Six months ended 30 June 2022	
Opening net book amount	882
Additions	—
Amortisation	(55)
Closing net book amount as at 30 June 2022	827
At 30 June 2022	
Cost	1,082
Accumulated depreciation	(255)
Net book amount	827

Amortisation of the Group's intangible assets were charged in the following accounts in the consolidated statement of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	22	79	98	44	55

15 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
Buildings	69,983	338,120	429,680	269,570
Lease liabilities				
Current	(26,456)	(128,752)	(167,784)	(106,778)
Non-current	(40,577)	(178,563)	(267,904)	(172,296)
	(67,033)	(307,315)	(435,688)	(279,074)

Additions to the right-of-use assets during the year 2019, 2020, 2021 and 30 June 2022 were RMB63,690,000, RMB340,563,000, RMB460,437,000 and RMB17,210,000.

(ii) Amounts recognised in the consolidated statements of profit or loss

The consolidated statements of profit or loss includes the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets	21,565	72,426	214,389	98,418	68,035
Interest expense (included in finance cost)	1,418	7,236	20,003	11,217	7,542
Expense relating to short-term leases	80,669	272,798	372,847	256,718	82,525

The total cash outflow for short-term leases during the year 2019, 2020, 2021, 30 June 2021 and 30 June 2022 were RMB80,669,000, RMB272,798,000, RMB372,847,000, RMB256,718,000 and RMB82,525,000.

The total cash outflow for leases except for short-term leases during the year 2019, 2020, 2021, 30 June 2021 and 30 June 2022 were RMB22,176,000, RMB100,281,000, RMB157,904,000, RMB101,522,000 and RMB49,018,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, teaching bases and dormitory buildings. Rental contracts are typically made for fixed periods of 1 year to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade receivables	4,740	7,522	5,656	18,205
Prepayments and other receivables (excluding non-financial assets)	26,919	50,360	84,107	60,685
Cash and cash equivalents	161,783	332,650	1,159,867	1,253,529
Financial assets at fair value through profit or loss	280,181	351,639	10,139	—
	473,623	742,171	1,259,769	1,332,419
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables (excluding tax payable and accrued salaries and bonuses)	33,858	36,481	52,356	47,492
Lease liabilities	67,033	307,315	435,688	279,074
Financial liabilities at fair value through profit or loss	—	6,390,956	8,756,164	9,614,491
	100,891	6,734,752	9,244,208	9,941,057

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the Track Record Periods is the carrying amount of each class of financial assets mentioned above.

17 TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers	4,791	7,707	5,770	18,451
Loss allowance	(51)	(185)	(114)	(246)
	4,740	7,522	5,656	18,205

(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 60 days.

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 month	3,159	4,508	2,674	9,477
1 to 2 months	457	1,392	1,461	2,246
2 to 3 months	1,025	1,344	726	5,525
3 to 6 months	150	463	837	621
6 to 12 months	—	—	72	582
	4,791	7,707	5,770	18,451

(c) Impairment and risk exposure

The Group applies the IFRS 9 general approach to measuring expected credit losses for other receivables and 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 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022. Note 3.1(b) provides for details about the calculation of the allowance.

18 PREPAYMENTS AND OTHER RECEIVABLES

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion:				
Receivables from a subsidiary	—	—	1,526,904	1,598,866

The Group

	Note	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion:					
Prepayments for property, plant and equipment		331	1,857	420	1,531
Long-term receivables related to sub-lease income		—	—	2,663	1,262
Deposits receivable		10,909	11,891	32,214	17,774
Loss allowance		—	—	(63)	(29)
		11,240	13,748	35,234	20,538
Current portion:					
Advances to suppliers		9,196	35,653	29,146	20,844
Prepayment for taxes		13,334	378	3,955	2,251
Deposits receivable		1,969	25,788	15,686	17,957
Current portion of long-term receivables		—	—	3,357	4,626
Loan to third party	*(a)*	5,000	—	—	—
Input VAT recoverable		4,467	3,010	23,220	8,122
Amount due from related parties	*33(c)*	4,000	640	2,993	152
Others		7,794	12,734	20,314	22,699
Loss allowance		(267)	(1,056)	(1,544)	(766)
		45,493	77,147	97,127	75,885
		56,733	90,895	132,361	96,423

Note (a): The opening balance of RMB5,000,000 was unsecured with an annual interest rate of 8% and the balance was repaid in the year of 2020.

19 INVENTORIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	27,053	51,416	51,134	58,405
Raw materials	17,114	13,134	16,980	17,393
Work in progress	8,469	9,299	19,083	12,934
	52,636	73,849	87,197	88,732

The costs of individual items of inventory are determined using weighted average costs.

The cost of inventories recognized as an expense and included in cost of sales for the year ended 31 December 2019, 2020, 2021, period ended 30 June 2021 and 2022 amounted to RMB205,214,000, RMB330,501,000, RMB380,139,000, RMB257,029,000 and RMB135,079,000, respectively (Note 8).

Included in the finished goods related to consignment arrangement were RMB1,511,000, RMB3,287,000, RMB3,481,000 and RMB 1,678,000 as of 31 December 2019, 2020 and 2021 and 30 June 2022.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products (see note 3.3)	280,181	351,639	10,139	—

(i) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gains on financial assets at fair value through profit or loss (see note 7)	4,821	9,777	19,507	15,689	5,060

(ii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1. For information about the methods and assumptions used in determining fair value see note 3.3.

21 CASH AND CASH EQUIVALENTS

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
Cash at bank and in hand				
— USD	—	—	16,434	16,751
	—	—	16,434	16,751

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
Cash at bank and in hand				
— RMB	128,637	260,898	441,138	963,214
— USD	—	—	702,093	272,295
— HKD	—	—	—	1
Cash at licensed payment institutions				
— RMB	33,146	71,752	16,636	18,019
— USD	—	—	—	—
	161,783	332,650	1,159,867	1,253,529

22 SHARE CAPITAL AND SHARE PREMIUM

Company	Number of ordinary shares	Nominal value of ordinary shares
		USD'000
Authorized shares of USD 0.0001 as at 14 December 2020, 31 December 2020, 31 December 2021 and 30 June 2022	500,000,000	50

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total share capital and share premium
	(Thousands)	USD'000	RMB'000	RMB'000	RMB'000
Issued:					
Ordinary shares of USD0.0001 each					
As of 14 December 2020 (date of incorporation of the Company) (Note a)	62,321	6,232	40	2,214,602	2,214,642
Addition (Note a)	2,628	263	2	93,389	93,391
As at 31 December 2020	64,949	6,495	42	2,307,991	2,308,033
Add:					
Issue of ordinary shares (Note b)	7,913	791	5	340,404	340,409
As at 31 December 2021 and 30 June 2022	72,862	7,286	47	2,648,395	2,648,442

Note a: On 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each, among which, 477,534,400 ordinary shares were designated as Class A ordinary shares and 22,465,600 ordinary shares were designated as Class B ordinary shares.

On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of 2,628,000 Class A ordinary shares with a par value of USD0.0001 each.

Note b: On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each.

23 SHARES BASED PAYMENTS

(i) Employee Option Plan

In June 2016, the Group approved the 2016 Beijing Fenbi Bluesky Employee Stock Option Plan (the "2016 Plan") that permitted the grant of share options as equity-based awards to the employees and consultants (the "Eligible Person") with the purpose of motivating and rewarding certain employees and consultants. The 2016 Plan was valid and effective for 10 years from the approval.

Subsequently in August 2019, the 2016 Plan was superseded in its entirety by the "2019 Employee Stock Option Plan" (the "2019 Plan") of which there was no change in the detailed terms, except that the issuer of shares under the 2019 Plan changed from Beijing Fenbi Bluesky to Chalk Ltd. This change constituted a modification of the 2016 Plan without material change to the total fair value of the options as at the modification date. The purpose of 2019 Plan was the same as the 2016 Plan. The 2019 Plan was valid and effective for 10 years from the approval.

In anticipation of the **[REDACTED]** and as part of the reorganization, in December 2020, the Company adopted the **[REDACTED]** Share Option Scheme (the "**[REDACTED]** ESOP") to entirely replace the previous share incentive plans of the Group. The substantial change is that the issuer of shares under ESOP changed from Chalk Ltd to the Company and there is no other substantial change in the terms. This change constituted a modification of the ESOP and the total fair value of the options are decreased due to the reorganization and the respective valuation of ordinary shares and preferred shares, which would be accounted as an unbeneficial modification. The purpose of **[REDACTED]** ESOP is the same as previous share incentive plans. The **[REDACTED]** ESOP is valid and effective for 10 years from the approval.

Under all ESOPs 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 ESOP 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 agreements and the ESOPs:

— 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.

— 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.

Movements in the number of share options granted to participants are below:

	Number of share options
Outstanding as of 1 January 2019	3,820,000
Granted during the year	3,174,850
Outstanding as of 31 December 2019	6,994,850
— Exercisable as of 31 December 2019	5,269,147
Outstanding as of 1 January 2020	6,994,850
Granted during the year	4,361,825
Exercised during the year	(540,000)
Outstanding as of 31 December 2020	10,816,675
— Exercisable as of 31 December 2020	8,114,851
Outstanding as of 1 January 2021	10,816,675
Granted during the year	9,729,770
Forfeited during the year	(216,500)
Settled during the year (Note a)	(2,532,250)
Outstanding as of 31 December 2021	17,797,695
— Exercisable as of 31 December 2021	13,123,797
Outstanding as of 1 January, 2021	10,816,675
Granted during the period	2,661,770
Forfeited during the period	(33,500)
Settled during the period (Note a)	(2,337,500)
Outstanding as of 30 June, 2021 (Unaudited)	11,107,445
— Exercisable as of 30 June, 2021	8,245,424
Outstanding as of 1 January 2022	17,797,695
Granted during the period	781,570
Forfeited during the period	(177,913)
Outstanding as of 30 June 2022	18,401,352
— Exercisable as of 30 June 2022	14,943,543

The total expenses recognized in profit or loss in respect of the share-based compensations under the share incentive plans are RMB 21,171,000, RMB 121,637,000 ,RMB 415,379,000,RMB172,303,000 and RMB83,188,000 for the years ended 31 December 2019, 2020, 2021, and six months ended 30 June 2021 and 2022, respectively. (Note 9)

Note a: During April to July 2021, in order to retain certain core employees of the Group, the Company approved their applications to the Company to repurchase part of their vested share options, which was an aggregate of 2,532,250 options. The repurchase price is based on the fair value of the shares in the latest financing of the Company. The payment made to the holders of these share options on the repurchase has been accounted for as a deduction from equity of RMB112,983,000 and the difference between the repurchase price and the fair value of these share options as at the respective settlement date of approximately RMB89,837,000 was recognized in the profit or loss.

(ii) Fair value of share options

As the exercise price of share option is nil, the fair value of the share options is developed based on the spot price of the ordinary share. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Group. After the issuance of preferred shares by the Company, options-pricing method under equity allocation approach is also applied in the determination of respective fair values of ordinary shares and preferred shares.

Key assumptions for grant date fair value during the year are set as below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Fair value per unit (RMB)	15.22 to 26.42	28.66 to 44.93	35.65 to 52.05	35.65 to 45.50	53.49 to 55.25
Discount for lack of marketability ("DLOM")	20%	20%	10% to 20%	17.5% to 20%	10% to 20%
Discount rate (%)	17%	15% to 16%	13.5% to 14.0%	14.00%	13% to 13.5%
Risk-free rate (%)	0.36%	0.36%	0.14% to 1.12%	0.3% to 0.85%	1.35% to 3%
Expected option life (year)	10	10	10	10	10

The weighted-average remaining contract life for outstanding share options was 8.63 years, 8.52 years, 8.69 years, 8.41 years, 8.56 years as of 31 December 2019, 2020, 2021, and six months ended 30 June 2021 and 2022, respectively.

24 OTHER RESERVES

The Group

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
As at 1 January 2019	10,000	—	24,727	—	34,727
Profit appropriation to statutory surplus reserves	—	5,150	—	—	5,150
Share-based compensation (Note 9)	—	—	21,171	—	21,171
As at 31 December 2019	10,000	5,150	45,898	—	61,048
As at 1 January 2020	10,000	5,150	45,898	—	61,048
Reorganization related to spin off from the predecessor holding company	(8,698,989)	—	—	—	(8,698,989)
Share-based compensation (Note 9)	—	—	121,637	—	121,637
As at 31 December 2020	(8,688,989)	5,150	167,535	—	(8,516,304)
As at 1 January 2021	(8,688,989)	5,150	167,535	—	(8,516,304)
Profit appropriation to statutory surplus reserves	—	3,998	—	—	3,998
Reorganization related to spin off from the predecessor holding company	(340,409)	—	—	—	(340,409)
Share-based compensation (Note 9)	—	—	325,542	—	325,542
Employee share option plan–repurchase value (Note 23)	—	—	(112,983)	—	(112,983)
Currency translation differences	—	—	—	174,932	174,932
As at 31 December 2021	(9,029,398)	9,148	380,094	174,932	(8,465,224)

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
(Unaudited)					
As at 1 January 2021	(8,688,989)	5,150	167,535	—	(8,516,304)
Profit appropriation to statutory surplus reserves	—	427	—	—	427
Reorganization related to spin off from the predecessor holding company	(340,409)	—	—	—	(340,409)
Share-based compensation (Note 9)	—	—	89,000	—	89,000
Employee share option plan-repurchase value (Note 23)	—	—	(103,919)	—	(103,919)
Currency translation differences	—	—	—	75,827	75,827
As at 30 June 2021	(9,029,398)	5,577	152,616	75,827	(8,795,378)
As at 1 January 2022	(9,029,398)	9,148	380,094	174,932	(8,465,224)
Profit appropriation to statutory surplus reserves	—	498	—	—	498
Share-based compensation (Note 9)	—	—	83,188	—	83,188
Currency translation differences	—	—	—	(395,274)	(395,274)
As at 30 June 2022	(9,029,398)	9,646	463,282	(220,342)	(8,776,812)
The Company					
As at 1 January 2019	—	—	—	—	—
Profit appropriation to statutory surplus reserves	—	—	—	—	—
Share-based compensation (Note 9)	—	—	—	—	—
As at 31 December 2019	—	—	—	—	—
As at 1 January 2020	—	—	—	—	—
Issue of ordinary shares	—	—	—	—	—
Issue of preference shares	—	—	—	—	—
Share-based compensation (Note 9)	—	—	167,535	—	167,535
Others	—	—	—	—	—
As at 31 December 2020	—	—	167,535	—	167,535

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
As at 1 January 2021	—	—	167,535	—	167,535
Share-based compensation (Note 9)	—	—	325,542	—	325,542
Employee share option plan–repurchase value (Note 23)	—	—	(112,983)	—	(112,983)
Currency translation differences	—	—	—	175,054	175,054
As at 31 December 2021	—	—	380,094	175,054	555,148
(Unaudited)					
As at 1 January 2021	—	—	167,535	—	167,535
Share-based compensation (Note 9)	—	—	89,000	—	89,000
Employee share option plan repurchase value (Note 23)	—	—	(103,919)	—	(103,919)
Currency translation differences	—	—	—	75,826	75,826
As at 30 June 2021	—	—	152,616	75,826	228,442
As at 1 January 2022	—	—	380,094	175,054	555,148
Share-based compensation (Note 9)	—	—	83,188	—	83,188
Currency translation differences	—	—	—	(393,660)	(393,660)
As at 30 June 2022	—	—	463,282	(218,606)	244,676

(a) Capital reserves

The balances as at 1 January 2019 and 31 December 2019 represented the share capital of Beijing Fenbi Bluesky.

As disclosed in Note 22, on 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each. On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of: (i) 2,628,000 Class A ordinary shares with a par value of USD0.0001 each, and (ii) 113,252,200 Series A preferred shares with a par value of USD0.0001 each. Thus, as of 31 December 2020, the balances of share capital and share premium related to the ordinary shares issued were amounted to RMB42,000 and RMB2,307,991,000, respectively. On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each and the balances of share capital and share premium related to the ordinary shares issued were amounted to RMB 5,000 and RMB 340,404,000, respectively.

As disclosed in Note 26, on 31 December 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 preferred shares holders of YUAN Inc to reflect their respective beneficial ownership in the **[REDACTED]** Business. As at 31 December 2020, balances related to Series A preferred shares were amounted to RMB6,390,956,000.

During the years ended 31 December 2020 and 2021, the aggregate amounts of RMB8,698,989,000 and RMB 340,409,000 were credited as fully paid at the amount of the fair value of the Group's **[REDACTED]** Business upon the Reorganization, respectively.

(b) Statutory surplus reserves

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the Group shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

25 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	32,624	31,767	28,431	18,427
Accrued salaries and bonus	30,109	222,034	169,216	87,148
Tax payable (other than income tax payable)	12,486	54,013	91,788	33,168
Other payables	1,234	4,714	23,925	29,065
	76,453	312,528	313,360	167,808

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	32,531	31,747	28,348	18,375
1 to 2 years	93	1	82	51
More than 2 years	—	19	1	1
	32,624	31,767	28,431	18,427

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities				
Convertible preferred shares				
— Series A preferred shares (Note a)	—	6,390,956	6,192,356	6,875,875
— Series B preferred shares (Note b)	—	—	2,563,808	2,738,616
	—	6,390,956	8,756,164	9,614,491

Note a:

On 31 December 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 **[REDACTED]** Business. (the "Series A preferred shares").

Note b:

Pursuant to the share purchase agreement dated 7 February 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 purchase price paid by Series B investors was equivalent to approximately USD12.35 per share (the "Series B Issue Price"), which was determined based on arms' length negotiation between the Series B investors and the Company after taking in account of various factors, including, among others, the timing of investment and business performance of the Group. The investment was completed and fully settled on 9 June 2021. The Series A preferred shares and Series B preferred shares are called convertible preferred shares, collectively.

(i) The key terms of the convertible preferred shares are as follows:

(a) Redemption rights (only for Series B preferred shares):

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the article of association.

The Series B preferred shares may be redeemed at any time on or after (whichever is earlier):

- 31 December 2025 if a qualified **[REDACTED]** has not been consummated,
- if any of the founder parties, the Company or any Fenbi group company materially breaches or violates its obligations (including any covenant, agreement, undertaking, representation or warranty) under the Series B purchase agreement or any transaction document,
- there is any adverse change in PRC laws or regulations with respect to the legality, validity and enforceability of any restructuring document and any holder of the Series B preferred shares has discussed in good faith with any of the founders or holders of the ordinary shares regarding any resolution or rectification of such issue but no agreement regarding any such resolution or rectification has been reached among the parties within 30 days of the date of commencement of such discussion,
- any VIE termination event,
- Mr. ZHANG Xiaolong resigns or is terminated from the office or his employment with any Fenbi group company,
- Mr. ZHANG Xiaolong directly or indirectly participates in the operation or management of any person other than a Fenbi group company,
- Mr. ZHANG Xiaolong becomes an employee or consultant on a full-time or part-time basis with any person other than a Fenbi group company,
- the Restructuring (as defined in the Series B purchase agreement) has not been completed in accordance with the restructuring plan (as defined in the Series B purchase agreement) within one hundred eighty (180) days after the first closing (as defined in the Series B purchase agreement), or
- the Company receives any redemption request from any shareholder of the Company, any holder of Series B preferred shares may, at any time thereafter, by written request to the Company (with a copy to other holders of preferred shares of each and all series), require that the Company redeem all or part of the Series B preferred shares then held by such holder of Series B preferred shares in accordance with the Company's articles of association.
- A supplemental agreement has been entered in February 2022 regarding to the clauses:

  The redemption rights shall terminated from the date immediately prior to the Company's submission of the **[REDACTED]** application for a qualified **[REDACTED]**, provided that if the Company has not completed such qualified **[REDACTED]** by 30 June 2023, the redemption rights shall be automatically restored.

(b) Liquidation preferences

Pursuant to the article of association, in the event of any trade sale (including but not limited to an approved sale) and each VIE termination event, any proceeds, whether in cash or properties and whether received by the Company or any member(s), resulting from a trade sale or a VIE termination event shall be distributed in accordance with the terms below:

(1) The holders of the Series B preferred shares (calculated as a single class), pari passu as between themselves, shall be entitled to receive, prior to any distribution to the holders of the Series A preferred shares, the ordinary shares and any other class of shares issued and then outstanding, for each Series B preferred share held by such holder, the amount equal to 120% of the Series B Issue Price, plus all accrued or declared but unpaid dividends on such Series B preferred share (collectively, the "Series B Preference Amount").

If the assets and funds legally available for distribution among the holders of the Series B preferred shares shall be insufficient to permit the payment to such holders of the full Series B Preference Amount, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series B preferred shares based on the aggregate Series B Preference Amount each such holder is otherwise entitled to receive pursuant to the article of association.

(2) If there are any assets or funds remaining after the aggregate Series B Preference Amount have been distributed or paid in full to the holders of Series B preferred shares pursuant to (1) above, the holders of the Series A preferred shares (calculated as a single class), pari passu as between themselves, shall be entitled to receive, prior to any distribution to the holders of the ordinary Shares and any other class of shares issued

and then outstanding (other than the Series B preferred shares), for each Series A preferred share held by such holder, the amount equal to 120% of the Series A issue price, plus all accrued or declared but unpaid dividends on such Series A preferred share (collectively, the "Series A Preference Amount").

If the assets and funds legally available for distribution among the holders of the Series A preferred shares shall be insufficient to permit the payment to such holders of the full Series A Preference Amount, then the entire remaining assets and funds legally available for distribution shall be distributed ratably among the holders of the Series A preferred shares based on the aggregate Series A Preference Amount each such holder is otherwise entitled to receive.

(3) If there are any assets or funds remaining after the aggregate Series B Preference Amount and the aggregate Series A Preference Amount have been distributed or paid in full to the holders of Series B preferred shares and the holders of Series A preferred shares respectively pursuant to (1) and (2) above, the remaining proceeds, whether in cash or properties and whether received by the Company or any member(s), resulting from a trade sale or a VIE termination event, shall be distributed ratably among all members (including the holders of preferred shares) according to the relative number of ordinary shares held by such member (including preferred shares on an as if converted but otherwise non-diluted basis).

The trade sale means any of the following events:

(1) any consolidation, amalgamation, scheme of arrangement, reorganization, merger or other business combination of any Fenbi group company with or into any other person or other corporate reorganization in which the members or shareholders of such Fenbi group company immediately prior to such consolidation, amalgamation, scheme of arrangement, reorganization, merger or other business combination, do not own more than fifty percent (50%) of such surviving entity's voting power or share capital in the aggregate in substantially the same proportions immediately after such consolidation, amalgamation, scheme of arrangement, reorganization, merger, or other business combination, or any transaction or series of related transactions which results in any person or group of related persons holding in excess of fifty percent (50%) of a Fenbi group company's voting power or share capital;

(2) a sale, transfer, lease or other disposition of all or substantially all of the assets of any Fenbi group company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Fenbi group company); or the transfer or exclusive licensing, in a single transaction or series of related transactions, of all or substantially all of any Fenbi group company's intellectual property to a third party (other than another Fenbi group company).

As the events triggering liquidation preferences in the relevant agreement described above were beyond the control of the Company and the holders of Series A preferred shares, when such events occur, the Company does not have the unconditional right to avoid delivering cash or another financial asset to the holders of Series A preferred shares in settlement of its obligation. Such contingent settlement feature meet the definition of a financial liability under IAS 32, and accordingly Series A preferred shares were designated the entire instruments as convertible preferred shares with the changes in the fair value recognized in profit or loss under the requirements of IFRS.

(c) Voting rights

Each preferred share has voting rights equivalent to the number of ordinary shares into which such preferred shares could be then convertible.

(d) Conversion rights

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time as hereinafter provided.

Each preferred share shall automatically be converted, based on the respective then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A ordinary shares upon the closing of a qualified **[REDACTED]**.

(e) Dividends rights

The directors of the Company may declare dividends and distributions on ordinary shares and preferred shares in issue and authorize payment of the dividends or distributions out of the assets of the Company lawfully available therefor.

No dividend or distribution, whether in cash, in property, or in shares of the capital of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the preferred shares have been paid in full.

Before the qualified **[REDACTED]**, except for an exempted distribution, or as otherwise approved by the board of directors, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made. If any dividend or distribution is declared by the board of directors, all accrued or declared but unpaid dividends on the Series B preferred shares, pari passu as between themselves, shall have been paid in full (calculated on as-converted but otherwise non-diluted basis) in priority and in preference to any dividend on the Series A preferred shares and the ordinary shares. Notwithstanding any provision to the contrary, except for an applicable exempted distribution, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the Ordinary Shares or Series A preferred shares at any time unless a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding Series B preferred share such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Series B preferred share had been converted into Class A ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

Except as provided above, the Company shall make dividend or distribution to all members pro rata according to the relative number of ordinary shares held by such member (including preferred shares calculated on as-converted but otherwise non diluted basis).

The Group does not bifurcate any embedded derivatives from the host instruments and designated the entire instruments as convertible preferred shares with the changes in the fair value recognized in profit or loss.

No dividend was paid to the holders of preferred shares during the year ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022.

(ii) Movements of convertible preferred shares are:

	Year ended 31 December
Issuance of Series A preferred shares	6,390,956
As at 31 December 2020 and 1 January 2021	6,390,956
Settlement of certain Series A preferred shares (Note a)	(754,310)
Issuance of Series B preferred shares	2,525,415
Changes in fair value	795,717
Currency translation differences	(201,614)
As at 31 December 2021	8,756,164
Changes in fair value	383,799
Currency translation differences	474,528
As at 30 June 2022	9,614,491

Note a:

Pursuant to the share redemption agreement dated February 25, 2021 entered between the Company and one of the Series A investors, 9,913,400 Series A preferred shares of par value USD0.0001 each held by that investor will be redeemed by the Company at a per share price of USD11.7325, amounting to an aggregate redemption price of USD116,308,965.50 (the "Redemption Price"), which shall be cancelled immediately upon such redemption by the Company at the closing. The redemption was approved by the board of directors of the Company and the shareholder meeting and completed in March 2021.

(iii) The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions used to determine the fair value of convertible preferred shares are as follows:

	As at 31 December		As at 30 June
	2020	2021	2022
Discount rate (%)	15%	13.5%	13.0%
Expected volatility (%)	48.03%	49.68%-50.89%	52.29%-57.60%
Discount for lack of marketability ("DLOM")	20%	10%~20%	10%-20%

Discount rate was estimated by weighted average cost of capital of each valuation date. The Group estimated the risk-free interest rate used in the equity allocation with reference to the yield of U.S. Government Bonds at that time close to the timing as of valuation date. Volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. The DLOM was estimated based on the option pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

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

27 REFUND LIABILITIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Refund liabilities				
Arising from right of refund	196,103	757,752	680,293	685,002

The refund liabilities relate to customers' right of refund prepaid course fee or in some case refund course fee where related service is already provided. For more details, please refer to Note 4(b).

28 DEFERRED INCOME TAX

The deferred income tax assets and liabilities balance as at 31 December 2019, 2020 and 2021 and 30 June 2022 are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
to be recovered after more than 12 months	—	40,238	56,943	23,873
to be recovered within 12 months	—	—	8,132	17,614
Total deferred tax assets	—	40,238	65,075	41,487
Set-off of deferred tax liabilities pursuant to set-off provisions	—	(245)	(267)	—
Net deferred tax assets	—	39,993	64,808	41,487
Deferred income tax liabilities:				
to be recovered after more than 12 months	(27)	(245)	(267)	—
to be recovered within 12 months	—	—	—	—
Total deferred tax liabilities	(27)	(245)	(267)	—
Set-off of deferred tax liabilities pursuant to set-off provisions	—	245	267	—
Net deferred tax liabilities	(27)	—	—	—

Note a:

Tax losses

	For the year ended 31 December			For the Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	4,715	56,894	166,174	11,636

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

Movements in deferred income tax assets and deferred income tax liabilities during the Track Record Periods are as follows:

Deferred income tax assets	Tax losses	Total
	RMB'000	RMB'000
As at 1 January 2019 and 31 December 2019	—	—
Charged to profit or loss	40,238	40,238
As at 31 December 2020	40,238	40,238
Charged to profit or loss	24,837	24,837
As at 31 December 2021	65,075	65,075
Charged to profit or loss	(23,588)	(23,588)
As at 30 June 2022	41,487	41,487
As at 31 December 2020	40,238	40,238
Charged to profit or loss	28,146	28,146
As at 30 June 2021 (Unaudited)	68,384	68,384

Deferred income tax liabilities	Unrealised investment income	Total
	RMB'000	RMB'000
As at 1 January 2019	—	—
Charged to profit or loss	(27)	(27)
As at 31 December 2019	(27)	(27)
Charged to profit or loss	(218)	(218)
As at 31 December 2020	(245)	(245)
Charged to profit or loss	(22)	(22)
As at 31 December 2021	(267)	(267)
Charged to profit or loss	267	267
As at 30 June 2022	—	—
As at 31 December 2020	(245)	(245)
Charged to profit or loss	—	—
As at 30 June 2021 (Unaudited)	(245)	(245)

29 DIVIDENDS

The Board did not propose a final dividend during the year ended 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022.

30 CASH FLOW INFORMATION

(a) Cash generated from operations

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax		184,036	(517,167)	(2,057,929)	(970,282)	(361,249)
Adjustments for:						
Depreciation of property, plant and equipment	13	5,562	18,879	78,000	39,881	31,495
Amortisation of intangible assets	14	22	79	98	44	55
Depreciation of right-of-use assets	15	21,565	72,426	214,389	98,418	68,035
Losses/(gains) on disposal of property, plant and equipment		1	(32)	3,660	(5)	6,781
Fair value losses on financial liabilities at fair value through profit or loss		—	—	582,957	19,698	383,799
Loss on settlement of financial liabilities at fair value through profit or loss		—	—	212,760	212,760	—
Fair value gains on financial assets at fair value through profit or loss	20	(4,821)	(9,777)	(19,507)	(15,689)	(5,060)
Net fair value losses on derivatives		—	—	—	—	13,388
Finance cost, net	10	2,012	5,879	17,699	9,900	8,302
Impairment losses on financial assets and contract assets		24	923	641	1,489	89
Losses on disposal of leasehold improvement	13	—	—	26,448	—	20,190
Gain on disposal of right-of-use assets	*(a)*	—	—	(19,672)	(1,801)	(15,521)
Non-cash employee benefits expense — share based payments	9	21,171	121,637	325,542	89,000	83,188

Note (a): The adjustments did not include the penalty losses of RMB24,523,000 and RMB9,723,000 in operating cashflows as a result of the early terminations of lease agreements for the year ended 31 December 2021 and for the six months ended 30 June 2022, respectively.

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Change in operating assets and liabilities:						
Decrease/(increase) in trade receivables and prepayment and other receivables		3,912	(57,597)	(37,337)	(136,690)	23,882
Increase in contract assets		—	—	(20,528)	(40,582)	(39,929)
Decrease/(increase) in inventories		17,580	(21,213)	(13,348)	(55,858)	(1,535)
Increase/(decrease) in contract liabilities		38,245	46,789	13,091	60,013	(11,576)
Increase/(decrease) in refund liabilities		142,881	561,649	(77,459)	439,246	4,709
(Decrease)/increase in trade and other payable		16,424	236,075	832	82,595	(145,552)
Payment for value previously recorded in equity — employee share option plan	23	—	—	(112,983)	(103,919)	—
Cash generated from/(used in) operations		448,614	458,550	(882,646)	(271,782)	63,491

(b) Net debts reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net debts					
Cash and cash equivalents	161,783	332,650	1,159,867	1,197,757	1,253,529
Liquid investment (i)	280,181	351,639	10,139	697,879	—
Financial liabilities at fair value through profit or loss	—	(6,390,956)	(8,756,164)	(8,312,456)	(9,614,491)
Lease liabilities	(67,033)	(307,315)	(435,688)	(590,998)	(279,074)
Borrowings	—	—	—	—	—
Net debts	374,931	(6,013,982)	(8,021,846)	(7,007,818)	(8,640,036)
Cash and liquid investments	441,964	684,289	1,170,006	1,895,636	1,253,529
Gross assets — fixed interest rates	(67,033)	(6,698,271)	(9,191,852)	(8,903,454)	(9,893,565)
Net debts	374,931	(6,013,982)	(8,021,846)	(7,007,818)	(8,640,036)

(i) Liquid investments comprise current investments that are investment in wealth management products that usually held for several days or over one year, being the Group's financial assets held at fair value through profit or loss (see note 20).

	Other assets	Liabilities from financing activities			
	Liquid investment	Lease liabilities	Financial liabilities at fair value through profit or loss	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2019	—	(25,519)	—	—	(25,519)
Cash flows	275,360	23,594	—	—	298,954
Additions	—	(63,690)	—	—	(63,690)
Accrual interest for lease liabilities	—	(1,418)	—	—	(1,418)
Other changes	4,821	—	—	—	4,821
Net debt as at 31 December 2019	280,181	(67,033)	—	—	213,148
Cash flows	61,681	107,517	—	—	169,198
Additions	—	(340,563)	—	—	(340,563)
Accrual interest for lease liabilities	—	(7,236)	—	—	(7,236)
Other changes	9,777	—	(6,390,956)	—	(6,381,179)
Net debt as at 31 December 2020	351,639	(307,315)	(6,390,956)	—	(6,346,632)
Cash flows	(361,007)	177,907	(1,771,105)	—	(1,954,205)
Additions	—	(460,437)	—	—	(460,437)
Accrual interest for lease liabilities	—	(20,003)	—	—	(20,003)
Other changes	19,507	174,160	(594,103)	—	(400,436)
Net debt as at 31 December 2021	10,139	(435,688)	(8,756,164)	—	(9,181,713)

	Other assets	Liabilities from financing activities			
	Liquid investment	Lease liabilities	Financial liabilities at fair value through profit or loss	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows	(15,199)	56,560	—	—	41,361
Additions	—	(17,210)	—	(54,530)	(71,740)
Accrual interest for lease liabilities	—	(7,542)	—	—	(7,542)
Other changes	5,060	124,806	(858,327)	—	(728,461)
Repayments	—	—	—	54,530	54,530
Net debt as at 30 June 2022	—	(279,074)	(9,614,491)	—	(9,893,565)
Net debt as at 1 January 2021	351,639	(307,315)	(6,390,956)	—	(6,346,632)
Cash flows	330,551	112,739	(1,771,105)	—	(1,327,815)
Additions	—	(399,244)	—	—	(399,244)
Accrual interest for lease liabilities	—	(11,217)	—	—	(11,217)
Other changes	15,689	14,039	(150,395)	—	(120,667)
Net debt as at 30 June 2021 (unaudited)	697,879	(590,998)	(8,312,456)	—	(8,205,575)

(c) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

Details of acquisition of right-of-use assets were disclosed in Note 15 (i).

Details of share options granted to participants under the ESOPs without cash considerations were disclosed in Note 23.

Details of the non-cash financing activities related to the issuance of ordinary shares and preferred shares were disclosed in Note 24 and Note 26.

31 CONTINGENCIES

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group did not have any significant contingent liabilities.

32 COMMITMENTS

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group did not have any significant capital commitments.

33 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Name of the related parties	Nature of relationship
YUAN Inc	Former ultimate parent company of Beijing Fenbi Bluesky before completion of the spin-off. Mr. LI Yong and Mr. LI Xin are directors of YUAN Inc, who are also directors of the Company.
Beijing Yuanli Education Technology Co., Ltd. (Former name: Beijing Zhenguanyu Technology Co., Ltd.)	A subsidiary indirectly controlled by YUAN Inc
Beijing YuanLi Future Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Tencent Cloud Computing (Beijing) Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Beijing Fenbi Zhiwuya Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Tenpay Payment Technology Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Mr. ZHANG Xiaolong	Executive director and chief executive officer of the Company

* The English names of certain companies referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

(b) Transactions with related parties

During the Track Record Periods, the Group had the following significant transactions with related parties.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of goods and services:					
Beijing Zhenguanyu Technology Co., Ltd. (i)	260	578	608	590	402
Beijing YuanLi Future Technology Co., Ltd. (i)	51	52	—	—	—
Beijing YuanLi Future Technology Co., Ltd. (ii)	3,400	—	—	—	—
	3,711	630	608	590	402

(i) This related party transaction represents revenue from providing training services.

(ii) This related party transaction represents sub-rental income.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of goods and services:					
Tencent Cloud Computing (Beijing) Co., Ltd. (i)	4,957	6,958	9,011	4,281	5,133
Tenpay Payment Technology Co., Ltd. (ii)	2,324	5,576	8,982	6,564	3,982
Mr. ZHANG Xiaolong (iii)	1,065	—	—	—	—
Beijing Zhenguanyu Technology Co., Ltd. (iv)	—	—	414	—	—
Beijing YuanLi Future Technology Co., Ltd. (iv)	—	—	44	44	—
	8,346	12,534	18,451	10,889	9,115

(i) This related party transaction represents cost paid to the related cloud store service.

(ii) This related party transaction represents cost paid to the related payment service.

(iii) This related party transaction represents cost paid for the copyright royalty service fee.

(iv) This related party transaction represents cost paid for purchase of raw materials and electronic equipment.

(c) Outstanding balances due from related parties

Balances due from related parties	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade				
Tencent Cloud Computing (Beijing) Co., Ltd	—	639	2,992	151
Beijing Fenbi Zhiwuya Technology Co., Ltd.	—	1	1	1
	—	640	2,993	152
Non-Trade				
Mr. ZHANG Xiaolong (i)	4,000	—	—	—
	4,000	640	2,993	152

(i) Details related to the outstanding balance of RMB 4,000,000 with Mr. ZHANG Xiaolong were set out in (e) below.

(d) Loans from related parties

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Trade				
Beginning of the year	68,550	—	—	—
Loan repayments paid	(68,550)	—	—	—
End of the year	—	—	—	—

The opening balance of USD 10,000,000 (approximately equivalent to RMB68,550,000) represented loan from YUAN Inc which was unsecured, interest free and with a maturity term of one year starting from September 2018.

(e) Loans to related parties

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Trade				
Beginning of the year	4,000	4,000	—	—
Loan receivables received	—	(4,000)	—	—
End of the year	4,000	—	—	—

The opening balance of RMB4,000,000 represented loan to Mr. Zhang Xiaolong which was unsecured, interest free and with a maturity term of 36 months starting from June 2017.

(f) Key management personnel compensation

Key management compensation for the Track Record Periods, other than those relating to the emoluments of the directors of the company being disclosed are set out below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	1,705	1,435	4,601	980	2,704
Contributions to pension plans	73	10	158	76	89
Welfare and other expenses	126	157	231	117	114
Share-based compensation expenses	1,187	12,098	87,263	72,684	34,734
	3,091	13,700	92,253	73,857	37,641

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each Director and the chief executive officer for the year ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 are set out below:

For the year ended 31 December 2019	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong	(i)	1,178	—	50	74	—	1,302
Mr. WEI Liang	(ii)	1,067	36	50	74	—	1,227
Mr. LI Yong	(iii)	—	—	—	—	—	—
Mr. LI Xin	(iv)	—	—	—	—	—	—
Mr. LI Xiaojun	(v)	—	—	—	—	—	—
Mr. ZUO Lingye	(vi)	—	—	—	—	—	—
Mr. LI Zhaohui	(vii)	—	—	—	—	—	—
Mr. DING Yi Gordon	(viii)	—	—	—	—	—	—
Mr. CAO Wei	(ix)	—	—	—	—	—	—
		2,245	36	100	148	—	2,529

For the year ended 31 December 2020	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		1,183	—	8	70	—	1,261
Mr. WEI Liang		649	—	8	70	—	727
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. LI Xiaojun		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. DING Yi Gordon		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
		1,832	—	16	140	—	1,988

For the year ended 31 December 2021	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		1,110	100	53	77	—	1,340
Mr. WEI Liang		850	108	53	77	110,700	111,788
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. LI Xiaojun		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. DING Yi Gordon		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
Mr. DU, Nan	(x)	—	—	—	—	—	—
Mr. NIU, Kuiguang	(xi)	—	—	—	—	—	—
		1,960	208	106	154	110,700	113,128

For the six months ended 30 June 2021 (Unaudited)	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		600	—	25	39	—	664
Mr. WEI Liang		250	—	25	39	—	314
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. LI Xiaojun		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. DING Yi Gordon		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
Mr. DU Nan		—	—	—	—	—	—
Mr. NIU Kuiguang		—	—	—	—	—	—
		850	—	50	78	—	978

For the six months ended 30 June 2022	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		600	—	27	38	—	665
Mr. WEI Liang		600	—	27	38	—	665
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
Mr. DU Nan		—	—	—	—	—	—
Mr. NIU Kuiguang		—	—	—	—	—	—
		1,200	—	54	76	—	1,330

Notes:

(i) Mr. ZHANG Xiaolong was appointed as a director and chief executive officer of the Company with effect from 14 December 2020.

(ii) Mr. WEI Liang was appointed as a director and chief technology officer of the Company with effect from 31 December 2020.

(iii) Mr. LI Yong was appointed as a director of the Company with effect from 31 December 2020.

(iv) Mr. LI Xin was appointed as a director of the Company with effect from 31 December 2020.

(v) Mr. LI Xiaojun was appointed as a director of the Company with effect from 31 December 2020 and resigned at 3 March 2021 due to internal adjustment by one shareholder, as another director was appointed.

(vi) Mr. ZUO Lingye was appointed as a director of the Company with effect from 31 December 2020 and resigned at 18 February 2022 due to board composition adjustment.

(vii) Mr. LI Zhaohui was appointed as a director of the Company with effect from 31 December 2020.

(viii) Mr. DING Yi Gordon was appointed as a director of the Company with effect from 31 December 2020 and resigned at 3 March 2021 due to board composition adjustment.

(ix) Mr. CAO Wei was appointed as a director of the Company with effect from 31 December 2020 and resigned at 18 February 2022 due to board composition adjustment.

(x) Mr. DU Nan was appointed as a director of the Company with effect from 3 March 2021 and resigned at 18 February 2022 due to board composition adjustment.

(xi) Mr. NIU Kuiguang was appointed as a director of the Company with effect from 3 March 2021 and resigned at 18 February 2022 due to board composition adjustment.

35 SUBSEQUENT EVENTS

The COVID-19 pandemic has severely affected China and many other countries globally in recent years and has not shown the indication of its end. While the Group has considered the potential impact of COVID-19 pandemic in the preparation of the Historical Financial Statements, the Group is unable to quantify the full extent of the related financial effects. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods. The Group will pay close attention to the development of the COVID-19 pandemic and is evaluating its impact on the financial position and operating results of the Group.

Save as disclosed above, there have been no other material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with IFRS.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.