Fenbi Ltd.
粉筆有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2469)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of Fenbi Ltd. (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023, together with the comparative figures for the six months ended June 30, 2022, which have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The interim results for the six months ended June 30, 2023 have been reviewed by PricewaterhouseCoopers, the independent auditor of the Company in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity."

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

RESULTS HIGHLIGHTS

Financial Results

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue	**1,682,333**	1,451,032
Gross profit	**855,680**	689,311
Net profit/(loss) for the period	**81,476**	(391,770)
Adjusted net profit (non-IFRS measure) *Note*	**288,040**	95,632

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

Operating Results

	As of/for the six months ended June 30, 2023	As of/for the year ended December 31, 2022	As of/for the six months ended June 30, 2022
Employees	**7,208**	7,440	7,388
Full-time instructors	**3,536**	3,941	4,145
Other staff	**3,672**	3,499	3,243
Operational hubs	**186**	198	276
Average monthly active users	**9.2 million**	7.9 million	7.5 million

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Revenue	*4*	**1,682,333**	1,451,032
Cost of sales	*4, 6*	**(826,653)**	(761,721)
Gross profit		**855,680**	689,311
Administrative expenses	*6*	**(319,847)**	(264,922)
Selling and marketing expenses	*6*	**(304,255)**	(253,142)
Research and development expenses	*6*	**(143,092)**	(85,348)
Net impairment losses on financial assets and contract assets		**(1,008)**	(89)
Other income		**9,300**	12,160
Other losses, net	*5*	**(26,452)**	(67,118)
Operating profit		**70,326**	30,852
Fair value losses of financial liabilities at fair value through profit or loss		**(4,853)**	(383,799)
Finance income		**15,176**	2,508
Finance costs		**(4,948)**	(10,810)
Finance income/(costs) — net	*7*	**10,228**	(8,302)
Profit/(loss) before income tax		**75,701**	(361,249)
Income tax credit/(expense)	*8*	**5,775**	(30,521)
Profit/(loss) for the period		**81,476**	(391,770)
Profit/(loss) attributable to:			
– Owners of the Company		**81,476**	(391,770)
Earnings per share attributable to owners of the Company			
Basic earnings/(losses) per share	*9*	**0.04**	(0.54)
Diluted earnings/(losses) per share	*9*	**0.04**	(0.54)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Profit/(loss) for the period		**81,476**	(391,770)
Other comprehensive income			
Items that may be reclassified to profit or loss			
— Currency translation differences of the Company's subsidiaries		**(5,383)**	(1,614)
Items that will not be reclassified to profit or loss			
— Currency translation differences of the Company		**71,192**	(393,660)
Other comprehensive income/(loss) for the period, net of tax		**65,809**	(395,274)
Total comprehensive income/(loss) for the period		**147,285**	(787,044)
Total comprehensive income/(loss) for the period attributable to:			
— Owners of the Company		**147,285**	(787,044)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**June 30, 2023** *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**105,886**	129,978
Right-of-use assets		**134,230**	161,925
Intangible assets		**394**	874
Prepayment and other receivables		**13,499**	13,254
Deferred income tax assets	*15*	**52,629**	37,467
Total non-current assets		**306,638**	343,498
Current assets			
Inventories		**81,404**	94,173
Trade receivables	*10*	**42,830**	15,936
Contract assets	*4*	**30,384**	9,000
Prepayment and other receivables		**67,168**	62,403
Financial assets at fair value through profit or loss		**21,833**	20,033
Other financial assets at amortized cost		**100,008**	41,071
Short-term bank deposits		**165,990**	—
Cash and cash equivalents		**1,335,329**	1,047,402
Total current assets		**1,844,946**	1,290,018
Total assets		**2,151,584**	1,633,516
Equity/(deficit)			
Equity/(deficit) attributable to owners of the Company			
Share capital	*11*	**148**	47
Share premium	*11*	**14,945,466**	2,648,395
Other reserves		**(9,252,073)**	(9,002,744)
Accumulated losses		**(4,427,231)**	(4,508,623)
Total equity/(deficit)		**1,266,310**	(10,862,925)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	**June 30, 2023** *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		**84,555**	101,650
Financial liabilities at fair value through profit or loss	*14*	**—**	11,668,784
Deferred income		**1,258**	1,408
Total non-current liabilities		**85,813**	11,771,842
Current liabilities			
Trade and other payables	*13*	**309,253**	238,588
Contract liabilities	*4*	**188,209**	117,866
Refund liabilities		**221,724**	275,024
Current income tax liabilities		**27,780**	25,562
Lease liabilities		**52,495**	62,628
Financial liabilities at fair value through profit or loss	*14*	**—**	4,931
Total current liabilities		**799,461**	724,599
Total liabilities		**885,274**	12,496,441
Total equity and liabilities		**2,151,584**	1,633,516

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	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 January 1, 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		—	—	83,188	—	83,188
Total transactions with owners in their capacity as owners		—	—	83,686	(498)	83,188
Balance at June 30, 2022 (Audited)		47	2,648,395	(8,776,812)	(2,810,126)	(8,938,496)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash flows from operating activities		
Cash generated from operations	**370,374**	63,491
Interest paid	**(3,270)**	(7,744)
Interest received	**15,176**	2,508
Income tax paid	**(7,033)**	(878)
Net cash generated from operating activities	**375,247**	57,377
Cash flows from investing activities		
Purchase of property, plant and equipment	**(9,755)**	(20,505)
Purchase of financial assets at fair value through profit or loss	**(693,475)**	(1,489,960)
Purchase of other financial assets at amortized cost	**(245,677)**	—
Redemption of financial assets at fair value through profit or loss	**693,450**	1,505,159
Redemption of other financial assets at amortized cost	**187,871**	—
Proceeds from sale of property, plant and equipment and intangible assets	**8,648**	27,687
Net cash (out)/in for the settlement of derivatives	**(3,401)**	2,059
Placement of short-term bank deposits	**(165,990)**	—
Proceeds from government related to purchase property, plant and equipment	**—**	1,000
Net cash (used in)/generated from investing activities	**(228,329)**	25,440

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash flows from financing activities		
Proceeds from bank borrowing	**—**	54,530
Repayments of bank borrowing	**—**	(54,530)
Payments for listing expenses	**(11,894)**	(877)
Proceeds from issuance of ordinary shares	**173,114**	—
Principal elements of lease payments	**(29,289)**	(49,018)
Repurchase of treasury shares	**(53,502)**	—
Net cash generated from/(used in) financing activities	**78,429**	(49,895)
Net increase in cash and cash equivalents	**225,347**	32,922
Cash and cash equivalents, at the beginning of the period	**1,047,402**	1,159,867
Exchange differences	**62,580**	60,740
Cash and cash equivalents at the end of the period	**1,335,329**	1,253,529

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

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

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

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2.2 *Accounting policies*

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022.

(a) New and amended standards adopted by the Group

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

Amendments to IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

(b) New standards and interpretations not yet adopted

		Effective date
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendment to IFRS 16	Leases liability in a sale and leaseback	January 1, 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendment to IAS 1	Non current liabilities with covenants	January 1, 2024

The Group has not early adopted the abovementioned new or amended standards and interpretations in this interim condensed consolidated financial information and will apply these new or amended standards and interpretations in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group of these abovementioned standards and interpretation.

3 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2022.

4 Segment information

The Group's chief operating decision maker (CODM) has been identified as executive directors who considers the business from the service perspective.

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

As at June 30, 2023, 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: including books provided with tutoring services and printing business relevant with book selling business.

As at June 30, 2023, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and 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, 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 interim consolidated information of profit or loss. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these interim consolidated financial information. There were no segment assets and segment liabilities information provided to the CODM for measure of the segments' performance.

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

The segment information provided to the CODM for the reportable segments for the six months ended June 30, 2023 is as follows:

	Six months ended June 30, 2023 (Unaudited)			
	Classroom-based tutoring services	**Online tutoring services**	**Sales of books**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**692,556**	**730,422**	**344,613**	**1,767,591**
Inter-segment revenue	**—**	**—**	**(85,258)**	**(85,258)**
Revenue from external customers	**692,556**	**730,422**	**259,355**	**1,682,333**
Cost of sales	**(371,681)**	**(284,829)**	**(170,143)**	**(826,653)**
Gross profit	**320,875**	**445,593**	**89,212**	**855,680**

The segment information provided to the CODM for the reportable segments for the six months ended June 30, 2022 is as follows:

	Six months ended June 30, 2022 (Audited)			
	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 books, the timing of revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

For the six months ended June 30, 2023, the Group's customer base is diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues.

As of June 30, 2023, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in the PRC.

Contract liabilities and contract assets

The Group has recognised the following contract liabilities, which represented the unsatisfied performance obligation and contract assets as at June 30, 2023 and the contract liabilities and contract assets will be expected to be recognised within one year:

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Contract assets relating to certain program	**30,600**	9,069
Loss allowance	**(216)**	(69)
Contract assets	**30,384**	9,000
Contract liabilities	**188,209**	117,866

(i) Revenue recognised in relation to contract liabilities

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Contract liabilities	**93,975**	134,725

(ii) Unsatisfied contracts

The majority of contract liabilities as at June 30, 2023 were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at June 30, 2023.

5 Other losses, net

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net fair value gains/(losses) on derivatives	**1,530**	(13,388)
Fair value gains on financial assets at fair value through profit or loss	**1,769**	5,060
Net losses related to early termination of lease agreements and the disposal of related leasehold improvements	**(1,223)**	(14,392)
Net losses on disposal of property, plant and equipment	**(468)**	(6,781)
Donation	**(1,050)**	(54)
Net foreign exchange losses	**(31,591)**	(43,919)
Others	**4,581**	6,356
	(26,452)	(67,118)

6 Expenses by nature

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Employee benefit expenses	**964,109**	771,313
Cost of course materials	**156,411**	135,079
Human resource outsourcing and other labour costs	**119,355**	76,615
Promotion expenses	**45,513**	31,928
Depreciation of right-of-use assets	**31,902**	68,035
Logistic expenses	**39,581**	44,056
Lease expenses	**114,129**	82,525
Classroom consumables	**12,111**	11,712
Meal expenses provided to students	**10,051**	12,728
Travel expenses	**13,526**	10,587
Office expenses	**4,712**	3,990
Depreciation of property, plant and equipment	**21,277**	31,495
Amortisation for intangible assets	**49**	55
Services fee for cloud storage	**8,208**	9,058
Property management costs	**6,389**	11,202
Tax and surcharge	**9,652**	8,053
Charges for licensed payment institutions	**9,564**	9,090
Listing expenses	**—**	20,415
Others	**27,308**	27,197
	1,593,847	1,365,133

7 Finance income/(costs) — net

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income:		
— Interest received	**15,176**	2,508
	15,176	2,508
Finance costs:		
— Finance cost on borrowings	**—**	(202)
— Finance cost on lease liabilities	**(3,270)**	(7,542)
— Net foreign exchange losses	**(1,678)**	(3,066)
	(4,948)	(10,810)
Finance income/(costs) — net	**10,228**	(8,302)

8 Income tax credit/(expense)

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax		
— Current income tax on profits before income tax for the period	**9,387**	7,200
Deferred income tax		
— (Increase)/decrease in deferred income tax assets	**(15,162)**	23,588
— Decrease in deferred income tax liabilities	**—**	(267)
Total deferred income tax benefit	**(15,162)**	23,321
Income tax (credit)/expense	**(5,775)**	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 period.

(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 six months ended June 30, 2023 (2022: 25%).

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 six months ended June 30, 2023 (2022: 15%) according to the applicable CIT Law. Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the six months ended June 30, 2023 (2022: 20%).

(iv) ***PRC Withholding Tax ("WHT")***

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

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to Withholding tax on undistributed earnings was accrued as of the end of June 30, 2023 (2022: nil).

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing:

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

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
Earnings/(losses) attributable to equity holders of the Company *(RMB'000)*	**81,476**	(391,770)
Weighted average number of ordinary shares in issue *(thousands) (Note a, Note b)*	**2,036,908**	728,623
Basic earnings/(losses) per share *(RMB Yuan)*	**0.04**	(0.54)

(b) Diluted

Diluted earnings per share is calculated based on the adjusted profit attributable to owners of the Company for the six months ended June 30, 2023 by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
Earnings/(losses) attributable to equity holders of the Company *(RMB'000)*	**81,476**	(391,770)
Weighted average number of outstanding ordinary shares *(thousands) (Note a, Note b)*	**2,036,908**	728,623
Adjustments for:		
Weighted average number of share options *(thousands)*	**95,923**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,132,831**	728,623
Diluted earnings/(losses) per share *(RMB Yuan)*	**0.04**	(0.54)

Note a: When calculating the basic and diluted earnings per share, the ordinary shares of 72,862,000 shares was treated as if it has been in issuance since January 1, 2022.

Note b: In the calculation of weighted average number of ordinary shares outstanding for the six months ended June 30, 2022, the share split occurred on December 20, 2022 had been retrospectively adjusted.

10 Trade receivables

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

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 1 month	**17,376**	8,005
1 to 2 months	**7,662**	4,560
2 to 3 months	**7,297**	1,810
3 to 6 months	**5,065**	445
6 to 12 months	**4,867**	785
1 to 2 years	**1,347**	563
	43,614	16,168

11 Share capital and Share premium

Company

Authorized:	**Number of ordinary shares**	**Nominal value of ordinary shares**
		US$'000
As at January 1, 2022	500,000,000	50
As at June 30, 2022	500,000,000	50
As at January 1, 2023 *(Note a)*	5,000,000,000	50
As at June 30, 2023	5,000,000,000	50

	Number of ordinary shares *(Thousands)*	Nominal value of ordinary shares *US$*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total share capital and share premium *RMB'000*
As at January 1, 2022	72,862	7,286	47	2,648,395	2,648,442
As at June 30, 2022 (Audited)	72,862	7,286	47	2,648,395	2,648,442
As at January 1, 2023	728,623	7,286	47	2,648,395	2,648,442
Add:					
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs *(Note b)*	20,000	200	1	160,103	160,104
Employee share option plan-exercise of share options	112,612	1,126	8	463,423	463,431
Conversion of preferred shares to ordinary shares *(Note c)*	1,348,685	13,487	92	11,673,545	11,673,637
As at June 30, 2023 (Unaudited)	2,209,920	22,099	148	14,945,466	14,945,614

Note a: On December 20, 2022, the shareholders of the Company resolved a share subdivision (the "**Share Subdivision**") pursuant to which each of the issued and unissued shares with par value of US$0.0001 each be subdivided into ten shares of the Company with par value of US$0.00001 each, after which, the authorized share capital of the Company shall be US$50,000 divided into 5,000,000,000 shares with par value of US$0.00001 each.

Note b: Upon completion of the IPO, the Company issued 20,000,000 new shares at par value of US$0.00001 each for cash consideration of HK$9.90 each, and raised gross proceeds of approximately RMB173,114,000. The respective share capital amount was approximately RMB1,000 and share premium arising from the issuance was approximately RMB160,103,000, net of the share issuance costs. The share issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB13,010,000 were treated as a deduction against the share premium arising from the issuance.

Note c: According to the terms and conditions of the convertible preferred shares, each convertible preferred share should be automatically converted, based on the respective then-effective conversion price, without the payment of any additional consideration, into fully-paid and non assessable ordinary shares upon the closing of IPO. All convertible preferred shares of the Company were converted into ordinary shares upon completion of the IPO on January 9, 2023 accordingly. The differences of the fair value related to the convertible preferred shares between December 31, 2022 and the date of the conversion were then recognised in the profit or loss subsequent to the year end.

12 Shares based payments

(i) Share incentive schemes

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

During the six months ended 30 June 2023, there were no grants related to the 2023 Share Option Scheme and 2023 Restricted Share Unit Scheme.

Movements in the number of share options granted to participants related to the Pre-IPO Share Option Scheme are below:

	Number of share options
Outstanding as of 1 January 2023	218,500,500
Forfeited during the period	(658,800)
Exercised during the period *(Note a)*	(112,612,340)
Outstanding as of 30 June 2023	105,229,360
— Exercisable as of 30 June 2023	84,366,860
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 recognised in profit or loss in respect of the share-based compensations under the share incentive plans are RMB201,711,000 for the six months ended 30 June 2023 (2022: RMB83,188,000).

Note a:

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

(ii) Fair value of share options granted

For the six months ended 30 June 2022, the Group 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. When calculating the fair value of the share option per unit, the Share Subdivision on 20 December 2022 was treated as if those share split had been occurred since 1 January 2022.

The weighted-average remaining contract life for outstanding share options was 7.59 years as of 30 June 2023 (30 June 2022: 8.56 years).

(iii) Treasury shares

In order to establish and enhance share incentive schemes, the Company has appointed a trustee. The principal activity of the trustee is administrating and holding the Company's shares for the share incentive schemes for the benefit of the Company's eligible persons.

As the Company has the power to govern the financial and operating policies of the trustee and can derive benefits from the contributions of the employees who have been awarded the shares of the Company through their continued employment with the Group, the Group controls and thus consolidates the trustee.

During the six months ended 30 June 2023, for the purpose of Pre-IPO Share Option Scheme, the Company issued 156,349,730 shares, including 155,299,730 shares to the trustee.

Pursuant to the rules of the 2023 Restricted Share Unit Scheme adopted by the Company in June 2023, the trustee of the 2023 Restricted Share Unit Scheme purchased from the market a total of 16,240,000 Shares at a total consideration of approximately HK$58,169,000 (equivalent to RMB53,502,000) during the period on behalf of the Company as treasury shares, which was deducted from "treasury shares" under equity.

13 Trade and other payables

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

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Within 1 year	**31,659**	21,885
1 to 2 years	**69**	79
More than 2 years	**—**	46
	31,728	22,010

14 Financial liabilities at fair value through profit or loss

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Non-current liabilities		
Convertible preferred shares		
— Series A preferred shares	**—**	8,940,747
— Series B preferred shares	**—**	2,728,037
Current liabilities		
Foreign currency option contracts	**—**	4,931
	—	11,673,715

Beijing Fenbi Bluesky Technology Co., Ltd. ("**Beijing Fenbi Bluesky**") was controlled by Chalk Ltd, an exempted company with limited liability incorporated in the Cayman Islands in February 2018 and a non-wholly owned subsidiary of YUAN Inc, through a series of contractual agreements. In order for the spin-off of from YUAN Inc and its subsidiaries and transfer the business to the Company and in preparation for the IPO of the shares of the Company on the Main Board of The Stock Exchange of Hong

Kong Limited, the Group underwent the reorganization. On December 31, 2020, as the consideration of the spin-off of the Group from YUAN Inc, the Company issued 113,252,200 Series A preferred shares of the Company with a par value of US$0.0001 each to the respective shareholders of YUAN Inc at nominal consideration, to reflect the beneficial ownership of the shareholders of YUAN Inc in the Listing Business (the "**Series A preferred shares**").

Pursuant to the share purchase agreement dated February 7, 2021, Series B investors agreed to subscribe for 31,529,700 Series B preferred shares of the Company with par value of US$0.0001 each (the "**Series B preferred shares**"). The Series A preferred shares and Series B preferred shares are called convertible preferred shares, collectively. All convertible preferred shares of the Company were converted into ordinary shares upon completion of the IPO on January 9, 2023.

(i) Movements of convertible preferred shares are:

	Six months ended June 30,
As at December 31, 2021	8,756,164
Changes in fair value	2,031,793
Currency translation differences	880,827
As at December 31, 2022 (Audited)	11,668,784
Changes in fair value	4,853
Currency translation differences	—
Converted to Ordinary Share	(11,673,637)
As at June 30, 2023 (Unaudited)	—

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

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

15 Deferred income tax

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

Deferred income tax assets	**Six months ended June 30, 2023** *RMB'000* **(Unaudited)**	Year ended December 31, 2022 *RMB'000* (Audited)
As at beginning of the period	**37,467**	65,075
Charged/(credited) to profit or loss	**15,162**	(27,608)
As at end of the period	**52,629**	37,467

Deferred income tax liabilities	**Six months ended June 30, 2023** *RMB'000* **(Unaudited)**	Year ended December 31, 2022 *RMB'000* (Audited)
As at beginning of the period	**—**	(267)
Credited to profit or loss	**—**	267
As at end of the period	**—**	—

16 Dividends

The Board did not propose an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

17 Commitments

As at June 30, 2023 and December 31, 2022, the Group did not have any significant capital commitments.

18 Subsequent events

From July 1, 2023 to July 28, 2023, the Group paid an aggregate of HK$14,780,000 to purchase 2,960,000 shares of the Company from the market which is recognized as "treasury shares" under reserves. As at the date of issuance of this financial information, no awarded shares have been granted pursuant to the restricted share unit scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

We have followed an integrated approach to develop a comprehensive portfolio of career test preparation products and services that generate significant synergies. We deliver our tutoring services through omni-channels. Our instructors deliver courses in live or pre-recorded format and interact with students on Fenbi online platform. To capture the evolving student needs for offline services, we also offer classroom-based tutoring, in which our instructors deliver courses to students who physically attend the lectures in classrooms set up by our local operational hubs. In addition, students taking either online or offline tutoring courses may supplement their learning with our online learning products and toolkits. Students are allowed to choose from our comprehensive online and classroom-based tutoring service offerings based on their learning needs.

- **Online Tutoring.** We deliver online tutoring courses in live or pre-recorded format, or their combination, through our Fenbi online platform, supplemented by well-designed online learning products, including membership package and challenge exercise. Our online tutoring courses cover a wide spectrum of examination categories and cover the full examination preparation cycle and prepare our students for both written tests and interview tests. We primarily deliver our online formal tutoring courses in the types including systematic course, premium course and special course to our students, with flexible learning options to suit their personalized academic and skill competence level. As of June 30, 2023, our online platform had accumulated approximately 56.2 million registered users.

- **Classroom-based Tutoring.** We launched our offline classroom-based tutoring on a large-scale basis in May 2020 through classroom facilities set up by a network of local operational hubs in select cities with considerable student demands. We had successfully built our nationwide coverage and established 186 local operational hubs in strategic localities as of June 30, 2023. Leveraging our broad user base accumulated through our Fenbi online platform, we can channel prospective students with offline education needs to our offline course offerings with premium pricing to facilitate our overall business growth and scale our offline operations in a cost-effective manner.

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

Attributable to changes in the employment market conditions, the number of applicants for recruitment examinations increased significantly in the first half of 2023 as compared to the same period last year. The interval between the National Civil Servants Examination and the provincial civil servants examinations this year was considerably shorter than in previous years, posing challenges for VET service providers in collecting payments. Nonetheless, our business recorded noteworthy growth.

Since 2021, we have been steadily transitioning our strategic focus to online services and persistently enhancing our efficiency by optimizing our cost and expense structure, particularly in our offline operations. These strategic adjustments were essentially accomplished in 2022, as reflected in our impressive financial performance in the first half of 2023. Our overall gross profit margin has exceeded 50%. The gross profit of our classroom-based tutoring services increased by 68.7% from RMB190.2 million for the six months ended June 30, 2022 to RMB320.9 million for the six months ended June 30, 2023. We recorded net profit of RMB81.5 million for the six months ended June 30, 2023, as compared to net loss of RMB391.8 million for the same period last year, successfully achieving a turnaround from loss to profit. Our adjusted net profit (non-IFRS measure) was RMB288.0 million for the six months ended June 30, 2023, as compared to RMB95.6 million for the same period last year. Our net profit margin was 4.8% for the six months ended June 30, 2023, while our adjusted net profit margin (non-IFRS measures) was 17.1% for the same period. We expect our cost and expense structure to be sustainable, with potential for further optimization and enhancement.

OUTLOOK

Given the current job market trend, we anticipate sustained interest in government-sponsored job positions among eligible job-seekers. We believe that, over the short to medium term, the number of exam applicants will increase significantly, leading to a surge in the number of VET service providers. Furthermore, the COVID-19 pandemic has transformed people's lifestyles and learning habits, accelerating the shifts to online learning. As a leading online service provider in the industry, we are poised to benefit from this industry evolution and the prevailing trend of digitalization. In particular, our online premium courses, characterized by targeted approach and high utilization rates of teaching staff, allow us to invest more resources in R&D and teaching, achieving superior teaching outcomes and fostering a virtuous cycle. Driven by such outstanding learning results, the paid enrollment of our online premium courses continues to increase. We believe that there will be vast potential for our online business expansion.

Capitalizing on our robust online offerings, we are ardently promoting our integrated OMO teaching mode. The OMO approach not only satisfies certain students' preference for traditional classroom settings but also efficiently incorporates the effectiveness and specificity of our online products, addressing the low utilization rate of teaching staff and venues inherent to traditional offline mode. Our offline products are rapidly adapting to the OMO mode, and we foresee that this trend will further enhance our efficiency and differentiate our offline products from competitors.

In light of the aforementioned factors, our revenue is expected to experience significant compound growth, and there will also be substantial potential for continuous optimization in our operational efficiency and profit margins.

FINANCIAL REVIEW

Revenue

Our revenue increased by 15.9% from RMB1,451.0 million for the six months ended June 30, 2022 to RMB1,682.3 million for the six months ended June 30, 2023. The following table sets forth a breakdown of our revenue, both in absolute amounts and as a percentage of total revenue, by business line for the periods indicated.

	Six months ended June 30,			
	2023		2022	
	RMB'000 ***(Unaudited)***	***%***	*RMB'000* *(Audited)*	*%*
Tutoring services				
Online tutoring services	**730,422**	**43.4**	716,831	49.4
Classroom-based tutoring services	**692,556**	**41.2**	523,534	36.1
Subtotal	**1,422,978**	**84.6**	1,240,365	85.5
Sales of books	**259,355**	**15.4**	210,667	14.5
Total	**1,682,333**	**100.0**	1,451,032	100.0

- *Online tutoring services.* Our revenue generated from online tutoring services remained relatively stable at RMB716.8 million and RMB730.4 million for the six months ended June 30, 2022 and 2023, respectively.

- *Classroom-based tutoring services.* Our revenue generated from classroom-based tutoring services increased by 32.3% from RMB523.5 million for the six months ended June 30, 2022 to RMB692.6 million for the six months ended June 30, 2023, primarily due to (1) the resumption of our classroom-based tutoring services following the alleviation of the COVID-19 impact since December 2022 in China, and (2) the increase in the number of our students as a result of the intense competition in the job market as well as our well-recognized brand.

- *Sales of books.* Revenue generated from sales of books was related to (1) standalone sales activities in relation to our textbooks and learning materials through e-commerce platforms or to third-party book sellers, and (2) sales that accompany our tutoring services. Our revenue generated from sales of books increased by 23.1% from RMB210.7 million for the six months ended June 30, 2022 to RMB259.4 million for the six months ended June 30, 2023, primarily due to the recovery of our supply channels and the resumption of regular recruitment of civil servants and public institutions employees.

Cost of sales

Our cost of sales increased by 8.5% from RMB761.7 million for the six months ended June 30, 2022 to RMB826.7 million for the six months ended June 30, 2023 for the following reasons.

- *Online tutoring services.* Our cost of sales related to online tutoring services remained relatively stable at RMB284.8 million and RMB284.8 million for the six months ended June 30, 2022 and 2023, respectively.

- *Classroom-based tutoring services.* Our cost of sales related to classroom-based tutoring services increased by 11.5% from RMB333.3 million for the six months ended June 30, 2022 to RMB371.7 million for the six months ended June 30, 2023, primarily due to the increase in lease expenses to accommodate increased classroom-based courses.

- *Sales of books.* Our cost of sales related to sales of books increased by 18.5% from RMB143.6 million for the six months ended June 30, 2022 to RMB170.1 million for the six months ended June 30, 2023, primarily due to the increased sales volume of our textbooks and learning materials.

Gross profit and gross profit margin

Our gross profit increased by 24.1% from RMB689.3 million for the six months ended June 30, 2022 to RMB855.7 million for the six months ended June 30, 2023, and the corresponding gross profit margin increased from 47.5% to 50.9%. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	Six months ended June 30,			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		*(Audited)*	
Tutoring services				
Online tutoring services	**445,593**	**61.0**	431,991	60.3
Classroom-based tutoring services	**320,875**	**46.3**	190,216	36.3
Subtotal	**766,468**	**53.9**	622,207	50.2
Sales of books	**89,212**	**34.4**	67,104	31.9
Total	**855,680**	**50.9**	689,311	47.5

- *Online tutoring services.* Our gross profit margin for online tutoring services remained relatively stable at 60.3% and 61.0% for the six months ended June 30, 2022 and 2023, respectively.

- *Classroom-based tutoring services.* Our gross profit margin for classroom-based tutoring services increased from 36.3% for the six months ended June 30, 2022 to 46.3% for the six months ended June 30, 2023, primarily due to the optimization of our staff structure and offline business network, leading to higher utilization and efficiency.

- *Sales of books.* Our gross profit margin for sales of books increased from 31.9% for the six months ended June 30, 2022 to 34.4% for the six months ended June 30, 2023, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the scale-up of our in-house printing facilities, despite our revenue growth.

Administrative expenses

Our administrative expenses increased by 20.7% from RMB264.9 million for the six months ended June 30, 2022 to RMB319.8 million for the six months ended June 30, 2023, primarily due to the increase in employee benefit expenses as a result of the increased share-based payments and bonuses paid to our administrative staff.

Selling and marketing expenses

Our selling and marketing expenses increased by 20.2% from RMB253.1 million for the six months ended June 30, 2022 to RMB304.3 million for the six months ended June 30, 2023, primarily due to the increases in (1) employee benefit expenses as a result of the increased performance incentives paid to our sales and marketing personnel due to the increased sales volume, and (2) promotion expenses as a result of our enhanced efforts to promote our brand and services.

Research and development expenses

Our research and development expenses increased by 67.7% from RMB85.3 million for the six months ended June 30, 2022 to RMB143.1 million for the six months ended June 30, 2023, primarily due to the increase in employee benefit expenses as a result of the increase in bonuses paid to our content and technology development personnel and the increased headcount of our R&D team to accommodate our long-term business strategy.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets increased significantly from RMB89,000 for the six months ended June 30, 2022 to RMB1.0 million for the six months ended June 30, 2023, primarily due to the increase in loss allowance provision for other financial assets at amortized cost and trade receivables.

Other income

Our other income decreased by 23.5% from RMB12.2 million for the six months ended June 30, 2022 to RMB9.3 million for the six months ended June 30, 2023, primarily due to the decrease in rental and sublease income.

Other losses, net

Our other losses, net decreased by 60.6% from RMB67.1 million for the six months ended June 30, 2022 to RMB26.5 million for the six months ended June 30, 2023, primarily due to (1) the decrease in net foreign exchange losses, (2) the decrease in net losses related to early termination of lease agreements and disposal of related leasehold improvements, and (3) the net fair value gains on derivatives.

Finance income/costs, net

We recorded finance income, net of RMB10.2 million for the six months ended June 30, 2023, as compared to finance costs, net of RMB8.3 million for the six months ended June 30, 2022, primarily due to the decreases in (1) finance cost on lease liabilities in connection with our adjustment of offline coverage, and (2) net foreign exchange losses as a result of our adjustment of capital management structure.

Profit/loss before income tax

As a result of the foregoing, we recorded profit before income tax of RMB75.7 million for the six months ended June 30, 2023, as compared to loss before income tax of RMB361.2 million for the six months ended June 30, 2022.

Income tax credit/expenses

We recorded income tax credit of RMB5.8 million for the six months ended June 30, 2023, as compared to income tax expenses of RMB30.5 million for the six months ended June 30, 2022, primarily due to the recognition of deferred tax assets for eligible losses we carried forward against future taxable income, partially offset by the increase in current income tax on profits before income tax.

Profit/loss for the period

As a result of the above, we recorded net profit of RMB81.5 million for the six months ended June 30, 2023, as compared to net loss of RMB391.8 million for the six months ended June 30, 2022. The net profit margin for the six months ended June 30, 2023 was 4.8%, as compared to the net loss margin of 27.0% for the six months ended June 30, 2022.

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/loss as additional financial measures, which are not required by, or presented in accordance with IFRS. We define adjusted net profit (non-IFRS measure) as profit/loss for the period adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss, and listing expenses. Share-based payments arise from granting options to employees. Fair value losses on financial liabilities at fair value through profit or loss represent fair value changes relating to convertible preferred shares issued in our equity financings. The convertible preferred shares have been automatically converted into ordinary shares after the completion of the global offering of the Company (the "**Global Offering**"), and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the completion of the Global Offering. Listing expenses were incurred in connection with our preparation for the Global Offering. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain non-cash or non-recurring items that our management does not consider indicative of our operating performance.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profit/(loss) for the period	**81,476**	(391,770)
Add:		
Share-based payments	**201,711**	83,188
Fair value losses of financial liabilities at fair value through profit or loss	**4,853**	383,799
Listing Expenses	**—**	20,415
Adjusted net profit (non-IFRS measure)	**288,040**	95,632

Contract assets

Contract assets primarily represented our right to consideration in relation to our postpaid contractual classes that allow for postponed payment of a portion of the course fees only upon passing the relevant examinations. Our contract assets increased from RMB9.0 million as of December 31, 2022 to RMB30.4 million as of June 30, 2023, primarily due to the increase in the recruitments by government-sponsored institutions, resulting in the increased sales volume of our postpaid contractual classes.

Contract liabilities

Our contract liabilities primarily represented prepaid course fees we received from our students for our tutoring services, for which our performance obligation had not been satisfied. Our contract liabilities increased from RMB117.9 million as of December 31, 2022 to RMB188.2 million as of June 30, 2023, primarily due to the increased sales volume of our prepaid courses.

Refund liabilities

Our refund liabilities represented primarily the courses fees which we do not expect to be entitled to, including primarily the portion of course fees of our contractual classes for which we expect withdrawals or no-pass refund requests, and to a much lesser extent, the portion of course fees of other non-contractual classes at withdrawal and our online learning products, mainly including the challenge exercise product. Our refund liabilities decreased from RMB275.0 million as of December 31, 2022 to RMB221.7 million as of June 30, 2023, primarily because (1) we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass, and (2) we had made refunds in the six months ended June 30, 2023 following the results announcement of certain examinations.

Liquidity and capital resources

For the six months ended June 30, 2023, our primary use of cash is to fund the daily operations of our business. We financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our net current assets increased from RMB565.4 million as of December 31, 2022 to RMB1,045.5 million as of June 30, 2023, primarily due to the increases in cash and cash equivalents and short-term bank deposits resulting from the cash generated from our operating activities and the net proceeds from the Global Offering.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of bank deposits on demand. Our cash and cash equivalents increased from RMB1,047.4 million as of December 31, 2022 to RMB1,335.3 million as of June 30, 2023, primarily due to the cash generated from our operating activities and the net proceeds from the Global Offering.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Net cash generated from operating activities	**375,247**	57,377
Net cash (used in)/generated from investing activities	**(228,329)**	25,440
Net cash generated from/(used in) financing activities	**78,429**	(49,895)
Net increase in cash and cash equivalents	**225,347**	32,922
Cash and cash equivalents at beginning of the period	**1,047,402**	1,159,867
Exchange difference	**62,580**	60,740
Cash and cash equivalents at the end of the period	**1,335,329**	1,253,529

Exposure to exchange rate fluctuation

The functional currency of our subsidiaries in China is Renminbi, while the functional currency of our Company and subsidiaries outside China is U.S. dollar. Foreign exchange risk arises from the fluctuation in exchange where our monetary assets are denominated in currency other than functional currency. We recognized net foreign exchange losses of RMB47.0 million and RMB33.3 million for the six months ended June 30, 2022 and 2023, respectively.

In addition, for the six months ended June 30, 2023, we recorded exchange differences on translation of RMB65.8 million as other comprehensive income, as compared to negative RMB395.3 million for the six months ended June 30, 2022, primarily because following the conversion of preferred shares to ordinary shares upon the completion of the Global Offering, the balance sheet of our Cayman holding company turned from a net liability position to a net asset position, and therefore, recorded exchange differences on translation as other comprehensive income due to foreign currency translation.

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

Capital expenditure

For the six months ended June 30, 2023, our total paid capital expenditure amounted to RMB9.8 million, as compared to RMB20.5 million for the six months ended June 30, 2022, which primarily consisted of purchases of property, plant and equipment. We funded our capital expenditure requirements primarily through cash generated from our operating activities for the six months ended June 30, 2023.

Capital commitments

As of June 30, 2023, we did not have any significant capital commitments (December 31, 2022: nil).

Contingent liabilities

As of June 30, 2023, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Significant investments, material acquisitions and disposals

For the six months ended June 30, 2023, we did not hold any significant investments, nor did we have any material acquisitions or disposals of subsidiaries and affiliated companies.

Future plans for material investments and capital assets

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

Charge on Group's assets

As of June 30, 2023, we had no charges on our assets (December 31, 2022: nil).

Borrowings and gearing ratio

As of June 30, 2023, we did not have any outstanding bank loans or other borrowings. Accordingly, the gearing ratio as of June 30, 2023 (as calculated by total interest-bearing bank borrowings as at the end of respective period divided by total equity as at the same date) was not applicable (December 31, 2022: N/A).

Key financial indicators

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

	As of/for the six months ended June 30,	
	2023	2022
Profitability ratios		
Gross profit margin[1]	**50.9%**	47.5%
Net profit/(loss) margin[2]	**4.8%**	(27.0)%
Adjusted net profit margin (non-IFRS measure)[3]	**17.1%**	6.6%
Liquidity ratios		
Current ratio[4]	**2.3**	1.3
Quick ratio[5]	**2.2**	1.2

(1) The calculation of gross profit margin is based on gross profit divided by revenue for the period indicated and multiplied by 100.0%.

(2) The calculation of net profit/(loss) margin is based on net profit/(loss) divided by revenue for the period indicated and multiplied by 100.0%.

(3) The calculation of adjusted net profit margin, a non-IFRS measure, is based on adjusted net profit divided by revenue for the period indicated and multiplied by 100.0%.

(4) The calculation of current ratio is based on current assets divided by current liabilities as of the period end.

(5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of the period end.

OTHER INFORMATION

Use of Proceeds from the Global Offering

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

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. The Group did not utilize any portion of the net proceeds during the period from the Listing Date and up to June 30, 2023, and will utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to "Future Plans and Use of Proceeds" in the Prospectus for details. The net proceeds are expected to be fully utilized by December 2026 which may be subject to changes based on business development of the Group and future development of market conditions.

Employees

As of June 30, 2023, the Group had 7,208 full-time employees. For the six months ended June 30, 2023, the Group incurred total staff costs (including Directors' emoluments) of RMB964.1 million, which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfare including share-based payments.

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

To incentivize its employees and promote the long-term growth of the Company, the Company has also adopted the Pre-IPO Share Option Scheme, the 2023 Restricted Share Unit Scheme and the 2023 Share Option Scheme to provide equity incentive to the Group's employees, directors and senior management.

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

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

Pursuant to the rules of the 2023 Restricted Share Unit Scheme adopted by the Company on June 14, 2023, the trustee of the 2023 Restricted Share Unit Scheme purchased on the Stock Exchange a total of 16,240,000 Shares at a total consideration of approximately HK$58.2 million during the period from the adoption date and up to June 30, 2023.

Save as disclosed above and other than the issuance of Shares for the purpose of the Pre-IPO Share Option Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to June 30, 2023.

Sufficiency of Public Float

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

Compliance with Corporate Governance Code

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") under Part 2 of Appendix 14 of the Listing Rules as its own code of corporate governance.

During the period from the Listing Date and up to June 30, 2023, the Company has complied with all the applicable code provisions under the CG Code with the exception of code provision C.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the requirements as set out in the Model Code during the period from the Listing Date and up to June 30, 2023.

Interim Dividend

The Board has resolved not to recommend payment of any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

Audit Committee and Review of Interim Financial Results

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

The Audit Committee has reviewed the interim financial results of the Group for the six months ended June 30, 2023. The Audit Committee has also reviewed together with the management the accounting principles and policies adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group. The Audit Committee considers that the interim financial results of the Group for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PricewaterhouseCoopers, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2023 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

Subsequent Event

Save for the purchase of 2,960,000 Shares by the trustee of the 2023 Restricted Share Unit Scheme of the Company on the Stock Exchange at a total consideration of HK$14.8 million during the period from July 1, 2023 to July 28, 2023, there has been no other significant event since June 30, 2023 and up to the date of this announcement that is required to be disclosed by the Company.

Forward-Looking Statements

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

PUBLICATION OF 2023 INTERIM RESULTS AND 2023 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.fenbi.com**). The interim report of the Company for the six months ended June 30, 2023 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

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

By order of the Board
Fenbi Ltd.
ZHANG Xiaolong
Chairman

Hong Kong, August 30, 2023

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