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**Fenbi Ltd.**

**粉笔有限公司**

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

**(Stock code: 2469)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Fenbi Ltd. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2021. The results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

### **FINANCIAL HIGHLIGHTS**

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Revenue	<b>2,810,429</b>	3,428,559
Gross profit	<b>1,365,705</b>	840,867
Net loss for the year	<b>(2,087,347)</b>	(2,045,971)
Adjusted net profit/(loss) (non-IFRS measure) <sup>Note</sup>	<b>191,494</b>	(822,357)

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended December 31,	
	Notes	2022	2021
		RMB'000	RMB'000
Revenue	3	2,810,429	3,428,559
Cost of sales	3,6	<u>(1,444,724)</u>	<u>(2,587,692)</u>
<b>Gross profit</b>		<b><u>1,365,705</u></b>	<b><u>840,867</u></b>
Administrative expenses	6	(543,689)	(1,119,886)
Selling and marketing expenses	6	(516,762)	(704,125)
Research and development expenses	6	(196,592)	(286,959)
Net impairment losses on financial assets and contract assets		(324)	(641)
Other income	4	32,575	25,005
Other (losses)/gains, net	5	<u>(121,770)</u>	<u>1,226</u>
<b>Operating profit/(loss)</b>		<b>19,143</b>	<b>(1,244,513)</b>
Fair value losses of financial liabilities at fair value through profit or loss	13	(2,031,793)	(582,957)
Loss on settlement of financial liabilities at fair value through profit or loss	13	—	(212,760)
Finance income		9,195	2,304
Finance costs		<u>(42,071)</u>	<u>(20,003)</u>
Finance costs — net	7	(32,876)	(17,699)
<b>Loss before income tax</b>		<b>(2,045,526)</b>	<b>(2,057,929)</b>
Income tax (expense)/credit	8	<u>(41,821)</u>	<u>11,958</u>
<b>Loss for the year</b>		<b><u>(2,087,347)</u></b>	<b><u>(2,045,971)</u></b>
<b>Loss attributable to:</b>			
— Owners of the Company		<b><u>(2,087,347)</u></b>	<b><u>(2,045,971)</u></b>
<b>Earnings per share for loss attributable to owners of the Company (RMB)</b>			
Basic loss per share	9	(2.86)	(2.81)
Diluted loss per share	9	(2.86)	(2.81)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Year ended December 31,</b>	
<i>Notes</i>	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Loss for the year	<u><b>(2,087,347)</b></u>	<u>(2,045,971)</u>
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss		
Currency translation differences of the Company's subsidiaries	(3,398)	(122)
Items that will not be reclassified to profit or loss		
Currency translation differences of the Company	<u>(739,220)</u>	<u>175,054</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<u><b>(742,618)</b></u>	<u>174,932</u>
<b>Total comprehensive loss for the year</b>	<u><b>(2,829,965)</b></u>	<u>(1,871,039)</u>
<b>Total comprehensive loss for the year attributable to:</b>		
— Owners of the Company	<u><b>(2,829,965)</b></u>	<u>(1,871,039)</u>

## CONSOLIDATED BALANCE SHEET

		As at December 31,	
	Notes	2022	2021
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		129,978	231,105
Right-of-use assets		161,925	429,680
Intangible assets		874	882
Prepayment and other receivables		13,254	35,234
Deferred income tax assets	14	37,467	64,808
<b>Total non-current assets</b>		<b>343,498</b>	<b>761,709</b>
<b>Current assets</b>			
Inventories		94,173	87,197
Trade receivables	10	15,936	5,656
Contract assets	3	9,000	20,528
Prepayment and other receivables		62,403	97,127
Financial assets at fair value through profit or loss		20,033	10,139
Other financial assets at amortized cost		41,071	—
Cash and cash equivalents		1,047,402	1,159,867
<b>Total current assets</b>		<b>1,290,018</b>	<b>1,380,514</b>
<b>Total assets</b>		<b>1,633,516</b>	<b>2,142,223</b>
<b>Equity/(deficit)</b>			
<b>Equity/(deficit) attributable to owners of the Company</b>			
Share capital	11	47	47
Share premium	11	2,648,395	2,648,395
Other reserves		(9,002,744)	(8,465,224)
Accumulated losses		(4,508,623)	(2,417,858)
<b>Total deficit</b>		<b>(10,862,925)</b>	<b>(8,234,640)</b>

## CONSOLIDATED BALANCE SHEET (Continued)

	<i>Notes</i>	<b>As at December 31,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>101,650</b>	267,904
Financial liabilities at fair value through profit or loss	<i>13</i>	<b>11,668,784</b>	8,756,164
Deferred income		<b>1,408</b>	—
<b>Total non-current liabilities</b>		<b><u>11,771,842</u></b>	<b><u>9,024,068</u></b>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>238,588</b>	313,360
Contract liabilities	<i>3</i>	<b>117,866</b>	169,194
Refund liabilities		<b>275,024</b>	680,293
Current income tax liabilities		<b>25,562</b>	22,164
Lease liabilities		<b>62,628</b>	167,784
Financial liabilities at fair value through profit or loss	<i>13</i>	<b>4,931</b>	—
<b>Total current liabilities</b>		<b><u>724,599</u></b>	<b><u>1,352,795</u></b>
<b>Total liabilities</b>		<b><u>12,496,441</u></b>	<b><u>10,376,863</u></b>
<b>Total deficit and liabilities</b>		<b><u>1,633,516</u></b>	<b><u>2,142,223</u></b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
<i>Notes</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash used in operations	(73,461)	(882,646)
Interest paid	(12,027)	(20,003)
Interest received	9,195	2,229
Income tax paid	(7,699)	(14,709)
	<u>(83,992)</u>	<u>(915,129)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(36,009)	(219,003)
Proceeds from government related to purchase property, plant and equipment	1,408	—
Purchase of intangible assets	(105)	(289)
Purchase of financial assets at fair value through profit or loss	(3,392,024)	(3,691,338)
Purchase of other financial assets at amortized cost	(41,828)	—
Redemption of financial assets at fair value through profit or loss	3,390,993	4,052,345
Proceeds from sale of property, plant and equipment	38,655	14,801
Net cash in for the settlement of derivatives	2,118	—
	<u>(36,792)</u>	<u>156,516</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(36,792)</u>	<u>156,516</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	<i>Notes</i>	Year ended December 31,	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowing		54,530	—
Repayments of bank borrowing		(54,530)	—
Payments for listing expenses		(352)	(764)
Payment for redemption of certain preferred shares		—	(754,310)
Principal elements of lease payments		(84,891)	(157,904)
Proceeds from issuance of preferred shares		—	2,525,415
		<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>		<b>(85,243)</b>	1,612,437
		<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(206,027)</b>	853,824
Cash and cash equivalents, at the beginning of the year		<b>1,159,867</b>	332,650
Exchange difference		<b>93,562</b>	(26,607)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>		<b><u>1,047,402</u></b>	<b><u>1,159,867</u></b>

# SELECTED NOTES TO THE CONSOLIDATED 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 financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by IFRSs Interpretations Committee (IFRSs IC) applicable to companies reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board (“**IASB**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.



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

*New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16*
- *Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37*
- *Annual Improvements to IFRS Standards 2018–2020, and*
- *Reference to the Conceptual Framework — Amendments to IFRS 3.*

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

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published and are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **New Standards, interpretations and amendments**

		<b>Effective date</b>
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
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 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 January 1, 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 *Revenue recognition*

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

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

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

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

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

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

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

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

The Group's revenue is mainly generated from providing vocational education, 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.

The Group recognise 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.

(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.

### **3 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 December 31, 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: including books provided with tutoring services and printing business relevant with book selling business.

As at December 31, 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 statement of profit or loss. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements. There were no segment assets and segment liabilities information provided to the CODM for measure of the segments' performance.

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

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

	Year ended December 31, 2022			
	Classroom-based tutoring services <i>RMB'000</i>	Online tutoring services <i>RMB'000</i>	Sales of books <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	938,941	1,414,917	604,662	2,958,520
Inter-segment revenue	—	—	(148,091)	(148,091)
Revenue from external customers	938,941	1,414,917	456,571	2,810,429
Cost of sales	(592,746)	(548,967)	(303,011)	(1,444,724)
Gross profit	<u>346,195</u>	<u>865,950</u>	<u>153,560</u>	<u>1,365,705</u>

The segment information provided to the CODM for the reportable segments for the year ended December 31, 2021 is as follows:

	Year ended December 31, 2021			
	Classroom-based tutoring services <i>RMB'000</i>	Online tutoring services <i>RMB'000</i>	Sales of books <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>(4,910)</u>	<u>715,649</u>	<u>130,128</u>	<u>840,867</u>

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.

The reconciliation of gross profit to profit before income tax of individual year during the year ended December 31, 2022 is shown in the consolidated statement of profit or loss.

For the year ended December 31, 2022, the Group's customer base is diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues.

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

	<b>As at December 31,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Contract assets relating to certain program	<b>9,069</b>	20,682
Loss allowance	<u>(69)</u>	<u>(154)</u>
Contract assets	<u><b>9,000</b></u>	<u>20,528</u>
Contract liabilities	<u><b>117,866</b></u>	<u>169,194</u>

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

	<b>As at December 31,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Contract liabilities	<u><b>134,725</b></u>	<u>131,075</u>



(ii) *Unsatisfied contracts*

The majority of contract liabilities as at December 31, 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 December 31, 2022.

**4 Other income**

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Government grants	<b>2,022</b>	8
Rental and sub-lease income	<b>4,594</b>	3,089
VAT refund and VAT reduction	<b>15,928</b>	21,617
Others	<b>10,031</b>	291
	<b><u>32,575</u></b>	<b><u>25,005</u></b>

**5 Other (losses)/gains, net**

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net fair value losses on derivatives (b)	<b>(17,480)</b>	—
Fair value gains on financial assets at fair value through profit or loss	<b>8,863</b>	19,507
Net losses related to early termination of lease agreements and the disposal of related leasehold improvements (a)	<b>(29,632)</b>	(31,299)
Net losses on disposal of property, plant and equipment	<b>(8,234)</b>	(3,660)
Donation	<b>(430)</b>	(29)
Net foreign exchange (losses)/gains	<b>(77,741)</b>	12,261
Others	<b>2,884</b>	4,446
	<b><u>(121,770)</u></b>	<b><u>1,226</u></b>

- (a) The net losses of RMB29,632,000 for the year ended December 31, 2022 were mainly related to terminate the leases for properties which did not complete the required records of the fire safety design and the completion inspection before commencing operation. (The net losses of RMB31,299,000 for the year ended December 31, 2021 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 year ended December 31, 2022, the Group entered into certain Foreign Currency Contracts. For the year ended December 31, 2022, a loss recognised mainly due to the settlement of the foreign exchange forward contract and foreign exchange swap contracts.

## 6 Expenses by nature

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	<b>1,569,262</b>	2,719,223
Cost of course materials	<b>257,252</b>	380,139
Human resource outsourcing and other labour costs	<b>174,143</b>	225,575
Promotion expenses	<b>72,934</b>	142,813
Depreciation of right-of-use assets	<b>101,573</b>	214,389
Logistic expenses	<b>79,560</b>	85,278
Lease expenses	<b>158,181</b>	372,847
Classroom consumables	<b>17,123</b>	70,493
Meal expenses provided to students	<b>15,727</b>	41,084
Travel expenses	<b>21,216</b>	68,053
Office expenses	<b>8,186</b>	70,341
Depreciation of property, plant and equipment	<b>58,517</b>	78,000
Amortisation for intangible assets	<b>113</b>	98
Services fee for cloud storage	<b>18,561</b>	13,653
Property management costs	<b>18,951</b>	33,861
Tax and surcharge	<b>14,535</b>	17,635
Auditor's remuneration		
— Audit and audit related services	<b>4,685</b>	—
— Non-audit services	<b>917</b>	—
Charges for licensed payment institutions	<b>15,657</b>	26,996
Listing expenses	<b>45,368</b>	12,518
Others	<b>49,306</b>	125,666
	<b><u>2,701,767</u></b>	<b><u>4,698,662</u></b>

## 7 Finance costs, net

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Finance income:		
— Interest received	<b>9,195</b>	2,229
— Net foreign exchange gains	<u>—</u>	<u>75</u>
	<b>9,195</b>	<b>2,304</b>
Finance costs:		
— Finance cost on borrowings	<b>(202)</b>	—
— Finance cost on lease liabilities	<b>(11,825)</b>	(20,003)
— Net foreign exchange losses	<b>(30,044)</b>	—
	<b>(42,071)</b>	<b>(20,003)</b>
Finance costs, net	<b><u>(32,876)</u></b>	<b><u>(17,699)</u></b>

## 8 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)*

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	<b>14,480</b>	12,857
Deferred income tax	<b>27,341</b>	(24,815)
Income tax expense/(credit)	<b><u>41,821</u></b>	<b><u>(11,958)</u></b>

(i) *Cayman Islands corporate income tax*

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

(ii) *Hong Kong profits tax*

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

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended December 31, 2022 (2021: 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 year ended December 31, 2022 (2021: 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 reporting period.

(iv) *PRC Withholding Tax (“WHT”)*

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

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

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

	<i>Note</i>	<b>Year ended December 31,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
Loss before income tax		<u><b>(2,045,526)</b></u>	<u>(2,057,929)</u>
Tax expense calculated at applicable statutory tax rate	<i>(a)</i>	<b>18,440</b>	(314,177)
Preferential tax rates on income of certain subsidiaries		<b>(21,101)</b>	39,229
Expenses not deductible for taxation purposes	<i>(b)</i>	<b>51,644</b>	104,707
Temporary difference for which no deferred tax asset was recognised		<b>20,016</b>	3,394
Previously unrecognised tax losses now recouped to reduce current tax expense		<b>(35,914)</b>	(7)
Additional deduction of research and development expense		<b>(14,961)</b>	(11,278)
Tax losses for which no deferred tax asset was recognised		<u><b>23,697</b></u>	<u>166,174</u>
		<u><b>41,821</b></u>	<u>(11,958)</u>

(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 year were mainly share-based compensation accrued by Employee Share Option Plan.

(c) During the year ended December 31, 2022, the Company incurred a loss of approximately RMB2,082,182,000 (2021: RMB804,846,000). Since the Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and is exempted from local income tax, the related tax calculated based on the losses incurred by the Company was nil.

## 9 Earnings 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 December 31,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	(2,087,347)	(2,045,971)
Weighted average number of ordinary shares in issue (thousands) (Note a, Note b)	<u>728,623</u>	<u>728,623</u>
Basic losses per share (RMB)	<u>(2.86)</u>	<u>(2.81)</u>

### (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 December 31,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	(2,087,347)	(2,045,971)
Weighted average number of outstanding ordinary shares (thousands) (Note a, Note b)	<u>728,623</u>	<u>728,623</u>
Diluted losses per share (RMB)	<u>(2.86)</u>	<u>(2.81)</u>

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, 2021.

*Note b:* In the calculation of weighted average number of ordinary shares outstanding for the years ended December 31, 2022 and 2021, the share split occurred on December 20, 2022 had been retrospectively adjusted.

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 December 31, 2022 and 2021, 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 December 31, 2022 and 2021 are same as basic loss per share for the respective years.

## 10 Trade receivables

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:

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Up to 1 month	<b>8,005</b>	2,674
1 to 2 months	<b>4,560</b>	1,461
2 to 3 months	<b>1,810</b>	726
3 to 6 months	<b>445</b>	837
6 to 12 months	<b>785</b>	72
1 to 2 years	<b>563</b>	—
	<b>16,168</b>	<b>5,770</b>

## 11 Share capital and Share premium

### Company

<b>Authorized:</b>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares USD'000</b>
<b>As at January 1, 2021 and December 31, 2021</b>	500,000,000	50
Effect of Share Subdivision ( <i>Note b</i> )	4,500,000,000	—
<b>As at December 31, 2022</b>	<b>5,000,000,000</b>	<b>50</b>

<b>Issued:</b>	<b>Number of ordinary shares (Thousands)</b>	<b>Nominal value of ordinary shares USD</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total share capital and share premium RMB'000</b>
<b>As at December 31, 2020</b>	64,949	6,495	42	2,307,991	2,308,033
Add:					
Issue of ordinary shares (Note a)	7,913	791	5	340,404	340,409
<b>As at December 31, 2021</b>	72,862	7,286	47	2,648,395	2,648,442
Add:					
Effect of Share Subdivision (Note b)	655,761	—	—	—	—
<b>As at December 31, 2022</b>	<u>728,623</u>	<u>7,286</u>	<u>47</u>	<u>2,648,395</u>	<u>2,648,442</u>

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

*Note b:* 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.

## 12 Trade and other payables

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

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 year	<b>21,885</b>	28,348
1 to 2 years	<b>79</b>	82
More than 2 years	<b>46</b>	1
	<u><b>22,010</b></u>	<u>28,431</u>



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

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
<b>Non-current liabilities</b>		
Convertible preferred shares		
— Series A preferred shares ( <i>Note a</i> )	8,940,747	6,192,356
— Series B preferred shares ( <i>Note b</i> )	2,728,037	2,563,808
	<hr/>	<hr/>
Current liabilities		
Foreign currency option contracts	4,931	—
	<hr/>	<hr/>
	<b>11,673,715</b>	<b>8,756,164</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note a:*

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

On December 31, 2020, as the consideration of the spin-off of the Group from YUAN Inc, the Company issued 113,252,200 Series A preferred shares of the Company with a par value of USD0.0001 each to the respective shareholders of YUAN Inc at nominal consideration, to reflect the beneficial ownership of the shareholders of YUAN Inc in the Listing Business (the “**Series A preferred shares**”).

*Note b:*

Pursuant to the share purchase agreement dated February 7, 2021, Series B investors agreed to subscribe for 31,529,700 Series B preferred shares of the Company with par value of USD0.0001 each (the “**Series B preferred shares**”). The 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 June 9, 2021. The Series A preferred shares and Series B preferred shares are called convertible preferred shares, collectively.

- (i) 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:

	<b>As at December 31,</b>	
	<b>2022</b>	2021
Discount rate (%)	<b>13.0%</b>	13.5%
Expected volatility (%)	<b>51.89%–58.63%</b>	49.68%–50.89%
Discount for lack of marketability (“ <b>DLOM</b> ”)	<b>2%–19%</b>	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.

## 14 Deferred income tax

The deferred income tax assets balance as at December 31, 2022 is RMB37,467,000 (2021: RMB64,808,000).

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
to be recovered after more than 12 months	31,685	56,943
to be recovered within 12 months	5,782	8,132
<b>Total deferred tax assets</b>	<b>37,467</b>	<b>65,075</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	—	(267)
Net deferred tax assets	<b>37,467</b>	<b>64,808</b>
Deferred income tax liabilities:		
to be recovered after more than 12 months	—	(267)
to be recovered within 12 months	—	—
<b>Total deferred tax liabilities</b>	<b>—</b>	<b>(267)</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	—	267
Net deferred tax liabilities	<b>—</b>	<b>—</b>

Note a:

**Tax losses**

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Unused tax losses for which no deferred tax asset has been recognised	<b><u>23,697</u></b>	<b><u>166,174</u></b>

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 year are as follows:

<b>Deferred income tax assets</b>	<b>Tax losses</b>
	<b>RMB'000</b>
<b>As at January 1, 2021</b>	40,238
Charged to profit or loss	<u>24,837</u>
<b>As at December 31, 2021</b>	65,075
Credited to profit or loss	<u>(27,608)</u>
<b>As at December 31, 2022</b>	<b><u>37,467</u></b>
<b>Deferred income tax liabilities</b>	<b>Unrealised investment income</b>
	<b>RMB'000</b>
<b>As at January 1, 2021</b>	(245)
Charged to profit or loss	<u>(22)</u>
<b>As at December 31, 2021</b>	(267)
Credited to profit or loss	<u>267</u>
<b>As at December 31, 2022</b>	<b><u>—</u></b>

## **15 Dividends**

The Board did not propose a final dividend during the year ended December 31, 2022 and 2021.

## **16 Subsequent events**

On January 9, 2023, the Company completed its initial public offering (“**IPO**”) on the Main Board of The Stock Exchange of Hong Kong Limited with initial offering of 20,000,000 shares at a price of Hong Kong Dollar 9.90 per share.

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. The financial liabilities at fair value through profit or loss related to convertible preferred shares of the Company in Note 13 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.

## 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 received a number of credible accolades in recognition of our brand image in 2022. For example, in December 2022, we were granted the “Intelligent Empowerment Annual Award” (年度智慧賦能獎) by Beijing Evening Post (北京晚報), the official newspaper of Beijing municipality.

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 December 31, 2022, our online platform had accumulated approximately 50.2 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 have successfully built our nationwide coverage and established 198 local operational hubs in strategic localities as of December 31, 2022. 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.

## ***OUTLOOK***

China’s career test preparation industry has been, and will continue to be, driven by favorable governmental policies, intensified competition, technological innovation, service upgrade and OMO integration. We believe that we are well-positioned to capture the enormous market opportunities and compete in the rapidly changing and highly competitive career test preparation industry.

Looking forward, as a leading career test preparation service provider in China, we pledge our unwavering dedication to excellence in all aspects of our tutoring services. Specifically, we will systematically refine our curricula and teaching methods, increase our content development capability and, ultimately, improve the quality of our tutoring services. We will further expand the coverage of our course offerings and explore innovative course delivery modes in response to evolving industry trends and diverse learning needs. We will continue to invest in research and development initiatives and utilize the power of advanced technologies and data analytics to better serve our students and stay ahead of the competition.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by 18.0% from RMB3,428.6 million in 2021 to RMB2,810.4 million in 2022. The following table sets forth a breakdown of our revenue, both in absolute amount and as a percentage of total revenue, by business line for the years indicated.

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Tutoring services</b>				
Online tutoring services	<b>1,414,917</b>	<b>50.4</b>	1,396,125	40.7
Classroom-based tutoring services	<b>938,941</b>	<b>33.4</b>	1,617,330	47.2
<b>Subtotal</b>	<b>2,353,858</b>	<b>83.8</b>	3,013,455	87.9
<b>Sales of books</b>	<b>456,571</b>	<b>16.2</b>	415,104	12.1
<b>Total</b>	<b><u>2,810,429</u></b>	<b><u>100.0</u></b>	<b><u>3,428,559</u></b>	<b><u>100.0</u></b>

- *Online tutoring services.* Our revenue generated from online tutoring services remained relatively stable at RMB1,396.1 million and RMB1,414.9 million in 2021 and 2022, respectively.
- *Classroom-based tutoring services.* Our revenue generated from classroom-based tutoring services decreased by 41.9% from RMB1,617.3 million in 2021 to RMB938.9 million in 2022, primarily due to (1) the suspension of our classroom-based tutoring services in certain localities and the postponement of certain examinations amid the regional resurgence of the COVID-19 pandemic in 2022, and (2) the strategic adjustment of the scale of our offline coverage to effectively manage our growth and improve our profitability, resulting in a reduction of the number of our operational hubs to 198 as of December 31, 2022.
- *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 10.0% from RMB415.1 million in 2021 to RMB456.6 million in 2022, primarily due to the increased sales volume of our standalone sales activities driven by the accumulated brand recognition and teaching quality.



## Cost of sales

Our cost of sales decreased by 44.2% from RMB2,587.7 million in 2021 to RMB1,444.7 million in 2022, primarily due to our optimization of employee structure and course material cost structure and strategic adjustment of the student-instructor ratio per class.

- *Online tutoring services.* Our cost of sales related to online tutoring services decreased by 19.3% from RMB680.5 million in 2021 to RMB549.0 million in 2022, primarily due to (1) the decrease in cost of course materials as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, (2) the decrease in employee benefit expenses as we optimized our employee structure, and (3) the strategic adjustment of the student-instructor ratio per class.
- *Classroom-based tutoring services.* Our cost of sales related to classroom-based tutoring services decreased by 63.5% from RMB1,622.2 million in 2021 to RMB592.7 million in 2022, primarily due to the decreases in (1) employee benefit expenses as we optimized our employee structure, and (2) lease expenses as we strategically adjusted the scale of our offline coverage.
- *Sales of books.* Our cost of sales related to sales of books increased by 6.3% from RMB285.0 million in 2021 to RMB303.0 million in 2022, primarily due to the increased sales volume of our textbooks and learning materials.

## Gross profit and gross margin

Our gross profit increased by 62.4% from RMB840.9 million in 2021 to RMB1,365.7 million in 2022, and the corresponding gross margin increased from 24.5% to 48.6%. The following table sets forth a breakdown of our gross profit/(loss) and gross margin by business line for the years indicated.

	Year ended December 31,			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross margin %	Gross profit/ (loss) <i>RMB'000</i>	Gross margin %
<b>Tutoring services</b>				
Online tutoring services	<b>865,950</b>	<b>61.2</b>	715,649	51.3
Classroom-based tutoring services	<b>346,195</b>	<b>36.9</b>	(4,910)	(0.3)
<b>Subtotal</b>	<b>1,212,145</b>	<b>51.5</b>	710,739	23.6
<b>Sales of books</b>	<b>153,560</b>	<b>33.6</b>	130,128	31.3
<b>Total</b>	<b><u>1,365,705</u></b>	<b><u>48.6</u></b>	<b><u>840,867</u></b>	<b><u>24.5</u></b>

- *Online tutoring services.* Our gross margin for online tutoring services increased from 51.3% in 2021 to 61.2% in 2022, primarily because we optimized our employee structure for online tutoring, strategically adjusted the student-instructor ratio per class and enhanced our cost control measures in an effort to improve our operational efficiency and profitability.
- *Classroom-based tutoring services.* Our gross margin for classroom-based tutoring services increased from (0.3)% in 2021 to 36.9% in 2022, primarily because (1) we optimized our employee structure for classroom-based tutoring and adjusted the scale of our offline coverage in an effort to improve our operational efficiency and profitability, and (2) 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 the offering of written test contractual classes that are subject to full refund for no-pass.
- *Sales of books.* Our gross margin for sales of books increased from 31.3% in 2021 to 33.6% in 2022, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, despite our revenue growth.

## **Administrative expenses**

Our administrative expenses decreased by 51.5% from RMB1,119.9 million in 2021 to RMB543.7 million in 2022, primarily due to the decreases in (1) employee benefit expenses as a result of our employee structure optimization efforts, (2) office expenses, depreciation of right-of-use assets and lease expenses as a result of our strategic adjustment of the scale of our offline coverage, and (3) human resource outsourcing and other labor costs.

## **Selling and marketing expenses**

Our selling and marketing expenses decreased by 26.6% from RMB704.1 million in 2021 to RMB516.8 million in 2022, primarily due to the decreases in (1) promotion expenses as we have substantially established our nationwide network of local operational hubs and limited our promotional activities amid the regional resurgence of the COVID-19 in 2022, and (2) employee benefit expenses as a result of our employee structure optimization efforts.

## **Research and development expenses**

Our research and development expenses decreased by 31.5% from RMB287.0 million in 2021 to RMB196.6 million in 2022, primarily due to a decrease in employee benefit expenses as a result of our content development employee structure optimization efforts.

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

Our net impairment losses on financial assets and contract assets decreased from RMB0.6 million in 2021 to RMB0.3 million in 2022, primarily due to the decreased deposits receivable relating to leased properties in connection with the adjustment of our offline coverage.

## **Other income**

Our other income increased by 30.3% from RMB25.0 million in 2021 to RMB32.6 million in 2022, primarily due to waste paper disposal income from our printing business.

## **Other losses/gains, net**

We had other losses, net of RMB121.8 million in 2022, as compared to other gains, net of RMB1.2 million in 2021, primarily due to (1) net foreign exchange losses of RMB77.8 million resulting from depreciation in the value of Renminbi relative to U.S. dollar, as financing proceeds denominated in U.S. dollars and received through our Hong Kong subsidiary were converted into Renminbi from time to time at the then prevailing exchange rates in order to be distributed to our PRC subsidiaries, which were translated into U.S. dollars at the exchange rate prevailing at the balance sheet date when preparing the financial

statement of our Hong Kong subsidiary, (2) net losses related to early termination of lease agreements and disposal of related leasehold improvements of RMB29.6 million, (3) net fair value losses on derivatives of RMB17.5 million as a result of the differences between the predetermined exchange rates and the actual exchange rates at the maturity dates of our derivatives, and (4) net losses on disposal of property, plant and equipment of RMB8.2 million in connection with our adjustment of offline coverage.

### **Finance costs, net**

Our finance costs, net increased by 85.8% from RMB17.7 million in 2021 to RMB32.9 million in 2022, primarily due to an increase in net foreign exchange losses, partially offset by a decrease in finance cost on lease liabilities in connection with our adjustment of offline coverage.

### **Loss before income tax**

As a result of the foregoing, we recorded loss before income tax of RMB2,045.5 million in 2022, as compared to RMB2,057.9 million in 2021.

### **Income tax expense/credit**

We recorded income tax expense of RMB41.8 million in 2022, as compared to income tax credit of RMB12.0 million in 2021, primarily because we recognized deferred tax assets for eligible losses we carried forward from previous years in 2021, and recorded taxable profits in 2022, which led to reversal of deferred tax assets previously recognized.

### **Loss for the year**

As a result of the foregoing, we recorded net loss of RMB2,046.0 million and RMB2,087.3 million in 2021 and 2022, respectively, representing net loss margin of 59.7% and 74.3%, respectively.

### **Non-IFRS measure**

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/loss as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We define adjusted net profit/loss (non-IFRS measure) as profit/loss for the year adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss, loss on settlement of financial liabilities at fair value through profit or loss, and listing expenses. Share-based payments arise from granting options to employees. We exclude share-based payments as such expenses are non-cash in nature and do not result in cash outflows. Fair value losses on financial liabilities at fair value through profit or loss represent fair value changes relating to

convertible preferred shares issued in our equity financings. The convertible preferred shares have been automatically converted into ordinary shares after the completion of the global offering of the Company (the “**Global Offering**”), and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the completion of the Global Offering. Loss on settlement of financial liabilities at fair value through profit or loss is related to the redemption of certain number of preferred shares, which have been cancelled at the closing of the redemption in March 2021, and we do not expect to record any further gains or losses in relation to the settlement of such instruments thereafter. Listing expenses were incurred in connection with our preparation for the Global Offering. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance.

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

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the year</b>	<b><u>(2,087,347)</u></b>	<b><u>(2,045,971)</u></b>
<i>Add:</i>		
Share-based payments	<b>201,680</b>	415,379
Fair value losses of financial liabilities at fair value through profit or loss	<b>2,031,793</b>	582,957
Loss on settlement of financial liabilities at fair value through profit or loss	<b>—</b>	212,760
Listing expenses	<b><u>45,368</u></b>	<u>12,518</u>
<b>Adjusted net profit/(loss) (non-IFRS measure)</b>	<b><u><u>191,494</u></u></b>	<b><u><u>(822,357)</u></u></b>

### **Contract assets**

Contract assets primarily represented our right to consideration in relation to our postpaid contractual classes that allow for postponed payment of a portion of the course fees only upon passing the relevant examinations. Our contract assets decreased from RMB20.5 million as of December 31, 2021 to RMB9.0 million as of December 31, 2022, primarily because we adjusted our business development strategies to reduce the offering of certain 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 decreased from RMB169.2 million as of December 31, 2021 to RMB117.9 million as of December 31, 2022, primarily due to the postponement of certain examinations caused by the COVID-19 resurgence in 2022, which led to the delay of the sales of our courses designed for 2023 examinations.

## **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 RMB680.3 million as of December 31, 2021 to RMB275.0 million as of December 31, 2022, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass.

## **Liquidity and capital resources**

In 2022, our primary use of cash is to fund the daily operations of our business. We financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our net current assets increased from approximately RMB27.7 million as of December 31, 2021 to approximately RMB565.4 million as of December 31, 2022, primarily due to a decrease in refund liabilities of RMB405.3 million as 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 the offering of written test contractual classes that are subject to full refund for no-pass.

## Cash and cash equivalents

Our cash and cash equivalents primarily consisted of bank deposits on demand. Our cash and cash equivalents decreased from RMB1,159.9 million as of December 31, 2021 to RMB1,047.4 million as of December 31, 2022, primarily because we delayed the sales of our courses designed for 2023 examinations as a result of the postponement of certain examinations that were originally scheduled in the fourth quarter of 2022 amid the regional resurgence of the COVID-19 pandemic.

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

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	<b>(83,992)</b>	(915,129)
Net cash (used in)/generated from investing activities	<b>(36,792)</b>	156,516
Net cash (used in)/generated from financing activities	<b>(85,243)</b>	1,612,437
Net (decrease)/increase in cash and cash equivalents	<b>(206,027)</b>	853,824
Cash and cash equivalents at beginning of the year	<b>1,159,867</b>	332,650
Exchange difference	<b>93,562</b>	(26,607)
Cash and cash equivalents at the end of the year	<b><u>1,047,402</u></b>	<b><u>1,159,867</u></b>

## Exposure to exchange rate fluctuation

The functional currency of our subsidiaries in China is Renminbi, while the functional currency of our Company and subsidiaries outside China is U.S. dollar. Foreign exchange risk arises from the fluctuation in exchange where our monetary assets are denominated in currency other than functional currency. We recognized net foreign exchange losses of RMB77.7 million in 2022, as compared to net foreign exchange gains of RMB12.3 million in 2021.

In addition, in 2022, we recorded exchange differences on translation of RMB93.6 million as other comprehensive income, as compared to negative RMB26.6 million in 2021, primarily due to the exchange rate fluctuation.

We have continued to closely track and manage our exposure to fluctuation in foreign exchange rates confronted by the majority of our deposits in foreign currencies. We invested in foreign exchange derivatives to manage our exposure to foreign exchange risk in relation



to proceeds from our equity financing denominated in U.S. dollars. Our management will continue to monitor the movement of the foreign currency rates and will take measures when necessary for the purpose of reducing our exposure to foreign currency exchange risk.

### **Capital expenditure**

In 2022, our total capital expenditure amounted to approximately RMB36.0 million, compared to RMB219.0 million in 2021, which primarily consisted of purchases of property, plant and equipment. We funded our capital expenditure requirements primarily through cash generated from our operating activities in 2022.

### **Capital commitments**

As of December 31, 2022, we did not have any significant capital commitments (2021: Nil).

### **Contingent liabilities**

As of December 31, 2022, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

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

During the year ended December 31, 2022, we did not hold any significant investments, nor did we have any material acquisitions or disposals of subsidiaries and affiliated companies.

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

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

### **Charge on Group’s assets**

As of December 31, 2022, we had no charges on our assets (2021: Nil).

### **Borrowings and gearing ratio**

As of December 31, 2022, we did not have any outstanding bank loans or other borrowings. Accordingly, the gearing ratio as of December 31, 2022 (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 (2021: N/A).



## Key financial indicators

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

	As of/for the year ended December 31,	
	2022	2021
<b>Profitability ratios</b>		
Gross profit margin <sup>(1)</sup>	48.6%	24.5%
Net loss margin <sup>(2)</sup>	(74.3%)	(59.7%)
Adjusted net profit/(loss) margin (non-IFRS measure) <sup>(3)</sup>	6.9%	(24.0%)
<b>Liquidity ratios</b>		
Current ratio <sup>(4)</sup>	1.8	1.0
Quick ratio <sup>(5)</sup>	1.7	1.0

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

## OTHER INFORMATION

### Use of Proceeds from the Global Offering

The Shares of the Company 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, and the expected timeline for the use of net proceeds will be subject to the business development of the Company. Since the Listing Date and up to the date of this announcement, the Group has not utilized any portion of the net proceeds, 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.

### Employees

As of December 31, 2022, the Group had 7,440 full-time employees, as compared to approximately 8,964 full-time employees as of December 31, 2021. The Group incurred a total staff costs (including Directors’ emoluments), which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares including share-based payment, in the amount of approximately RMB1,569.3 million for the year ended December 31, 2022.

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 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**

The Company was not listed on the Stock Exchange as of December 31, 2022. Neither the Company nor its subsidiaries purchased, redeemed or sold any of the listed securities of the Company since the Listing Date and up to the date of this announcement.

### **Sufficiency of Public Float**

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

### **Compliance with Corporate Governance Code**

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) under Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance. As the Company's shares in issue were not yet listed on the Stock Exchange during the year ended December 31, 2022, the CG Code as contained in Appendix 14 to the Listing Rules was not applicable to the Company during the Reporting Period.

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

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The roles of the Chairman and Chief Executive Officer of the Company are held by Mr. ZHANG Xiaolong. With extensive experience in the non-formal VET industry, Mr. Zhang is responsible for the overall strategic planning and business development and operation, as well as overall technological and curriculum development of the Group and is instrumental to the growth

and business expansion of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group and ensures consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The balance of power and authority is not impaired and is ensured by the operation of the senior management and the Board, which comprises experienced individuals. In light of the above, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in the circumstances of the Company.

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

As the shares of the Company were not yet listed on the Stock Exchange as of December 31, 2022, the Model Code was not applicable to the Company during the year ended December 31, 2022. 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 Directors’ securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

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

### **Final Dividend**

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022 (2021: Nil).

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

The AGM will be held on Wednesday, June 14, 2023. A notice convening the AGM will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.fenbi.com](http://www.fenbi.com)), and will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

## **Closure of Register of Members**

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, June 9, 2023 to Wednesday, June 14, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, June 8, 2023.

## **Review of Annual Results**

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. YUEN Kai Yiu Kelvin, Mr. QIU Dongxiao Larry and Ms. YUAN Jia, with Mr. YUEN Kai Yiu Kelvin being the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2022.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2022. The Audit Committee considers that the annual results of the Group are in compliance with the applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

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

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, based on the amounts set out in the audited consolidated financial statements of the Group for the year.

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

## Events after the Reporting Period

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

## PUBLICATION OF 2022 ANNUAL RESULTS AND 2022 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.fenbi.com](http://www.fenbi.com)). The annual report of the Company for the year ended December 31, 2022 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, March 28, 2023

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