



粉笔有限公司  
Fenbi Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2469

2023 Annual Report



# CONTENTS

Corporate Information	2
Chairman's Statement	3
Results Highlights	6
Management Discussion and Analysis	7
Directors and Senior Management	15
Directors' Report	19
Corporate Governance Report	49
Environmental, Social and Governance Report	61
Independent Auditor's Report	96
Consolidated Statement of Profit or Loss	101
Consolidated Statement of Comprehensive Income	102
Consolidated Balance Sheet	103
Consolidated Statement of Changes in Equity	105
Consolidated Statement of Cash Flows	107
Notes to the Consolidated Financial Statements	108
Definition	192





# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. ZHANG Xiaolong (*Chairman and Chief Executive Officer*)  
Mr. WEI Liang

### Non-executive Directors

Mr. LI Yong  
Mr. LI Xin  
Mr. LI Zhaohui (*resigned on March 8, 2023*)

### Independent Non-executive Directors

Mr. QIU Dongxiao Larry  
Mr. YUEN Kai Yiu Kelvin  
Ms. YUAN Jia

## AUDIT COMMITTEE

Mr. YUEN Kai Yiu Kelvin (*Chairman*)  
Mr. QIU Dongxiao Larry  
Ms. YUAN Jia

## REMUNERATION COMMITTEE

Mr. QIU Dongxiao Larry (*Chairman*)  
Mr. ZHANG Xiaolong  
Mr. WEI Liang  
Mr. YUEN Kai Yiu Kelvin  
Ms. YUAN Jia

## NOMINATION COMMITTEE

Mr. ZHANG Xiaolong (*Chairman*)  
Mr. WEI Liang  
Mr. QIU Dongxiao Larry  
Mr. YUEN Kai Yiu Kelvin  
Ms. YUAN Jia

## JOINT COMPANY SECRETARIES

Ms. WANG Tao  
Mr. LEE Chung Shing

## AUTHORIZED REPRESENTATIVES

Mr. WEI Liang  
Ms. WANG Tao

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants and  
Registered Public Interest Entity Auditor*  
22/F, Prince's Building, Central  
Hong Kong

## COMPLIANCE ADVISOR

Maxa Capital Limited  
Unit 2602, 26/F, Golden Centre  
188 Des Voeux Road Central  
Sheung Wan  
Hong Kong

## REGISTERED OFFICE

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

## CORPORATE HEADQUARTERS

1–6/F, Building 103, No. 10 Courtyard  
Jiuxianqiao North Road  
Chaoyang District  
Beijing, PRC

## PRINCIPAL BANKS

China Merchants Bank, Beijing Branch  
China CITIC Bank, Beijing Branch  
Shanghai Pudong Development Bank, Beijing Branch

## HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15/F, Jardine House  
1 Connaught Place, Central  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

## WEBSITE

[www.fenbi.com](http://www.fenbi.com)

## STOCK CODE

2469



## Chairman's Statement

Dear Shareholders of Fenbi,

Our results for 2023 have now been released. Considering the increase in enrollments and changes in the competitive landscape within the industry, Shareholders may have expected specific revenue growth for Fenbi. Regrettably, our actual growth might not have met these expectations, for which we apologize. However, we are pleased to report that our profits for 2023 are satisfactory.

For investors, revenue and profit are the two simplest and most important indicators. Taking into account both such indicators, I would give us a score of 60 out of 100 as to the returns to the Shareholders. As a business operator, I rate our team's performance at 70 out of 100. I need to explain why my colleagues deserve additional ten points. My colleagues have told me that the capital market only recognizes performance, especially in the current environment where data must speak for itself. However, I believe that communication to our Shareholders is still necessary, so I plan to provide a nuanced explanation this time.

Firstly, the slowdown in revenue growth had objective reasons, and more importantly, it resulted from our own strategic adjustments. In the second half of 2023, there was an increase in the number of applicants for the national civil servants examinations registrations, leading us to optimistically raise our expectations for revenue growth. However, we soon realized that although the number of applicants increased, their willingness for purchasing relevant courses was not strengthened. Many students who had previously opted for low-priced courses are now willing to choose unauthorized versions instead. Indeed, intensified competition led to a larger number of students willing to pay higher prices. During our teaching process, we identified a new segment this year among these students who opted for high-priced courses: individuals with no basic foundation and poor learning initiative, but who come from relatively affluent families and seek to quickly solve their problems with money. While many aspects of life can be expedited with money, its effectiveness in enhancing knowledge and skills remains limited. A segment of students, both capable and willing to pay, preferred a passive learning approach, expecting teachers to deliver information to them. Some of these students treated learning like a gym membership — paying the fees without attending, a trend particularly evident among online users. From a profitability standpoint, this is ideal since our products are non-refundable. If students do not attend classes and their access expires, we do not have to provide corresponding services or incur additional costs. However, the long-term challenge is that these students may feel they have spent a substantial amount of money without seeing effective results, potentially leading to them neither repurchasing our products and services in the future nor recommend our products or services.

Fenbi is a company built on customer recommendations and reputation. While a product not attaching great importance to a strong reputation may reduce service costs and boost profits in the short term, a lack of positive reputation in the long run leads to higher costs for attracting awareness and generating profit. This is especially true for our high-priced courses, where students have significant time and money investments and high expectations for results. Regardless of the reasons, unsatisfactory outcomes will inevitably result in negative opinions on our products and services. To address this, we prefer to sacrifice short-term gains to ensure a long-term reputation. As part of our strategy, we have implemented measures including a pre-enrollment agreement on attendance rates, course completion rates, and homework completion rates. If these standards are not met, we will suggest or even require withdrawal from the course, with a corresponding refund. This approach has obvious disadvantages, such as financial losses, but the benefits are clear as it demonstrates our effectiveness, encourages ongoing learning, and fosters referrals. Since implementing this system, both attendance and completion rates have noticeably improved, enhancing the overall learning atmosphere. Previously, discussions within a learning group were limited, as many participants neither attended classes nor completed assignments, creating a poor learning environment despite being in the same class. Now, by removing those who are not serious or lack the time for studies, we have significantly improved the atmosphere and interaction, which in turn has led to better learning outcomes and higher pass rates.



## Chairman's Statement

Making this decision was incredibly difficult. It was challenging to issue refunds from money that had already been collected, particularly since students were not actively seeking refunds. As the saying goes, adding just one or two more students to a class does not significantly increase costs, but refunded money is effectively lost profit. However, we found that the students who lagged behind, particularly those uninterested in learning, were also the hardest to accommodate. They were the least engaged in classes and homework, presented the most problems, and required the most resources. Our assessment revealed that the least successful students used the most resources and were also the most vocal in their complaints. We aim to provide high-quality educational services, which should cater primarily to students who are serious about their studies, not to those who are not committed. After internal discussions, we reached a consensus to prioritize teaching quality over market share, enrollment numbers, and revenue size. We are dedicated to providing the best possible education to the most diligent students, which is why we rigorously apply our proactive refund policy. As competition in exams intensifies, the enrollment in our high-priced courses has noticeably increased. With the effectiveness and quality of our teaching secured, we confidently price our courses above the market average, which results in higher compensation for our teachers and better profit margins than the industry average.

Improving quality for our students, benefits for our employees and profits for the Company represents not only an upgrade in consumer experience but also a reform from the supply side. This explains why we do not merely focus on market share or revenue size. As a company, it is crucial to avoid pursuing too many goals simultaneously. As a corporate leader, we must refrain from burdening our staff with excessive targets. Internally, we have embraced a more relaxed ethos, moving away from an aggressive “wolf culture” and focusing instead on enhancing the quality of our educational services. By concentrating our attention, energy and resources on this singular goal, we have achieved notable results. Moreover, improving quality also entails enhancing efficiency. In this regard, we have eliminated some inefficient practices through managerial adjustments. Over the past two years, some competitors have retreated from lower-tier city markets, occasionally creating vacuums. We have not hurried to fill these gaps, primarily because these markets are generally less efficient in terms of enrollment rate, venue utilization and the financial capacity and willingness to pay, which leads to lower overall efficiency and thus reduced quality. We prefer to forsake these markets rather than engage in low-quality, inefficient operations. One of the key lessons from recent years in business management is the importance of discerning which initiatives to pursue and which to avoid. People naturally tend to be proactive, making inaction often more challenging than action. Instinctively, people might see opportunities in business ventures, but 99% of these are unreliable or of minimal value. Considering our limited time and energy, it is essential to allocate these resources to the most valuable efforts. The universe does not necessarily reward hard work alone; it favors those who make wise and cautious decisions.

Management techniques have a limited impact on efficiency. Instead, technology, particularly AI, serves as the ultimate efficiency enhancer. AI has become a buzzword, with nearly every industry professing to leverage it. Fenbi, however, is truly incorporating AI and has already reaped tangible benefits. By using AI alongside large models and industry-specific data, we have significantly reduced costs associated with educational research and addressing student queries. Previously, it took our teachers an hour to draft a research article. Now, AI drafts these articles in just a few minutes, requiring only minor revisions. Likewise, many student inquiries that once needed direct teacher intervention are now initially handled by AI, with human involvement only when necessary. This has substantially improved our profitability. In the vertical field of civil servant examinations, we possess the most extensive data set and a leading-edge AI technology product team. Our investment in new technologies is not merely following a trend but represents a sustained commitment. We had established a high-level artificial intelligence algorithm team even before the advent of ChatGPT. With the introduction of new technologies, we logically expanded this team, decisively investing in both personnel and computational power. Importantly, our team is not just made up of technicians. It also includes teachers with extensive experience in education and research. I steadfastly believe that the most advanced technologies must be deeply and organically integrated with top industry talent and experience, allowing the wisdom of our best minds to be manifested and entrenched through technological and product advancements, ultimately creating the most significant value.



## Chairman's Statement

During a recent chat with a friend, I expressed some thoughts that I would like to share as the conclusion of this chairman's statement: "We are not in a rush. Consistently delivering high-quality, high-margin products that excel in both user experience and technology is the only way to establish long-term barriers to entry, foster brand loyalty, and secure a pricing premium that enables continuous improvement and operational simplification. Sticking to such a model is advisable if it proves sustainable. I am confident in this approach, which we are currently adopting. By adhering to this model, we avoid the pursuit of short-term revenue growth and market share".

My personal motto is to "do good deeds without asking about the future". I am grateful to all our shareholders for your trust and support. I firmly believe that by consistently pursuing high-quality and efficient practices, we can overcome different cyclical and structural challenges and any obstacles, thereby achieving enduring success.

**ZHANG Xiaolong**

*Chairman*

March 28, 2024

Jiuxian Bridge, Beijing



## Results Highlights

	2019	2020	2021	2022	2023
<b>Operating Results</b>					
Employee	1,592	12,803	8,964	7,440	<b>7,325</b>
Full-time instructor	716	6,552	4,520	3,941	<b>3,225</b>
Other staff	876	6,251	4,444	3,499	<b>4,100</b>
Operational hub	31	214	363	198	<b>202</b>
Monthly active user	2,924,180	4,667,527	6,504,300	7,945,237	<b>9,078,177</b>

**For the Year Ended December 31/  
As of December 31,**

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Consolidated Statement of Profit and Loss (Selected Items)</b>					
Revenue	1,160,315	2,132,074	3,428,559	2,810,429	<b>3,021,318</b>
Profit/(loss) before income tax	184,036	(517,167)	(2,057,929)	(2,045,526)	<b>204,953</b>
Profit/(loss) for the year	154,070	(484,472)	(2,045,971)	(2,088,707)	<b>188,566</b>
Adjusted net profit/(loss) (non-IFRS measures)*	175,241	(362,835)	(822,357)	190,134	<b>445,130</b>
<b>Consolidated Statement of Financial Position (Selected Items)</b>					
Total assets	645,894	1,368,933	2,142,223	1,633,450	<b>2,122,508</b>
Total liabilities	468,263	7,945,093	10,376,863	12,496,462	<b>854,764</b>
Equity/(deficit) attributable to owners of the Company	177,631	(6,576,160)	(8,234,640)	(10,863,012)	<b>1,267,744</b>

Note:

\* See "Management Discussion and Analysis — non-IFRS measures" in this annual report.



# Management Discussion and Analysis

## BUSINESS OVERVIEW

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

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

- **Online learning products.** Online learning products include membership packages and challenge exercises. We offer members access to exam notes and videos explaining exercises, news updates, hot topics, exercise sets, and course materials on the Fenbi online platform. The monthly price for membership packages of major subjects is generally between RMB20 to RMB70, based on the benefits and duration of the membership. The challenge exercises are generally priced between RMB199 to RMB598. Our system recommends different sets of exercises to students based on their areas of improvement and suitable difficulty level, which they can “pass through” one by one as they progress in the learning process. Students who achieve the target score within a prescribed period will be granted a partial or full refund of the purchase price. In 2023, revenue generated from the online learning products amounted to approximately RMB126 million.
- **Large-class tutoring courses.** Large-class courses, being live large-class tutoring courses mainly including systematic courses, are equipped with high-caliber instructors and well-designed curricula. These courses provide systematic knowledge explanations and relevant exercises to empower students throughout the examination preparation process. Our online large-class tutoring courses typically have over 1,000 students, with teaching durations ranging from 30 to 90 days and are generally priced between RMB300 to RMB980. In 2023, revenue generated from the large-class tutoring courses amounted to approximately RMB666 million.
- **Small-class tutoring sessions.** Small-class tutoring sessions are small classes primarily with online teaching model or integrated online and offline teaching model. Our written test classes for major subjects typically have 30 to 60 students, with tutoring durations ranging from 30 to 120 days. The written test classes for civil servants examination are generally priced over RMB7,000. Our interview test classes for major subjects typically have 8 to 12 students, with tutoring durations ranging from 5 to 15 days. The interview test classes for civil servants examination are generally priced over RMB8,000. Our small-class tutoring sessions offer personalized tutoring services for students, utilizing the internet to effectively manage the quality of our teaching staff and their teaching performance, ensuring consistent teaching results across different classes thereby gradually achieving the brand recognition for our course products. Leveraging our proprietary technology and extensive learning behavior data, our online learning system comprehensively records learning path and provides real-time feedback on students’ weaknesses, significantly enhancing the teaching efficiency. Supported by our increasingly accumulated data, we offer personalized and targeted comprehensive learning solutions to each student. In 2023, revenue generated from the small-class tutoring sessions amounted to approximately RMB1,665 million.
- **Other tutoring courses.** Other tutoring courses include special tutoring courses and promotional courses. In 2023, revenue generated from other tutoring courses amounted to approximately RMB57 million.





## Management Discussion and Analysis

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

### OUTLOOK

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

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

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

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

### FINANCIAL REVIEW

#### Revenue

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

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

# Management Discussion and Analysis

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

## Cost of revenue

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

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

## Gross profit and gross profit margin

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

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

- *Tutoring services.* Our gross profit margin for tutoring services increased from 51.5% in 2022 to 55.4% in 2023, primarily due to our continuous optimization of the cost structure, resulting from (1) our efforts in deepening the integration of online and offline teaching models to enable students to flexibly choose service formats and improve class fill rate, (2) the enhanced teaching efficiency empowered by AI technology and other online technologies, and (3) our improved operational efficiency.
- *Sales of books.* Our gross profit margin for sales of books increased from 33.6% in 2022 to 34.7% in 2023, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the scale-up of our in-house printing facilities, despite our revenue growth.



# Management Discussion and Analysis

## Administrative expenses

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

## Selling and marketing expenses

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

## Research and development expenses

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

## Net impairment losses on financial assets

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

## Other income

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

## Other losses, net

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

## Finance income/(costs), net

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

## Profit/(loss) before income tax

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

## Income tax expense

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

## Profit/(loss) for the year

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



# Management Discussion and Analysis

## Non-IFRS measure

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

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

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

## Contract assets

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

## Contract liabilities

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



# Management Discussion and Analysis

## Refund liabilities

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

## Liquidity and capital resources

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

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

## Cash and cash equivalents

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

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

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



# Management Discussion and Analysis

## Exposure to exchange rate fluctuation

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

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

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

## Capital expenditure

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

## Capital commitments

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

## Contingent liabilities

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

## Significant investments, material acquisitions and disposals

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

## Future plans for material investments and capital assets

Save as disclosed in the Prospectus and this annual report, we did not have other substantial future plans for material investments and capital assets.

## Charge on Group's assets

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

## Borrowings and gearing ratio

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



# Management Discussion and Analysis

## Key financial indicators

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

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

(1) The calculation of gross profit margin is based on gross profit divided by revenue for the year indicated and multiplied by 100%.

(2) The calculation of net profit/(loss) margin is based on profit/(loss) for the year divided by revenue for the respective year and multiplied by 100%.

(3) The calculation of adjusted net profit margin (non-IFRS measure) is based on adjusted net profit divided by revenue for the respective year and multiplied by 100%.

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

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

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

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

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

To incentivize its employees and promote the long-term growth of the Company, the Company has also adopted the Pre-IPO Share Option Scheme, 2023 Restricted Share Unit Scheme and 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.

### DIRECTORS

#### Executive Directors

**Mr. ZHANG Xiaolong (張小龍)**, aged 41, is our executive Director, chief executive officer and chairman of the Board. He is primarily responsible for the overall strategic planning and business development and operation, as well as overall technological and curriculum development of our Group. Mr. Zhang started the business of our Group in February 2015 and has served as a director and chief executive officer of Fenbi Bluesky since then. He has also served as director and general manager of certain of our subsidiaries, including serving as the chairman of the board and general manager of Tianxia Education since November 2016 and as the executive director and general manager of Tianxia Culture from March 2016 to April 2019.

Prior to joining our Group, Mr. Zhang served as the director of operation of civil servants examination products at YLBJ, a subsidiary of YUAN Inc, from August 2013 to February 2015. Prior to that, he worked at Beijing Huatu Hongyang Education & Culture Corp., Ltd. (北京華圖宏陽教育文化發展股份有限公司) since August 2011.

Mr. Zhang obtained his bachelor's degree in philosophy from Guizhou University (貴州大學) in July 2005.

**Mr. WEI Liang (魏亮)**, aged 39, is our executive Director and president. He is primarily responsible for the overall management of tutoring business and technological matters of our Group. Mr. Wei co-founded our Group together with Mr. Zhang in February 2015 and has served as the president of Fenbi Bluesky since then and served as the chief executive officer of Fenbi Bluesky from February 2015 to October 2023.

Prior to joining our Group, Mr. Wei worked at Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司), which is a subsidiary of Tencent Holding Limited, a company listed on the Stock Exchange (stock code: 00700), from February 2012 to January 2015. He also served as the manager for wireless industry department at Kaixinren Network Technology (Beijing) Co., Ltd. (開心人網絡科技(北京)有限公司), which is a subsidiary of Shenzhen Sunwin Intelligent Co., Ltd. (深圳市賽為智能股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300044), from April 2010 to January 2012. Prior to that, Mr. Wei worked at Sony Mobile Communication Products (China) Co., Ltd. (索尼移動通信產品(中國)有限公司) from February 2008 to March 2010.

Mr. Wei obtained a bachelor's degree in computer science from Wuhan University (武漢大學) in June 2005 and a master's degree in software engineering from Beihang University (北京航空航天大學) in January 2008.





## Directors and Senior Management

### Non-executive Directors

**Mr. LI Yong (李勇)**, aged 49, is our non-executive Director and is primarily responsible for providing guidance and advice on the business strategies of our Group. He has also served as a director of Fenbi Bluesky since February 2015.

Mr. Li is a co-founder and chief executive officer of YUAN Inc since May 2012 and is primarily responsible for the strategic planning and overall operation of YUAN Inc. Prior to that, Mr. Li worked at NetEase, Inc., a company listed on NASDAQ (symbol: NTES) and the Stock Exchange (stock code: 9999), where he was primarily responsible for the operation of portal business since May 2005. Mr. Li is also a co-founder of HELLO GROUP INC., a company listed on NASDAQ (symbol: MOMO), where he previously served as a director from April 2012 to December 2015, and as an independent director from December 2015 to September 2022.

Mr. Li obtained a bachelor's degree in law from Renmin University in China in July 1996, and an MBA degree from Peking University in January 2006.

**Ms. LI Xin (李鑫)**, aged 40, is our non-executive Director and is primarily responsible for providing guidance and advice on the business strategies of our Group. He has also served as a director of Fenbi Bluesky since February 2015.

Mr. Li is a co-founder of YUAN Inc since May 2012 and is primarily responsible for the overall management of branding and marketing of YUAN Inc. Prior to that, he worked at NetEase, Inc., a company listed on NASDAQ (symbol: NTES) and the Stock Exchange (stock code: 9999), where he was successively responsible for the development of financial information business and portal business during the period from June 2005 to February 2007 and from February 2010 to April 2012.

Mr. Li obtained a bachelor's degree in urban planning from Southwest University of Science and Technology (西南科技大學) in June 2005.

### Independent Non-executive Directors

**Mr. QIU Dongxiao Larry (丘東曉)**, aged 62, is our independent non-executive Director since January 2023 and is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Qiu has been a chair professor and head of the Department of Economics at Lingnan University (嶺南大學) since January 2020. He was a professor at the Faculty of Business and Economics of University of Hong Kong (香港大學) from January 2008 to December 2019, and served as an associate dean at the Faculty of Business and Economics of University of Hong Kong from February 2012 to December 2019. Prior to that, Mr. Qiu served successively as assistant professor, associate professor and professor at Hong Kong University of Science and Technology (香港科技大學) since July 1993. He is the founding president of China Trade Research Group and was president of the Hong Kong Economic Association from 2015 to 2019. He also served as a Member of the Committee on the Promotion of Civic Education of Hong Kong from 2009 to 2011.

Mr. Qiu obtained a bachelor's degree in mathematics from Sun Yat-sen University (中山大學) in July 1983, a master's degree in arts and a doctorate degree in philosophy from University of British Columbia in May 1989 and November 1993, respectively.



## Directors and Senior Management

**Mr. YUEN Kai Yiu Kelvin (袁啟堯)**, aged 44, is our independent non-executive Director since January 2023 and is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Yuen has served as the head of North Asia and chief financial officer at Allinfra Ltd. since April 2021. He previously worked at Macquarie Group over a 12 year period from August 2008 to April 2015 and from June 2015 to September 2020. During that period, Mr. Yuen has assumed senior roles including associate director and head of client coverage in Shanghai. Prior to that, he worked at AusNet Services (previously known as SP AusNet) from March 2005 to August 2008. Mr. Yuen also worked as a senior analyst at Deloitte from May 2003 to March 2005 in Australia.

Mr. Yuen obtained a bachelor's degree in commerce from University of Melbourne in March 2001. He became a member of The Institute of Chartered Accountants in Australia in April 2004.

**Ms. YUAN Jia (袁佳)**, aged 43, is our independent non-executive Director since January 2023 and is primarily responsible for supervising and providing independent opinion to our Board.

Ms. Yuan has served as a vice dean at Beijing City University (北京城市學院) since July 2003. She has also served as the executive director of Beijing Capital Kids Future Education Technology Development Co., Ltd. (北京京童未來教育科技發展有限公司) since July 2019 where she is responsible for the general operation of the company, and as an independent director of Beijing Kaiwen Dexin Education Technology Co., Ltd. (北京凱文德信教育科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002659), since August 2022.

Ms. Yuan obtained a bachelor's degree in journalism from China Youth University of Political Studies (中國青年政治學院) in July 2003 and a master's degree in law from China University of Political Science and Law (中國政法大學) in January 2010.

### SENIOR MANAGEMENT

**Mr. ZHANG Xiaolong (張小龍)**, aged 41, is our chief executive officer, executive Director and chairman of the Board. Please refer to "Directors and Senior Management – Directors" for his biographical details.

**Mr. WEI Liang (魏亮)**, aged 39, is our executive Director and president. Please refer to "Directors and Senior Management – Directors" for his biographical details.

**Ms. SHENG Haiyan (盛海燕)**, aged 39, is our vice president, and is responsible for the overall management of book distribution and sales of our Group. Ms. Sheng joined our Group in February 2015 and has served as a director or senior management at certain of our subsidiaries, including serving as a vice president of Fenbi Bluesky since February 2015, as a vice president of Tianxia Culture since March 2016, as the executive director and general manager of Tianxia Culture since April 2019, as a director of Tianxia Education since November 2016, as the executive director and general manager of Beijing Shengshi Jintu Culture Communication Co., Ltd. since September 2020, and as a vice president of Lancai Tianxia since October 2020.

Prior to joining our Group, Ms. Sheng served as a deputy director of online career test preparation department of YLBJ, from August 2013 to February 2015. She also served as a full-time teacher at Beijing Huatu Hongyang Education & Culture Corp., Ltd. (北京華圖宏陽教育文化發展股份有限公司) from April 2010 to October 2013.

Ms. Sheng obtained a bachelor's degree in business administration from Shandong Normal University (山東師範大學) in June 2007 and a master's degree in economics from Renmin University of China (中國人民大學) in July 2010.



## Directors and Senior Management

**Ms. LI Yan (李妍)**, aged 47, is our vice president, and is responsible for the overall management of branding, public relations and human resources of our Group. Ms. Li joined our Group in November 2017 and has served as a vice president of Fenbi Bluesky since then.

Prior to joining our Group, Ms. Li served successively as an editor, marketing manager and chief editor at NetEase Media Technology (Beijing) Co., Ltd. (網易傳媒科技(北京)有限公司) from February 2002 to November 2017.

Ms. Li obtained a bachelor's degree in computer science from Beijing University of Posts and Telecommunications (北京郵電大學) in January 2004.

**Mr. RAN Dong (冉棟)**, aged 38, is our chief financial officer and vice president. He is primarily responsible for the overall financial management and investment of our Group. Mr. Ran joined our Group in September 2020 and has served as a vice president of Fenbi Bluesky since November 2020.

Prior to joining our Group, Mr. Ran worked at Macquarie Group as a vice president from October 2017 to September 2020, and also held various positions there from July 2011 to July 2015 with his last position as a vice president. During the period from June 2015 to July 2017, he worked at UBS Securities Hong Kong Limited where he served as a director before his departure. Mr. Ran also served as an analyst at Rothschild (Hong Kong) Limited from April 2010 to August 2011. Prior to that, he served as an analyst at BOCI Asia Limited from August 2008 to March 2010.

Mr. Ran obtained a bachelor's degree in economics and finance from the University of Hong Kong (香港大學) in June 2008. He is a registered financial risk manager recognized by Global Association of Risk Professionals (全球風險專業人士協會) since August 2019.

### JOINT COMPANY SECRETARIES

**Ms. WANG Tao (汪陶)** is a joint company secretary of our Company. Ms. Wang joined our Group in March 2020 and has served as the financial director of Fenbi Bluesky since then. Prior to joining our Group, she served as a financial director at Beijing Afanti Technology Co., Ltd. (北京阿凡題科技有限公司) from August 2018 to October 2019. From October 2012 to May 2018, Ms. Wang held various positions at China Telecom Bestpay Co, Ltd. (天翼電子商務有限公司) where she served as the head of finance and capital department before her departure. Prior to that, Ms. Wang worked as an accountant at auto finance center of China CITIC Bank Corporation Limited (中信銀行股份有限公司) from July 2010 to July 2012.

Ms. Wang obtained a bachelor's degree in accounting with a double major in psychology from Peking University (北京大學) in July 2010 and a master's degree in business management from Tsinghua University (清華大學) in June 2017. She was accredited as a non-practicing certified public accountant by the Beijing Institute of Certified Public Accountants in April 2014 and as a chartered financial analyst by CFA Institute in December 2018.

**Mr. LEE Chung Shing (李忠成)** is a joint company secretary of our Company. Mr. Lee has over 20 years of experience in providing services to listed companies in the areas of auditing, financial management, company secretarial services and investors relations. He is currently a vice president in the governance services department of an external service provider, and joint company secretary and the company secretary of various companies listed on the Stock Exchange.

Mr. Lee is currently an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from City University of Hong Kong and a master's degree in business administration (financial services) from The Hong Kong Polytechnic University.



# Directors' Report

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2023.

## PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on December 14, 2020, as an exempted company with limited liability under the Cayman Companies Act. The Company is an investment holding company. The Group is a non-formal vocational education and training service provider in China, with its operations substantially conducted through its subsidiaries in China. The Company was listed on the Main Board of the Stock Exchange on January 9, 2023 with stock code 2469.

The activities and particulars of the Company's principal subsidiaries are set out in Note 38 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2023 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

## BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, is provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Directors' Report" in this annual report.

The results of the Group for the Reporting Period are set out in the consolidated financial statements in this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to its business and some are affected by the external environment. The Group's principal risks and uncertainties are summarized below. Further discussion and analysis of principal risks and uncertainties facing by the Group are set out in this Directors' report.

### COVID-19 outbreak

Since the outbreak of COVID-19, a series of precautionary and control measures have been implemented worldwide to contain the virus. Government efforts to contain the spread of the COVID-19 pandemic, including city lockdowns, "stay-at-home" orders, travel restrictions and emergency quarantines, have caused significant and unprecedented disruptions to the global and Chinese economy and normal business operations across various sectors, including the Group's addressable markets. Certain national and provincial recruitment and qualification examinations in China were postponed as a result of the COVID-19 outbreak which required the Group to postpone relevant course delivery correspondingly, leading to delayed revenue recognition. Several other examinations were held earlier than scheduled, which resulted in shortened service periods and lowered course fees the Group charged and, therefore, decreased revenue. Moreover, while the Group temporarily suspended its classroom-based tutoring courses resulting from the restrictions on offline activities during the outbreak, the Group continued to incur relevant employee benefit expenses and fixed cost and expenses relating to leased properties on which the Group operates its classroom-based tutoring services, which adversely affected the results of operations and profitability of the Group.

Although the government has lifted the travel restrictions and eased several containment measures, there may remain uncertainties surrounding the COVID-19 outbreak. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on business, results of operations and financial condition of the Group.



# ★ Directors' Report

## Foreign exchange risk

The functional currency of subsidiaries of the Company in China is Renminbi, while the functional currency of the Company and its subsidiaries outside China is US dollars. Foreign exchange risk arises from the fluctuation in exchange where monetary assets of the Group are denominated in currency other than functional currency. We have continued to closely track and manage the exposure of the Group to fluctuations in foreign exchange rates for the majority of the Group's deposits in foreign currencies.

## Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss held by the Group, which are carried at fair value with changes in the fair value recognized in profit or loss. To manage the price risk of the Group arising from investments, we diversify the portfolio of the Group in accordance with its internal limits. Each investment is managed by our senior management on a case-by-case basis.

## Credit Risk

The credit risk of the Group is managed on a group basis. The credit risk of our financial assets, which mainly comprises cash and cash equivalents, contract assets, trade receivables, other receivables, lease receivables and financial assets at fair value through profit or loss and other financial assets at amortised cost, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. We assess the credit quality of the counterparties by taking into account their financial position, credit history, forward-looking information and other factors. Our management also monitors the recoverability of receivables and follow up the disputes or amounts overdue, if any. In addition, we regularly review the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

- (i) the Group's largest supplier accounted for 5.2% (2022: 10.7%) of its total purchases, and the five largest suppliers accounted for 18.3% of its total purchases (2022: 22.1%); and
- (ii) the Group's largest customer accounted for 1.6% (2022: 1.0%) of its total revenue, and the five largest customers accounted for 3.7% of its total revenue (2022: 3.5%).

None of the Directors or any of their close associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers for 2023.

## KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

For details of relationship with the employees, customers and suppliers, please refer to "Major Customers and Suppliers", "Employees, Training and Remuneration Policies" and "Environmental, Social and Governance Report" in this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements in this annual report.



## SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements in this annual report.

## DEBENTURES

The Company did not issue any debentures during the Reporting Period.

## DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company had no reserves available for distribution to its Shareholders.

## BORROWINGS

As of December 31, 2023, the Group had no bank borrowings or other borrowings.

## EQUITY LINKED AGREEMENTS

Save as disclosed in this annual report, no equity linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report were:

### Executive Directors

Mr. ZHANG Xiaolong (*Chairman of the Board and Chief Executive Officer*)

Mr. WEI Liang

### Non-executive Directors

Mr. LI Yong

Mr. LI Xin

Mr. LI Zhaohui (*resigned on March 8, 2023*)

### Independent Non-executive Directors

Mr. QIU Dongxiao Larry

Mr. YUEN Kai Yiu Kelvin

Ms. YUAN Jia

Biographical details of Directors and senior management are set out in "Directors and Senior Management" of this annual report.



# ☆ Directors' Report

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company during the Reporting Period and up to the date of this annual report are set out below:

1. Mr. LI Zhaohui resigned as a non-executive Director with effect from March 8, 2023 to devote more time to pursue other business engagements.
2. Mr. WEI Liang ceased to be the chief technology officer of the Company and Fenbi Bluesky in October 2023 to take on broader management responsibilities across the entire Group.

Save as disclosed in this annual report, there were no changes in information of Directors of the Company that are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

On December 20, 2022, each of the executive Directors has entered into a service contract with our Company, and each of the non-executive Directors and independent non-executive Directors have entered into letters of appointment with our Company. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from December 20, 2022. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years since the Listing Date. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms or by either party giving to the other not less than three-month prior written notice. The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended December 31, 2023, none of the Directors were interested in any business which competes or is likely to compete with the businesses of the Group, which would require disclosure in accordance with Rule 8.10 of the Listing Rules.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions" and "Related Party Transactions" in this annual report, none of the Directors or their respective connected entities (as defined in the Listing Rules) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company was a party subsisting during or at the end of the year ended December 31, 2023.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the sections headed "Connected Transactions" and "Related Party Transactions" in this annual report, no contract of significance (including provision of services) has been entered into between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries during the year ended December 31, 2023.

## CONNECTED TRANSACTIONS

Upon Listing, transactions between members of the Group and the Company's connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the non-exempt continuing connected transactions are set out below in the sections headed "Continuing Connected Transactions" and "Contractual Arrangements" in this directors' report.



## RELATED PARTY TRANSACTIONS

Certain related party transactions as disclosed in Note 35 to the consolidated financial statements in this annual report constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

## CONTINUING CONNECTED TRANSACTIONS

### Cloud Services and Technical Services Framework Agreement

In December 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a cloud services and technical services framework agreement (the **"Cloud Services and Technical Services Framework Agreement"**) with Tencent Computer, pursuant to which Tencent Computer agreed to provide cloud services and other cloud-related technical services to us for service fees. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative to building all supporting technology infrastructure internally. We will be able to reduce unnecessary management resources and costs incurred from the purchase of additional technology hardware and tools, and recruitment of additional full-time information technology and maintenance staff. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Cloud Services and Technical Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024. Please refer to "Connected Transactions" section in the Prospectus for details.

The service fee will be agreed by the parties through arm's length negotiations based on the fee rates disclosed on the relevant official websites of Tencent. We will take into account a number of factors, including but not limited to (i) the quality and stability of cloud and technical services of different service providers; and (ii) the service fee rates. We will only enter into a cloud services and technical services agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers.

The annual cap of service fees to be paid by our Group to Tencent Computer for procurement of cloud services and technical services for the year ended December 31, 2023 is approximately RMB18.0 million, while the actual transaction amount incurred in accordance with the Cloud Services and Technical Services Framework Agreement for the year ended December 31, 2023 was approximately RMB11.3 million.

Tencent Computer is a subsidiary of Tencent, one of our substantial shareholders. Accordingly, Tencent Computer is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions with Tencent Computer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.





# ★ Directors' Report

## Payment Services Framework Agreement

In December 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a payment services framework agreement (the “**Payment Services Framework Agreement**”) with Tencent Computer, pursuant to which Tencent Computer agreed to provide us with payment services through its payment channels so as to enable our customers to conduct online transactions and we will pay service commissions to Tencent Computer in respect of such services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Payment Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024. Please refer to “Connected Transactions” section in the Prospectus for details.

Before entering into any payment service agreement pursuant to the Payment Services Framework Agreement, we will assess our business needs and compare the payment service commissions proposed by Tencent Computer with the commissions offered by at least one other comparable service provider. In addition, we will take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment service providers; (ii) consumers' preference among different online payment service providers; and (iii) the payment service commission rates. We will only enter into a payment service agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third-party service providers.

The annual cap of the payment service commissions paid by our Group to Tencent Computer for the year ended December 31, 2023 is approximately RMB17.0 million, while the actual transaction amount incurred in accordance with the Payment Services Framework Agreement for the year ended December 31, 2023 was approximately RMB9.0 million.

Tencent Computer is a subsidiary of Tencent, one of our substantial shareholders. Accordingly, Tencent Computer is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions with Tencent Computer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## Printing Services Framework Agreement

In December 2022, Lancai Tianxia entered into a printing services framework agreement (the “**Printing Services Framework Agreement**”) with YLBJ (for itself and on behalf of its subsidiaries), pursuant to which YLBJ agreed to engage Lancai Tianxia to provide custom printing and book binding services for its self-developed learning materials. Given the great demand of YLBJ for printing services, we could benefit from the business cooperation between us and YLBJ in expansion and promotion of our printing services, which enable us to enhance our competitiveness. We could also reduce unnecessary management resources and costs incurred from client sourcing. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Printing Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024. Please refer to “Connected Transactions” section in the Prospectus for details.

Before entering into any printing services agreement pursuant to the Printing Services Framework Agreement, we will review and ensure the payment arrangement of such individual printing services agreement are on normal commercial terms. The fee quotes offered by us shall take into account the quantity of the relevant orders, the service scopes and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by us to Independent Third Parties in respect of comparable goods and services, and the prevailing market price of comparable goods and services.



The annual cap of the total revenues from YLBJ for procurement of our printing services for the year ended December 31, 2023 is approximately RMB10.0 million, while the actual transaction amount incurred in accordance with the Printing Services Framework Agreement for the year ended December 31, 2023 was approximately RMB3.6 million.

As of the date of this annual report, YLBJ is owned as to 63.568% by Mr. LI Yong, our Director and one of our Controlling Shareholders, and is a subsidiary of YUAN Inc (through contractual arrangements) which is in turn controlled by Mr. LI Yong through more than 30% of the voting power at general meeting of YUAN Inc. Accordingly, YLBJ is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions with YLBJ constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Annual Review by Independent Non-executive Directors and the Auditor**

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.55 of the Listing Rules and confirmed that the aforesaid continuing connected transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better to the Group; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has been engaged to report on the continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has confirmed in a letter to the Board with a copy to the Stock Exchange that, with respect to the aforesaid continuing connected transactions entered into during the Reporting Period:

- (i) nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that such transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate actual transaction amount of each of the aforesaid continuing connected transactions, nothing has come to their attention that causes them to believe that such actual transaction amounts have exceeded the relevant annual caps as set by the Company.

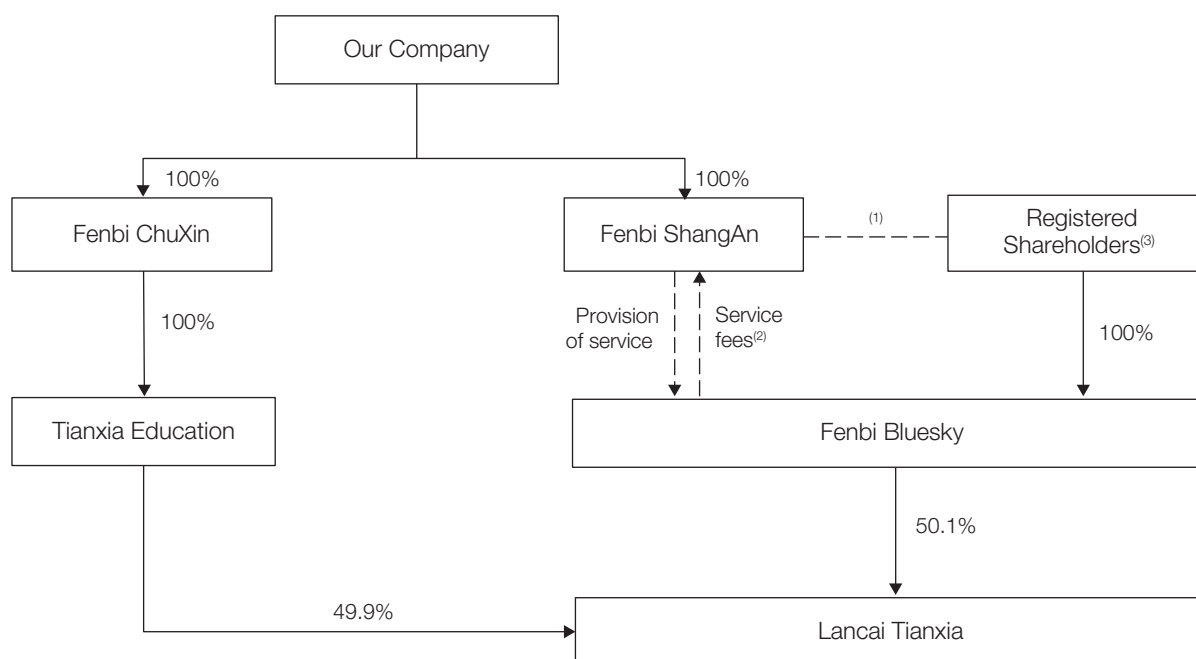
# Directors' Report

## CONTRACTUAL ARRANGEMENTS

### Overview

Our online non-formal vocational education and training services and book printing business in the PRC (the “**Relevant Businesses**”) are subject to foreign investment restrictions under PRC laws. To comply with the relevant PRC laws, our Relevant Businesses are directly conducted through our Consolidated Affiliated Entities. On July 31, 2021, we entered into the Contractual Arrangements through which, together with the equity holding, we are able to exercise control over and enjoy all the economic benefits derived from the operations of the Consolidated Affiliated Entities. The Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements.



—> denotes direct legal and beneficial ownership in the equity interest

- - -> denotes contractual relationship

#### Notes:

- (1) Control of Fenbi ShangAn over Fenbi Bluesky through the following agreements with the Registered Shareholders: (i) Shareholder Right Proxy Agreement, (ii) Exclusive Option Agreement, and (iii) Equity Pledge Agreement. Please refer to “Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements” in the Prospectus for details.
- (2) Control of Fenbi ShangAn over Fenbi Bluesky through the Business Cooperation and Service Agreement. Please refer to “Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements” in the Prospectus for details.
- (3) The Registered Shareholders refer to the registered shareholders of Fenbi Bluesky. Fenbi Bluesky is owned as to 92.45%, 5.00%, 2.25%, 0.10%, 0.10% and 0.10% by Mr. Zhang, Beijing Fenbi Box, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen, respectively. Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner.

The Consolidated Affiliated Entities contributed a significant portion of our Group’s financial positions and results of operations. The revenue of our Consolidated Affiliated Entities amounted to RMB1,445.3 million for the year ended December 31, 2023, representing approximately 47.8% of the total revenue of our Group.



## Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

### ***Business Cooperation and Service Agreement***

As part of the Contractual Arrangements, Fenbi ShangAn entered into a business cooperation and service agreement (the “**Business Cooperation and Service Agreement**”) with Fenbi Bluesky and its subsidiary on July 31, 2021, pursuant to which Fenbi ShangAn agreed to be engaged as the exclusive provider of technical services, management support services, consulting services, market research and other services to the Consolidated Affiliated Entities, in exchange for service fees. Under the Business Cooperation and Service Agreement, the service fees payable to Fenbi ShangAn, subject to the adjustment by Fenbi ShangAn, shall equal to the total profit of the Consolidated Affiliated Entities, after deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year.

In addition, without the prior written consent of Fenbi ShangAn, during the term of the Contractual Arrangements, with respect to the services subject to the Business Cooperation and Service Agreement, Fenbi Bluesky and its subsidiary shall not establish cooperation relationships similar to those formed by the Business Cooperation and Service Agreement with any third party.

The Business Cooperation and Service Agreement also provides that Fenbi ShangAn has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Fenbi Bluesky or its subsidiary during the performance of the Business Cooperation and Service Agreement.

The Business Cooperation and Service Agreement shall remain in effect until (1) Fenbi ShangAn exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral right of termination.

### ***Exclusive Option Agreement***

Fenbi ShangAn entered into an exclusive option agreement (the “**Exclusive Option Agreement**”) on July 31, 2021 with Fenbi Bluesky and its subsidiary and the Registered Shareholders, pursuant to which Fenbi ShangAn (or its designees) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Fenbi Bluesky and its subsidiary, and an irrevocable and exclusive right to purchase from Fenbi Bluesky and its subsidiary all or any part of their assets, at a minimal price required by the relevant government authorities or PRC laws. To the extent permitted by applicable PRC laws and regulations, the Registered Shareholders shall return the amount of purchase price they have received in full to Fenbi ShangAn. At Fenbi ShangAn’s request, the Registered Shareholders, Fenbi Bluesky and/or its subsidiary will promptly and unconditionally transfer their respective equity interests and/or assets to Fenbi ShangAn (or its designee) after Fenbi ShangAn exercises its this option.

In order to prevent the flow of the assets and value of the Consolidated Affiliated Entities to the Registered Shareholders, during the terms of the Exclusive Option Agreement, none of the assets of the Consolidated Affiliated Entities shall be sold, transferred or otherwise disposed of without the prior written consent of Fenbi ShangAn. In addition, Fenbi Bluesky is not allowed to make any distributions to the Registered Shareholders without the prior written consent of Fenbi ShangAn. In the event that the Registered Shareholders receive any profit distribution or dividend from Fenbi Bluesky, the Registered Shareholders must immediately pay or transfer such amount to Fenbi ShangAn (or its designee). If Fenbi ShangAn exercises this option, all or any part of the equity interests of Fenbi Bluesky and its subsidiary acquired would be transferred to Fenbi ShangAn and the benefits of equity ownership would flow to the Company and our Shareholders.



## ★ Directors' Report

The Exclusive Option Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

### ***Equity Pledge Agreement***

Fenbi ShangAn entered into an equity pledge agreement (the “**Equity Pledge Agreement**”) on July 31, 2021 with the Registered Shareholders, Fenbi Bluesky and its subsidiary, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Fenbi Bluesky that they legally own to Fenbi ShangAn as a first security interest to guarantee the performance of contractual obligations of Fenbi Bluesky and the Registered Shareholders under the relevant Contractual Arrangements.

Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without prior written consent of Fenbi ShangAn, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Fenbi ShangAn’s interest.

The Equity Pledge Agreement shall remain in effect until (1) the satisfaction of all contractual obligations of Fenbi Bluesky and the Registered Shareholders in full, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination. The equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws and regulations.

### ***Shareholder Right Proxy Agreement and Powers of Attorney***

Under the shareholder right proxy agreement entered into by and among Fenbi ShangAn, the Registered Shareholders and Fenbi Bluesky on July 31, 2021 (the “**Shareholder Right Proxy Agreement**”), and the irrevocable powers of attorney executed by each of the Registered Shareholders on the same date (the “**Powers of Attorney**”), the Registered Shareholders have appointed Fenbi ShangAn, or any director of Fenbi ShangAn or the person designated by Fenbi ShangAn (including a liquidator replacing the person designated by the Fenbi ShangAn) as their agent and attorney to act on their behalf on all matters concerning Fenbi Bluesky and to exercise all of their rights as registered shareholders, including but not limited to (1) the right to propose to convene and attend shareholders’ meetings; (2) the right to exercise voting rights on all matters that require discussion and resolution at shareholders’ meeting, approve and sign resolutions on behalf of the relevant Registered Shareholder; (3) the right to exercise all shareholder rights and shareholder voting rights under applicable PRC laws and the articles of association; (4) the right to sign the relevant equity transfer agreement and other relevant documents on behalf of the relevant Registered Shareholder and handle the relevant procedures required for the equity transfer in accordance with the relevant Exclusive Option Agreement and Equity Pledge Agreement; and (5) the right to instruct the directors and senior managers of Fenbi Bluesky to act in accordance with the instructions of Fenbi ShangAn (or its designee) without violating the applicable PRC laws, regulations and the articles of association.

The Shareholder Right Proxy Agreement also provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of the Company, the powers of attorney are granted in favour of officers or directors of the Company other than those who are the Registered Shareholders.

The Shareholder Right Proxy Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.



### **Loan Agreement**

Pursuant to the Loan Agreement entered into by and among Fenbi ShangAn and Fenbi Bluesky on July 31, 2021, Fenbi ShangAn agreed to provide interest-free loans to Fenbi Bluesky in accordance with the PRC laws and regulations and Fenbi Bluesky agreed to utilize the proceeds of such loans to contribute to business operation and development of its subsidiary.

The terms of the Loan Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Fenbi ShangAn. The loans will become due and payable upon Fenbi ShangAn's demand under any of the following circumstances, as the case may be: (1) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Fenbi Bluesky, (2) a winding-up or liquidation application has been filed by or against Fenbi Bluesky, (3) Fenbi Bluesky becoming insolvent or incurring any other significant debt which may affect its ability to repay the loan under the relevant Loan Agreement, (4) Fenbi ShangAn or its designee exercising in full their option to purchase all equity interest in Fenbi Bluesky and its subsidiary from the Registered Shareholders to the extent permitted by PRC laws and regulations, or (5) any of relevant contractual parties (except for Fenbi ShangAn) commits any breach of any obligations under the Contractual Arrangements, or any warranties provided by relevant contractual parties (except for Fenbi ShangAn) under the Contractual Arrangements is proved incorrect or inaccurate.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and our Consolidated Affiliated Entities during the year ended December 31, 2023. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended December 31, 2023.

For the year ended December 31, 2023, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2023, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.



# Directors' Report

## Reasons for Adopting the Contractual Arrangements

The Relevant Businesses we currently operate are subject to foreign investment restriction or prohibition under PRC laws and regulations. In particular, Fenbi Bluesky operates a mixture of “prohibited business” and “restricted business” under Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “**2021 Negative List**”). Fenbi Bluesky delivers online courses in live or pre-recorded format, or a combination of both, through Fenbi online platform, which involves providing internet information services, hence constituting value-added telecommunications services under the applicable PRC laws and “restricted businesses” under the 2021 Negative List. Meanwhile, such business operation of Fenbi Bluesky involves (i) the production of content in video format, which constitutes radio and television program production and operation pursuant to the Regulations on the Administration of Production of Radio and Television Programmes (廣播電視節目製作經營管理規定), and (ii) the provision of video and audio content on online platforms, which falls within the scope of internet audio-visual programs services pursuant to the Administrative Regulations on Internet Audio-visual Program Service (互聯網視聽節目服務管理規定). The aforementioned business is provided to users of the Group through Fenbi online platform, where the tutoring services and course content have been fully integrated on such online platform under the same domain name and are inseparable. Additionally, it is not commercially practical to separate the value-added telecommunications business, the internet audio-visual program services and radio and the television program production services because they are carried out through common human resources, working capital, software and hardware on the same platform. Each of the radio and television program production and operation business and the internet audio-visual programs services falls within the scope of “prohibited business” under the 2021 Negative List. Moreover, Lancai Tianxia operates book printing business, which falls within the scope of publication printing business and such scope belongs to the “restricted” investment category. Our Company, as a foreign entity, shall not directly or indirectly hold more than 50% of the equity interests in Lancai Tianxia.

Based on the above, we believe that to maintain the business operations and effectiveness of the licenses and permits held by the Consolidated Affiliated Entities, the Consolidated Affiliated Entities must be controlled by the Company through the Contractual Arrangements. In line with common practice in industries in the PRC subject to foreign investment restriction or prohibition, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements among Fenbi ShangAn, Fenbi Bluesky and its registered shareholders (the “**Registered Shareholders**”). In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of the Group's operations, we have implemented the Contractual Arrangements with regards to our Consolidated Affiliated Entities. The Contractual Arrangements allow the financials and results of operations of our Consolidated Affiliated Entities to be consolidated into our financials and results of operations under the IFRS as if they were wholly-owned subsidiaries of our Company.



## Risks relating to the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, including:

- (1) If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in the Consolidated Affiliated Entities.
- (2) Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Consolidated Affiliated Entities or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.
- (3) We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities were to declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- (4) The Registered Shareholders may have conflicts of interest with us, and they may breach their obligations under the Contractual Arrangements or cause such arrangements to be amended in a manner contrary to our interests.
- (5) If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.
- (6) Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.
- (7) Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, business, results of operations, financial condition and prospects.
- (8) Our Contractual Arrangements may result in adverse tax consequences to us.
- (9) We do not have any insurance to cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

Please refer to "Risk Factors — Risks Relating to our Contractual Arrangements" in the Prospectus for details.

## Actions Taken by the Group to Mitigate the Risks relating to the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;





## ★ Directors' Report

- (3) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Fenbi ShangAn and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

### **Listing Rules Implications and Waiver from the Stock Exchange and annual review**

The transactions contemplated under certain Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. Zhang, are connected persons of the Group pursuant to Chapter 14A of the Listing Rules.

One or more of the applicable percentage ratios of transactions contemplated under the Contractual Arrangements are expected to be more than 5%. Therefore, the transactions will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (1) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the terms for the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

- (1) no change to the Contractual Arrangements (including with respect to any fees payable to Fenbi ShangAn thereunder) will be made without the approval of the independent non-executive Directors;
- (2) save as described in paragraph (4) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable;
- (3) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities;
- (4) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (5) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.



## Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (1) the transactions under the Contractual Arrangements carried out during the year ended December 31, 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (2) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2023;
- (3) no new contracts had been entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities for the year ended December 31, 2023; and
- (4) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The auditor of the Company has confirmed in a letter to the Board with a copy to the Stock Exchange that, with respect to Contractual Arrangements:

- (1) nothing has come to their attention that causes the auditor to believe that the Contractual Arrangements have not been approved by the Board;
- (2) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (3) nothing has come to their attention that causes the auditor to believe that dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

For details of the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements" and "Connected Transactions" in the Prospectus.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive emolument from the Company in the form of salaries, remuneration, pension, discretionary bonus and other welfares. The Board has established the Remuneration Committee to review and recommend the remuneration and compensation packages of the Directors and senior management of the Company, and the Board, with the advice from the Remuneration Committee, will review and determine the remuneration and compensation packages taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.



## ★ Directors' Report

Details of the emoluments of the Directors and five highest paid individuals in the Group are set out in Notes 36 and 9(b) to the consolidated financial statements in this annual report.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or other individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

### **ENVIRONMENTAL POLICIES AND PERFORMANCE**

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2023, we complied with the relevant environmental and occupational health and safety laws and regulations in China in all material aspects and we did not have any incidents or complaints that had a material and adverse effect on our business, results of operations and financial condition.

The environmental, social and governance report of the Company prepared in accordance with Appendix C2 of the Listing Rules is set out in the section headed "Environmental, Social and Governance Report" in this annual report.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2023, to the best knowledge of the Directors, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (A) Interest in the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of interest <sup>(1)</sup>
Mr. ZHANG Xiaolong <sup>(2)(3)</sup>	Interest in controlled corporation	257,200,000 (L)	11.27%
	Interest held jointly with another person	463,133,500 (L)	20.30%
Mr. WEI Liang <sup>(2)(4)</sup>	Interest in controlled corporation	85,165,000 (L)	3.73%
	Interest held jointly with another person	635,168,500 (L)	27.84%
Mr. LI Yong <sup>(2)(5)</sup>	Interest in controlled corporation	259,736,000 (L)	11.39%
	Interest held jointly with another person	460,597,500 (L)	20.19%
Mr. LI Xin <sup>(2)(6)</sup>	Beneficial interest	67,174,500 (L)	2.94%
	Interest in controlled corporation	51,058,000 (L)	2.24%
	Interest held jointly with another person	602,101,000 (L)	26.39%

The letter "L" denotes the person's long position in the Shares.

- (1) The calculation is based on the total number of 2,281,380,830 Shares in issue as of December 31, 2023, without taking into account any Shares that may be issued under the Pre-IPO Share Option Scheme, 2023 Restricted Share Unit Scheme and 2023 Share Option Scheme.
- (2) Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin entered into a concert party agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company. Please refer to "History, Reorganization and Corporate Structure" and "Relationship with Our Controlling Shareholders — Our Controlling Shareholders" in the Prospectus for details. Under the SFO, Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin are deemed to be interested in the Shares which each other has interest in.
- (3) Mr. ZHANG Xiaolong is deemed to be interested in the entire interests held by Chalk Sky Ltd, which is owned as to (a) 99.998% by Sonata (BVI) Limited, which is in turn wholly owned by Ocorian Trust Company as the trustee for ZXL Family Trust with Mr. ZHANG Xiaolong as the settlor and protector, and (b) 0.002% by Chalk Star Ltd, which is wholly owned by Mr. ZHANG Xiaolong.
- (4) Mr. WEI Liang is deemed to be interested in the entire interests held by Chalk World Ltd, which is owned as to (a) 99.998% by Creciendo (BVI) Limited, which is in turn wholly owned by Ocorian Trust Company as the trustee for WL Family Trust with Mr. WEI Liang as the settlor and protector, and (b) 0.002% by Chalk Wonder Ltd, which is wholly owned by Mr. WEI Liang. On December 19, 2023, the Company issued 27,500,000 Shares to Chalk World Ltd, pursuant to the exercise of options by Mr. WEI Liang under the Pre-IPO Share Option Scheme.
- (5) Liang Ma Limited is wholly-owned by Mr. LI Yong.
- (6) Green Creek Holding Limited is wholly-owned by Mr. LI Xin. Taurus Fund L.P. is a Cayman Islands Limited partnership, the general partner of which is controlled by Mr. LI Xin. Mr. LI Xin is deemed to be interested in the entire interests held by Green Creek Holding Limited and Taurus Fund L.P.



# Directors' Report

## (B) Interest in associated corporations of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Name of associated corporation	Approximate percentage of interest
Mr. ZHANG Xiaolong <sup>(1)</sup>	Beneficial interest; interest in controlled corporation	Fenbi Bluesky	97.45%
Mr. WEI Liang	Beneficial interest	Fenbi Bluesky	2.25%
Mr. LI Yong	Beneficial interest	Fenbi Bluesky	0.10%
Mr. LI Xin	Beneficial interest	Fenbi Bluesky	0.10%

- (1) Mr. Zhang is the general partner of Beijing Fenbi Box and thus deemed to be interested in the entire interests held by Beijing Fenbi Box in Fenbi Bluesky, namely 5% of the equity interests in Fenbi Bluesky.

Save as disclosed above and to the best knowledge of the Directors, as of the date of this annual report, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2023, to the best of knowledge of the Directors, the following persons, other than Directors or chief executive of the Company, had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest <sup>(1)</sup>
Chalk Sky Ltd <sup>(2)</sup>	Beneficial interest	257,200,000 (L)	11.27%
Sonata (BVI) Limited <sup>(2)</sup>	Interest in controlled corporation	257,200,000 (L)	11.27%
Liang Ma Limited <sup>(3)</sup>	Beneficial interest	259,736,000 (L)	11.39%
Ocorian Trust Company <sup>(4)</sup>	Trustee	314,865,000 (L)	13.80%
Tencent Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	293,526,000 (L)	12.87%
Tencent Mobility Limited <sup>(6)</sup>	Beneficial interest	178,736,000 (L)	7.83%
Mr. Ho Chi Sing <sup>(7)</sup>	Interest in controlled corporation	178,084,120 (L)	7.81%
Mr. Zhou Quan <sup>(8)</sup>	Interest in controlled corporation	178,694,130 (L)	7.83%
IDG-Accel China Growth Fund GP III Associates Ltd. <sup>(7)(8)</sup>	Interest in controlled corporation	132,842,500 (L)	5.82%
Matrix China II GP GP, Ltd. <sup>(9)</sup>	Interest in controlled corporation	125,935,000 (L)	5.52%
Matrix China Management II, L.P. <sup>(9)</sup>	Interest in controlled corporation	125,935,000 (L)	5.52%



## Directors' Report

### Notes:

The letter "L" denotes the person's long position in the Shares, the letter "S" denotes the person's short position in the Shares and the letter "P" denotes the person's Shares in the lending pool.

- (1) The calculation is based on the total number of 2,281,380,830 Shares in issue as of December 31, 2023, without taking into account any Shares that may be issued under the Pre-IPO Share Option Scheme, 2023 Restricted Share Unit Scheme and 2023 Share Option Scheme.
- (2) See note (3) under the section headed "Directors' Report — Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this annual report for more information.
- (3) See note (5) under the section headed "Directors' Report — Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this annual report for more information.
- (4) See notes (3) and (4) under the section headed "Directors' Report — Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this annual report for more information.
- (5) Tencent Holdings Limited is deemed to be interest in (i) 178,736,000 Shares directly held by Tencent Mobility Limited, (ii) 84,724,000 Shares directly held by Morespark Limited, (iii) 13,042,000 Shares directly held by TPP Opportunity I Holding C Limited, (iv) 8,694,000 Shares directly held by Triple Max Holding Limited, and (v) 8,330,000 Shares directly held by TPP Fund II Holding C Limited. Each of Tencent Mobility Limited, Morespark Limited, TPP Opportunity I Holding C Limited, Triple Max Holding Limited and TPP Fund II Holding C Limited is ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700).
- (6) Mr. Chi Sing Ho is deemed to be interest in (i) 107,591,977 Shares directly held by IDG-Accel China Growth Fund III L.P., (ii) 40,485,630 Shares directly held by Modish Century Limited, (iii) 17,003,990 Shares directly held by Even Classic Limited, (iv) 7,636,523 Shares directly held by IDG-Accel China III Investors L.P., and (v) 5,366,000 Shares directly held by Spring Moment Limited. IDG-Accel China Growth Fund III L.P. is wholly owned by IDG-Accel China Growth Fund III Associates L.P. Each of IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. is wholly owned by IDG-Accel China Growth Fund GP III Associates Ltd., which is ultimately controlled by Mr. Chi Sing Ho and Mr. Quan Zhou. Each of Modish Century Limited and Spring Moment Limited is wholly owned by IDG Breyer Capital Fund L.P., which is ultimately controlled by Mr. Chi Sing Ho, Mr. Quan Zhou and Yang Fei. Even Classic Limited is ultimately controlled by Mr. Chi Sing Ho.
- (7) Mr. Zhou Quan is deemed to be interest in (i) 124,039,930 Shares directly held by IDG-Accel China Growth Fund III L.P., (ii) 40,485,630 Shares directly held by Modish Century Limited, (iii) 8,802,570 Shares directly held by IDG-Accel China III Investors L.P., and (iv) 5,366,000 Shares directly held by Spring Moment Limited. See note (7) above for more information.
- (8) Matrix China II GP GP, Ltd. is deemed to be interest in (i) 113,341,500 Shares directly held by Matrix Partners China II, L.P. and (ii) 12,593,500 Shares directly held by Matrix Partners China II-A, L.P. The general partner of Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. is Matrix China Management II, L.P. The general partner of Matrix China Management II, L.P. is Matrix China II GP GP, Ltd.



## Directors' Report

Save as disclosed above and to the best knowledge of the Directors, as of the date of this annual report, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme, the 2023 Restricted Share Unit Scheme and the 2023 Share Option Scheme, at no time during the year ended December 31, 2023, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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

### SHARE INCENTIVE SCHEMES

#### Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by the Company on December 31, 2020. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. Summary of major terms of the Pre-IPO Share Option Scheme is as follows:

**(i) Purposes**

The purpose of the Pre-IPO Share Option Scheme is to provide a means through which the Group may attract able persons to enter and remain in the employ of the Group and to provide a means whereby employees, directors and consultants of the Group can acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting an identity of interest between shareholders and these employees, directors and consultants.

**(ii) Eligible Participants**

Persons eligible to participate in the Pre-IPO Share Option Scheme include (i) individual regularly employed by the Company, any parent, subsidiary or affiliate of the Company; (ii) director of the Company, any parent, subsidiary or affiliate of the Company, (iii) consultant or advisor to the Company, any parent, subsidiary or affiliate of the Company, or (iv) exclusive teachers engaged by the Company, any parent, subsidiary or affiliate of the Company (the "**Participants**"). Subject to the provisions of the Pre-IPO Share Option Scheme, the Participants shall be determined by the Board or any person or committee designated by the Board (the "**Administrator**").



### **(iii) Maximum number of Shares**

The maximum aggregate number of shares which may be issued for all the options pursuant to the Pre-IPO Share Option Scheme is 218,792,500 Shares.

After the Listing, no new options shall be granted, except that the outstanding options granted shall in all other respects remain in full force and effect.

### **(iv) Duration and Remaining Life**

The Pre-IPO Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption (i.e., December 31, 2020); provided, however, that the administration of the Pre-IPO Share Option Scheme shall continue in effect until all matters relating to the options previously granted have been settled.

### **(v) Exercise of Options**

No shares shall be issued pursuant to any exercise of an option until payment in full of the aggregate exercise price therefor is received by the Company. The options which have become exercisable may be exercised in whole or in part at any time when approved by the Administrator, accompanied by payment of the exercise price. The exercise price shall be payable in cash (including by certified check or wire transfer) or as determined by the Administrator, in its/his sole discretion, (i) by means of any cashless exercise procedure approved by the Administrator, (ii) any other form of consideration approved by the Administrator and permitted by applicable law or (iii) any combination of the foregoing.

Without limiting the foregoing, the Options may not be exercised until all registrations, consents, approvals, filings or waivers required under applicable laws, including the laws and regulations of the PRC, are duly obtained.

### **(vi) Vesting**

The options granted to each Participant shall vest and become exercisable such time or times and subject to such terms and conditions as shall be determined by the Administrator and reflected in the share option agreement; provided, however, that notwithstanding the vesting schedule in each share option agreement, the Administrator may in its sole discretion accelerate the exercisability of any option to the extent in compliance with the shareholders agreement of the Company (as amended and restated), which acceleration shall not affect the terms and conditions of any such option other than with respect to exercisability.

For more information on the Pre-IPO Share Option Scheme, please refer to “Statutory and General Information — D. Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus.

The Company had not granted further share options under the Pre-IPO Share Option Scheme after the Listing. During the year ended December 31, 2023, options representing 142,235,440 Shares were exercised and options representing 938,300 Shares were forfeited under the Pre-IPO Share Option Scheme. As of December 31, 2023, Options representing 75,326,760 underlying Shares were outstanding under the Pre-IPO Share Option Scheme, representing approximately 3.3% of the total number of Shares in issue as of December 31, 2023.





## Directors' Report

Details of movements in the number of the outstanding options granted under the Pre-IPO Share Option Scheme are set out below.

Category/ Name of grantee	Date of grant	Exercise price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding as of December 31, 2023	Vesting period	Weighted average closing price of the Shares immediately before the dates on which the options were exercised
<i>Directors, chief executive or substantial shareholders of the Company, or their respective associates</i>									
WEI Liang	October 1, 2021 to October 25, 2022	US\$0.00001 per Share	27,500,000	–	27,500,000	–	–	Nil	HK\$5.01
<b>Other grantees in aggregate</b>	April 7, 2016 to October 25, 2022	US\$0.00001 per Share	191,000,500	–	114,735,440	938,300	75,326,760	0 to 4 years	HK\$8.13
<b>Total</b>			<b>218,500,500</b>	<b>–</b>	<b>142,235,440</b>	<b>938,300</b>	<b>75,326,760</b>		

Note:

- (1) The exercise period of the options under the Pre-IPO Share Option Scheme commences from the vesting commencement date of the relevant options and ends tenth anniversary of the grant date, subject to the terms of the Pre-IPO Share Option Scheme and the share option agreement signed by the grantee. No consideration was paid by the grantees for the outstanding options granted under the Pre-IPO Share Option Scheme.

### 2023 Restricted Share Unit Scheme

The 2023 Restricted Share Unit Scheme was adopted by the Company on June 14, 2023. The terms of the 2023 Restricted Share Unit Scheme are subject to the provisions of Chapter 17 of the Listing Rules. Summary of major terms of the 2023 Restricted Share Unit Scheme is as follows:

#### (i) Purposes

The purposes of the 2023 Restricted Share Unit Scheme are to: (i) recognise the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the selected participants to maximize the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the shareholders of the Company through ownership of Shares.



## **(ii) Eligible Participants**

Persons eligible to participate in the 2023 Restricted Share Unit Scheme include an individual or a corporate entity (as the case may be), being any of an Employee Participant, a Related Entity Participant or a service provider of the Group, who has contributed or will contribute to the Group. The Board may, from time to time, at its absolute discretion select any eligible participants to be a selected participant and grant to such selected participant restricted shares by way of share transfer, share allotment or cash settlement of an amount of equivalent value (for the purpose of fulfillment of tax obligation of the relevant selected participant) as the Board deems fit.

## **(iii) Maximum number of Shares**

The maximum aggregate number of shares which may be granted pursuant to the 2023 Restricted Share Unit Scheme and other share schemes of the Company (excluding the Pre-IPO Share Option Scheme) shall not in aggregate exceed 225,365,773 Shares, representing 10% of the total number of issued Shares as of the adoption date of 2023 Restricted Share Unit Scheme by Shareholders' approval and representing approximately 9.8% of the total issued Shares of the Company as at the date of this annual report.

## **(iv) Maximum Entitlement of Shares of Each Eligible Participant**

For any 12-month period up to and including the restricted share grant date, the aggregate number of Shares issued and to be issued in respect of share awards granted under the 2023 Restricted Share Unit Scheme and all grants made under any other share scheme(s) of the Company (excluding the Pre-IPO Share Option Scheme and any options and/or any awards lapsed in accordance with the share schemes of the Company) to any selected participant shall not exceed 1% of the total number of the Shares in issue.

## **(v) Duration and Remaining Life**

The 2023 Restricted Share Unit Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption (i.e., June 14, 2023) of such scheme, after which period no further awards will be granted.

## **(vi) Subscription of Restricted Shares**

After the Board has determined the number of grant shares and the selected participants, it will notify the trustee and the selected participants in grant letters. The selected participants shall confirm their acceptance of the awards within 28 days after the grant date and fail to return the notice of acceptance upon the expiration of the acceptance period, the awards will automatically lapse. The Board may at any time at its discretion, in respect of each selected participant, cause to be paid the Reference Amount (as defined below) from the Company's resources or any subsidiary's resources into the account for the relevant selected participant for the purchase of the restricted shares. In the event that the restricted shares are to be allotted and issued as shares to the trustee under the scheme mandate limit for the purpose of the trust, the Board may cause the subscription price for such new shares to be allotted and issued be transferred from the Company's or any subsidiary's resources internally.

The "Reference Amount" is the sum of (i) the estimated awarded amount, being the closing price of the Shares as quoted on the Stock Exchange as at the restricted share grant date, or as at any other date before the trustee purchases shares on the secondary market as instructed by the Board, multiplied by the number of the shares comprised in the award; and (ii) the related purchase expenses (including for the time being, the brokerage fee, stamp duty, Securities and Futures Commission transaction levy, Accounting and Financial Reporting Council transaction levy and the Stock Exchange trading fee) and such other necessary expenses required for the completion of the purchase of all the awarded shares.



# Directors' Report

## (vii) Vesting Period

The vesting period of the restricted shares granted shall not be less than 12 months, subject to a shorter vesting period at the discretion of the Remuneration Committee and the Board under certain specified circumstances in relation to awarded shares to the Employee Participants.

There is no specific performance targets that must be met before awards can be vested. However, the Board has the discretion to specify any conditions (including performance targets (if any)) which must be satisfied before the vesting of awards where appropriate.

For more information on the 2023 Restricted Share Unit Scheme, please refer to the circular of the Company dated May 22, 2023.

Details of restricted shares granted under the 2023 Restricted Share Unit Scheme during the period from the adoption date of the 2023 Restricted Share Unit scheme and up to December 31, 2023 are set out below:

Category/Name of grantee	Number of restricted shares granted	Date of Grant	Vesting period	Purchase price	Performance target	Fair value of restricted shares granted <sup>(1)</sup>	Closing price of the Shares immediately before the grant date
Employees	894,000	September 4, 2023	(1) 774,000 restricted shares shall vest in four tranches of 25% each on September 4, 2023, September 4, 2024, September 4, 2025 and September 4, 2026, respectively; and  (2) 120,000 restricted shares shall vest in four tranches of 25% each on September 4, 2024, September 4, 2025, September 4, 2026 and September 4, 2027, respectively.	Nil	No performance target is required.	HK\$4.2 million	HK\$4.44

Note:

- (1) The fair value of the restricted share units on the grant date is calculated based on the closing price of the Shares on the respective grant dates, being HK\$4.67 per on September 4, 2023. For details of the accounting standard and policy adopted, please refer to Note 25(b) to the consolidated financial statements.
- (2) None of the grantees is a Director, a chief executive, or a substantial shareholder of the Company, or an associate of any of them.



# Directors' Report

Movements of the unvested restricted shares granted under the 2023 Restricted Share Unit Scheme during the Reporting Period are set out below:

Category/Name of grantee	Date of Grant	Purchase price	Vesting period	Number of unvested Awards as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapse during the Reporting Period	Number of unvested Awards as of December 31, 2023	Weighted average closing price of the Shares before vesting
Employees	September 4, 2023	Nil	The restricted shares shall vest in four tranches of 25% each on September 4, 2023, September 4, 2024, September 4, 2025 and September 4, 2026, respectively.	—	774,000	192,875	28,000	553,125	HK\$4.44
	September 4, 2023	Nil	The restricted shares shall vest in four tranches of 25% each on September 4, 2024, September 4, 2025, September 4, 2026 and September 4, 2027, respectively.	—	120,000	—	—	120,000	

From the adoption date of the 2023 Restricted Share Unit Scheme and up to December 31, 2023, there were no awards granted to related entity participant or service provider, and there were no awards cancelled under the 2023 Restricted Share Unit Scheme.

## 2023 Share Option Scheme

The 2023 Share Option Scheme was adopted by the Company on June 14, 2023, as amended from time to time. The terms of the 2023 Share Option Scheme are subject to the provisions of Chapter 17 of the Listing Rules. Summary of major terms of the 2023 Share Option Scheme is as follows:

### (i) Purposes

The purpose of the 2023 Share Option Scheme is to recognise the contribution or future contribution of the eligible participants to the Group by granting options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the Group. The 2023 Share Option Scheme shall strengthen the long-term relationships that the eligible participants may have with the Group.

### (ii) Eligible Participants

Persons eligible to participate in the 2023 Share Option Scheme include any Employee Participant, Related Entity Participant or service provider of the Group as selected by the Board in its absolute discretion from time to time, taking into account, among others, the experience of the eligible participant on the Group's businesses, the length of service of the eligible participant with the Group (if the eligible participant is an Employee Participant or a Related Entity Participant of any member of the Group), the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the eligible participant has established with the Group (if the eligible participant is a service provider of any member of the Group).



# ★ Directors' Report

## **(iii) Maximum number of Shares**

The maximum aggregate number of shares which may be issued upon the exercise of all options to be granted under the 2023 Share Option Scheme and all options and awards to be granted under any other share scheme(s) of the Company (excluding the Pre-IPO Share Option Scheme) shall not in aggregate exceed 225,365,773 Shares, representing 10% of the total number of issued Shares as of the adoption date of 2023 Share Option Scheme by Shareholders' approval and representing approximately 9.8% of the total issued Shares of the Company as at the date of this annual report.

## **(iv) Maximum Entitlement of Shares of Each Eligible Participant**

For any 12-month period up to and including the option grant date, the aggregate number of Shares issued and to be issued upon exercise of options granted under the 2023 Share Option Scheme and options and/or awards granted under any other share scheme(s) of the Company (including exercised, cancelled and outstanding options but excluding options/awards issued pursuant to the Pre-IPO Share Option Scheme) to any selected participant shall not exceed 1% of the total number of the Shares in issue.

## **(v) Duration and Remaining Life**

The 2023 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption (i.e., June 14, 2023) of such scheme, after which period no further options will be granted but the provisions of the 2023 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the expiration of the 10-year period or otherwise as may be required in accordance with the rules of 2023 Share Option Scheme.

## **(vi) Grant of Options**

The Board may at any time and from time to time during the period that the 2023 Share Option Scheme is effective at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at the consideration of HK\$1 per option, to grant options to the eligible participants to subscribe at the option price for such numbers of Shares as they may determine.

## **(vii) Option Price**

The option price shall be determined on the grant date of the options at the absolute discretion of the Directors as an amount per Share which shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date of the options, which must be a trading day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the grant date of the options; and (iii) the nominal value of the Shares on the grant date of the options.

## **(viii) Vesting**

The vesting period of the options granted shall not be less than 12 months, subject to a shorter vesting period at the discretion of the Board or a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board under certain specified circumstances in relation to options granted to the Employee Participants.

There is no specific performance targets that must be met before options can be exercised. However, the Board has the discretion to specify any conditions (including performance targets (if any)) which must be satisfied before the options are capable of being exercised by the option holder where appropriate.



For more information on the 2023 Share Option Scheme, please refer to the circular of the Company dated May 22, 2023.

From the adoption date of the 2023 Share Option Scheme and up to December 31, 2023, there were no options granted, exercised, cancelled or lapsed under the 2023 Share Option Scheme.

Pursuant to the scheme mandate limit and the service provider sublimit adopted by the Shareholders of Company on June 14, 2023, (i) the Shares which may be issued in respect of all options and awards to be granted under the 2023 Restricted Share Unit Scheme, the 2023 Share Option Scheme and any other share schemes of the Company (if any) (excluding the Pre-IPO Share Option Scheme) shall not exceed 225,365,773 Shares, representing 10% of the number of Shares in issue as of June 14, 2023 (the “**Scheme Mandate Limit**”), being the date of the Shareholders’ approval of such limit, and (ii) the Shares which may be issued in respect of all options and awards to be granted to service providers under the 2023 Restricted Share Unit Scheme, the 2023 Share Option Scheme and any other share schemes of the Company (if any) (excluding the Pre-IPO Share Option Scheme) shall not exceed 22,536,577 Shares, representing 1% of the number of Shares in issue as of June 14, 2023 (the “**Service Provider Sublimit**”), being the date of the Shareholders’ approval of such limit.

The maximum number of Shares underlying all options and awards available for grant under the Scheme Mandate Limit was 224,499,773 Shares as of December 31, 2023 and the maximum number of Shares underlying all options and awards available for grant under the Service Provider Sublimit was 22,536,577 Shares as of December 31, 2023.

The shares underlying the grant of restricted share units were purchased from the market by the trustee, and the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period is nil. Accordingly, the value of the number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the year ended December 31, 2023 is nil.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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



## Directors' Report

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

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

### LEGAL PROCEEDINGS AND COMPLIANCE

The Group is subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. During the Reporting Period, the Group had not been involved in any litigation or arbitration proceedings pending or, to its knowledge, threatened against the Group that could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Reporting Period, to the best knowledge of the Board and the Company, the Group did not commit any material non-compliance of the laws and regulations, or experience any non-compliance incident, which taken as a whole, is likely to have a material adverse effect on the Group's business, results of operations or financial condition.

The Group offers classroom-based tutoring courses through classroom facilities set up by a network of local operational hubs. The Group generally operates its classroom-based tutoring services on leased properties, which allows the Group to swiftly execute and adjust its geographical expansion plan in response to changing market conditions and demands. The Group also allows students to elect to take courses at any convenient location of their choosing. For certain leased properties that function as its offline offices and/or classroom facilities, the Group has carried out certain decoration work to meet the needs of its business operations. According to the relevant PRC laws and regulations, such decoration work fall within the scope of construction work. If the investment amount of such construction project exceeds RMB300,000 and its gross floor area is more than 300 square meters, the records of the fire safety design and the completion inspection (the **"Fire Safety Filing"**) shall be filed to the competent fire safety authorities after the decoration work obtains the construction permit and passes the completion inspection. The Group used to commence operations on certain leased properties that had not complete the required Fire Safety Filing. The Group has suspended the usage of all such leased properties prior to the completion of the Global Offering. The Group has undertaken that, it will report the status of completing the Fire Safety Filing and the change of status (such as permanent closure, relocation or re-opening) for the relevant leased properties that had been suspended in the interim and annual reports after the Listing.



For the 11 suspended leased properties as disclosed in the Prospectus, as of the date of this annual report, the Group has terminated the leases for the 11 properties. Since the Listing Date and up to the date of this annual report, the Group has no newly leased property that would require the Fire Safety Filing. As of the date of this annual report, all of the Group's leased properties in use are in compliance with the applicable fire safety laws.

## ANNUAL GENERAL MEETING

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

## FINAL DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

## INDEMNITY OF DIRECTORS

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

## 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 annual report, the Company has maintained the public float as required under the Listing Rules.

## AUDITOR

PricewaterhouseCoopers was appointed as the auditor during the Reporting Period. The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.





# Directors' Report

## DONATION

During the year ended December 31, 2023, the Group made charitable donations of RMB1.6 million.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Detailed information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

## EVENTS AFTER THE REPORTING PERIOD

Save for the subsequent events disclosed in Note 39 to the consolidated financial information set forth in this annual report, there has been no other significant event since the end of the Reporting Period and up to the date of this annual report that is required to be disclosed by the Company.

## APPRECIATION

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

By order of the Board

**Fenbi Ltd.**

**ZHANG Xiaolong**

*Chairman*

Hong Kong

March 28, 2024

The Board is pleased to present the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2023.

## CORPORATE GOVERNANCE PRACTICES

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 Shareholders and corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions of the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance, and the CG Code has been applicable to the Company with effect from January 9, 2023 (the "**Listing Date**").

As the Company's shares in issue were listed on the Stock Exchange since the Listing Date, the CG Code as contained in Appendix C1 to the Listing Rules was applicable to the Company since the Listing Date. From the Listing Date to 31 December 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 as stipulated in "Chairman and Chief Executive Officer" in this corporate governance report. The Company will periodically review on its corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code from time to time.

## CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. The Board and the management have played and will continue to play a proactive role in setting of the Group's strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets and to create values to the stakeholders through sustainable growth and continuous development of the Group.

It is the Board's role to foster a corporate culture with the following core principles and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies.

### Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

### Commitment

The Group has consistently adhered to fundamental business philosophy and mindset of "user-oriented and technology-driven", striving to create more value for our shareholders and society as a whole. These principles are reflected in every aspect of the Group's culture, with employees encouraged to go above and beyond to deliver exceptional value and experiences to customers.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.



# Corporate Governance Report

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day to day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Nomination Committee and the Remuneration Committee. The Board has delegated to these Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and will conduct annual review on such insurance coverage.

### Board Composition

The current composition of the Board is as follows:

#### **Executive Directors**

Mr. ZHANG Xiaolong (*Chairman and Chief Executive Officer*)

Mr. WEI Liang

#### **Non-executive Directors**

Mr. LI Yong

Mr. LI Xin

#### **Independent Non-executive Directors**

Mr. QIU Dongxiao Larry

Mr. YUEN Kai Yiu Kelvin

Ms. YUAN Jia

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

From the Listing Date to 31 December 2023, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules by written confirmation and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or chief executive.

## BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, skills, age, professional experience, knowledge, culture, education background and length of service. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

As of the date of this annual report, the diversity profile of the Board is analyzed as follows: The Directors have a balanced mix of experiences, including overall management, business development, information technology, and finance experiences. The Board has also maintained a gender diversity with one female Director and six male Directors. Furthermore, the age of the Directors ranges from 39 years old to 62 years old. The education background of the Directors includes philosophy, mathematics, computer science and business administration to law, with degrees awarded by education institutions in the PRC, and Australia.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain continuous compliance by the Company with the board diversity requirement under the Listing Rules, including the gender diversity.

## GENDER DIVERSITY

The Company has been committed to the gender diversity of all employees (including senior management), and strives to achieve gender equality among the employees. As of December 31, 2023, the total number of employees (including senior management) in the Company was 7,325, of which approximately 29.4% were male and approximately 70.7% were female; and female senior management members represented approximately 40.0% of the senior management of the Company. The Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and the senior management levels.

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations.

In accordance with code provision C.1.4 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate. The Company also arranges regular trainings to provide the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. During the year ended 31 December 2023, the Company organized a training session conducted by the Hong Kong legal advisors of the Company and attended by all the Directors. The training session covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and Listing Rules requirement.



# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 vocational education and training 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 our growth and business expansion. 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.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company on December 20, 2022 for an initial term of three years commencing from the date of such service contract.

Each of the non-executive Directors has entered into an appointment letter with the Company on December 20, 2022 for an initial term of three years commencing from the date of such letter of appointment.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on December 20, 2022 for an initial term of three years commencing from the Listing Date.

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

At every annual general meeting of the Company one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Board has delegated certain of its responsibilities and authority for selection and nomination of Directors to the Nomination Committee. The Nomination Committee is responsible for reviewing the Board's composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors, and the Board will determine the relevant matters after taking into account of the recommendations.

## NOMINATION POLICY

The Company has adopted a director nomination policy which is contained in the terms of reference of the Nomination Committee that sets out the selection criteria and process in relation to nomination of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.



# Corporate Governance Report

The director nomination policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to gender, age, cultural and educational background, professional experience or diversity needed in the future, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee shall: (i) use open advertising or the services of external advisors to facilitate the search; (ii) consider candidates from a wide range of backgrounds; and (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

The Nomination Committee will review the director nomination policy, as appropriate, to ensure its effectiveness.

## BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals.

Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board meetings and Board committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or the Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

As the shares of the Company were listed on the Stock Exchange since the Listing Date, the relevant standards were applicable to the Company since the Listing Date and up to December 31, 2023.



# Corporate Governance Report

A summary of the attendance records of the Directors at the meetings of the Board, the respective Board committees and the general meeting held during the year ended 31 December 2023 is set out below:

Name of Directors	Attendance/Number of Meeting(s)				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Mr. ZHANG Xiaolong	4/4	—	1/1	1/1	1/1
Mr. WEI Liang	4/4	—	1/1	1/1	1/1
Mr. LI Yong	4/4	—	—	—	1/1
Mr. LI Xin	4/4	—	—	—	1/1
Mr. LI Zhaohui ( <i>resigned on March 8, 2023</i> )	0/0	—	—	—	0/0
Mr. QIU Dongxiao Larry	4/4	2/2	1/1	1/1	1/1
Mr. YUEN Kai Yiu Kelvin	4/4	2/2	1/1	1/1	1/1
Ms. YUAN Jia	4/4	2/2	1/1	1/1	1/1

## COMPLIANCE WITH THE MODEL CODE

As the shares of the Company were listed on the Stock Exchange since the Listing Date, the Model Code was applicable to the Company since the Listing Date. The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by the Directors, 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 December 31, 2023.

## DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code. The Board confirmed that corporate governance should be the collective responsibility of the Directors, which includes:

- (a) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;
- (d) to develop and review the Company's corporate governance policies and practices, make recommendations and report on related issues to the Board; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the corporate governance practice requirements under the Listing Rules, including the Audit Committee, Remuneration Committee and Nomination Committee.

### Audit Committee

At the date of this annual report, 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 committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2023, two Audit Committee meetings were held. The Audit Committee held meetings to discuss and consider the following: (1) reviewing the financial statements, results announcement and report of the Group for the year ended December 31, 2022 and for the six months ended June 30, 2023; (2) reviewed the Group's internal control system and related matters; (3) reviewed continuing connected transactions of the Group; (4) reviewed Contractual Arrangements; (5) reviewed corruption and bribery risk assessment results and policies of the Group; and (6) considered and made recommendations on the re-appointment of the external auditors of the Group, and the term of engagement.





# Corporate Governance Report

## Nomination Committee

At the date of this annual report, the Nomination Committee consists of five Directors, namely Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. QIU Dongxiao Larry, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia, with Mr. ZHANG Xiaolong being the chairman of the committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors of our Company and oversee the implementation of Board diversity policy.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the Board Diversity Policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The recommendations of the Nomination Committee will then be put to the Board for decision.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2023, one Nomination Committee meeting was held. The Nomination Committee has held one meeting for reviewing the independence of the independent non-executive Directors, considering the qualifications, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service, of the retiring Directors standing for re-election at the forthcoming annual general meeting, reviewing the structure, size and composition of the Board and reviewing the board diversity policy.

## Remuneration Committee

At the date of this annual report, the Remuneration Committee consists of five Directors, namely Mr. QIU Dongxiao Larry, Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia, with Mr. QIU Dongxiao Larry being the chairman of the committee. The primary duties of the Remuneration Committee are to establish, review and provide advice to our Board on the structure of remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, determine the terms of the specific remuneration package for each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2023, one Remuneration Committee meeting(s) was/were held. The Remuneration Committee has held meetings for reviewing the remuneration of the Directors and senior management and the performance of them, grant of restricted shares units/options under the 2023 Restricted Share Unit Scheme, the Pre-IPO Share Option Scheme and 2023 Share Option Scheme.



# Corporate Governance Report

## Remuneration of Directors and Senior Management

The remuneration of the Directors of the Company during the year ended December 31, 2023 is set out in Note 36 to the consolidated financial statements.

The remuneration of senior management of the Company, whose biographies are set out on pages 17 to 18 of this annual report, for the year ended December 31, 2023 falls under the following bands:

<b>Band of remuneration (in HK\$)</b>	<b>Number of individuals</b>
0–1,000,000	—
1,000,001 to 1,500,000	—
1,500,001 to 2,000,000	—
over 2,000,000	5

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements for the year ended December 31, 2023, which gives a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report of this annual report.

## DIVIDEND POLICY

The Company has adopted a dividend policy. The determination to pay dividends will be made at the discretion of the Directors, subject to the Listing Rules, and will depend upon, among others, the financial results, business conditions and strategies, future operations and earnings, capital and investment requirements, level of indebtedness, and other factors that the Directors may consider relevant. The Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Company does not have a pre-determined or fixed dividend payout ratio and will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.



# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure a sound and effective risk management and internal control systems, maintaining timely and effective communication with the management in terms of the progress and achievements of relevant works. Under this framework, the management is primarily responsible for the design, implementation, and maintenance of internal controls, while the Board and the Audit Committee oversee the actions of the management and monitor the effectiveness of the controls that have been put in place.

The risk management and internal control systems are designed to achieve business objectives and safeguard assets against unauthorized use or disposition; to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and to ensure compliance with the Listing Rules, the relevant legislations and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance that there will be no material misrepresentation or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems. The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems.

The Company has developed system of internal control and risk management for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company. The Company has established a separate internal audit department, which is responsible for reviewing the Group's internal control and risk management system and supporting the Board in assessing the effectiveness of such system annually.

The Company has established an information disclosure policy and regularly reminded the directors and employees of due compliance with all policies regarding inside information. To ensure adequate attention to whistleblowing, the Company has established a reporting mechanism to handle and discuss internal whistleblowing of financial, operational, internal control and fraud issues, where major internal control deficiencies or whistle blowing issues will be submitted to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management, has reviewed the report from the management and findings from the internal audit, and reviewed the risk management and internal control systems, including the financial, operational and compliance controls. The review process comprises, among other things, meetings with management of business groups, internal audit team, legal, personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. The annual review also covered areas on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

The Board considered the risk management and internal control systems of the Company during the year ended December 31, 2023 were effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff with the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. Based on the work report from the Audit Committee, the Board also believes that the Company's internal audit function is adequate with sufficient resources and budget. The relevant staff has appropriate qualifications and experience, and receives sufficient training and development.

## AUDITOR'S REMUNERATION

The auditor's approximate remuneration in respect of the audit and non audit services provided to the Company for the year ended December 31, 2023 is as follows:

Type of services	Amount (RMB'000)
Audit services	4,564
Non-audit services:	
– Tax advisory	720
<b>Total</b>	<b>5,284</b>

## JOINT COMPANY SECRETARIES

Ms. WANG Tao and Mr. LEE Chung Shing have been appointed as our joint company secretaries. Biographical information of Ms. WANG Tao and Mr. LEE Chung Shing is set out in the section headed "Directors and Senior Management" in this annual report. Mr. LEE Chung Shing is a vice president of an external governance services provider, and assists Ms. WANG Tao in company secretarial affairs. The primary corporate contact person of Mr. LEE Chung Shing at the Company is Ms. WANG Tao, one of the joint company secretaries of the Company.

During the year ended December 31, 2023, Ms. WANG Tao and Mr. LEE Chung Shing have not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of timely and non selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board committees of the Company will attend the annual general meeting to answer Shareholders' questions. The auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies, and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website at [www.fenbi.com](http://www.fenbi.com), where the up to date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access. The shareholders' communication policy sets out a number of ways to ensure effective and efficient communication with shareholders is achieved, including but not limited to our responses to shareholders' enquiries, corporate communications (in both English and Chinese, to facilitate shareholders' understanding), posting of relevant information on the Company's website, shareholders' meetings and investment market communications.



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

## CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Any one or more Shareholder(s) of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, to require an extraordinary general meeting to be convened by the Company specifying the objects of the meeting and signed by the requisitionist(s); and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association or the Cayman Companies Act for Shareholders to propose new resolutions at general meetings. Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

## ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Office of the Board at the Company's headquarters at 1-6/F, Building 103, No. 10 Courtyard, Jiuxianqiao North Road, Chaoyang District, Beijing, PRC or through email at [ir@fenbi.com](mailto:ir@fenbi.com). Shareholders may also make enquiries with the Board at the general meetings of the Company.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company has been amended and restated with effect from the Listing Date. There was no change in the Articles of Association from Listing Date and up to the date of this annual report.



# Environmental, Social and Governance Report

## ABOUT THIS REPORT

The Group is pleased to release its second Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”). The Report aims to disclose the sustainability strategies and management approaches of the Group, and to highlight the performance of various ESG aspects to its stakeholders, thereby promoting its sustainable development and planning. The Report has been uploaded to the Group’s website ([www.Fenbi.com](http://www.Fenbi.com)) and the website of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for public inspection. The Report is in both Chinese and English. If there is any inconsistency, please refer to the English version.

## REPORTING SCOPE AND PERIOD

The Report sets out the Group’s policies, measures, and performance in the environmental, social and governance (collectively, “**ESG**”) aspects during the period from January 1, 2023 to December 31, 2023 (hereinafter, the “**Reporting Period**”) in detail.

Unless otherwise stated, the content of the Report mainly covers the ESG performance and related information of Fenbi Technology Ltd and its subsidiaries (“**Fenbi Technology**”). Through reporting to our stakeholders, the Group discloses its measures and performance on sustainable development issues transparently and openly. We believe that summarizing and disclosing the Group’s performance to stakeholders can enhance our transparency and further improve our sustainable development performance. Overall, there are no material changes to the reporting scope of the Year compared to 2022’s ESG Report.



# Environmental, Social and Governance Report

## REPORTING GUIDELINES AND PRINCIPLES

The Report has been prepared in compliance with the disclosure requirements of the “ESG Reporting Guide” (the “**Guide**”) set out in Appendix C2 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) issued by the Stock Exchange of Hong Kong Limited (the “**HKEx**”) and has fully adhered to the reporting principles in the Guide, which materiality, quantitative, balance and consistency are the basic principles for report preparation. The application of relevant reporting principles is as follows:

**Materiality** The Group communicates with major stakeholders on a regular basis and has conducted an annual materiality assessment survey to identify and evaluate ESG issues that are important to the Group and relevant stakeholders, so as to determine the reporting content and make focused disclosure.

**Quantitative** In accordance with the Guide, the Group has recorded and collected data on various ESG key performance indicators (“**KPIs**”) where feasible and disclosed relevant quantitative information and historical data in the Report for comparison and evaluation. In addition, the standards, methods, assumptions, calculation tools, and references adopted by each KPI have been properly indicated in the Report.

**Balance** Following the principle of impartiality, the Report has disclosed both achievements and challenges of the Group in aspects of environment, society, and governance in a truthful and comprehensive manner, for readers to evaluate relevant performance objectively and fairly.

**Consistency** The Report has been prepared according to consistent standards, and the reporting scope, data statistics, and reporting methods are basically the same as the 2022 ESG Report, to ensure the comparability of the reports. Meanwhile, the Group has included corresponding explanations for any inconsistencies (if any) with previous reports.

The Report has complied with the “Mandatory Disclosure Requirements” and the “Comply or explain” provisions set out in the Guide. Except for provisions that the Group considers not applicable to its business operations or provide partial disclosure, relevant explanations have been set out in the corresponding sections. The data and information contained in the Report are mainly from internal documents and statistical data of the Group, and the content of the Report has been reviewed and confirmed by the Board of Directors.

## APPROVAL

The Report was approved by the board of directors of the Company (“**Board**”) on 28 March 2024 upon confirmation from the management.

## STAKEHOLDERS’ FEEDBACK

The Group attaches great importance to stakeholders’ opinions and aims to further improve its sustainability performance in the future. The Group therefore welcomes all parties to provide comments or suggestions on the Report and its sustainability performance. Please share your views with us via email: [ir@fenbi.com.hk](mailto:ir@fenbi.com.hk).



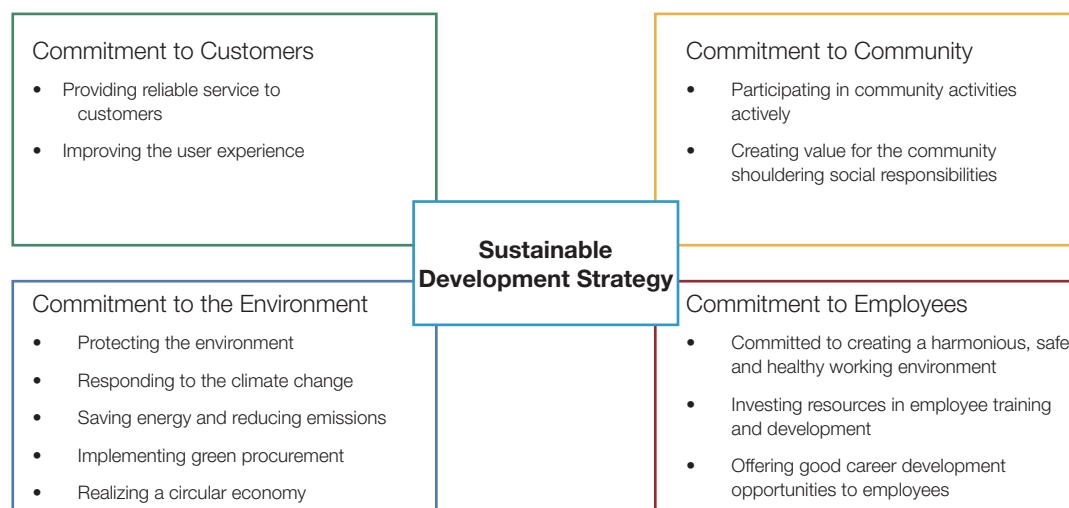
# Environmental, Social and Governance Report

## THE STATEMENT OF THE BOARD OF DIRECTORS

The Company understands that the leadership and participation of the Board are crucial to the implementation of sustainable development strategies. Therefore, the Board shoulders the responsibility of leading and supervising ESG-related matters and is responsible for leading the Group to seize the opportunities and respond to the risks brought by sustainable development. The Board regularly decides on and monitors ESG policies and strategies, including the approval and consideration of ESG-related goals, progress review of the goals, evaluation, prioritisation of the materiality, etc. At the same time, the Board has approved the establishment of an ESG task force for the Group and authorised it to monitor and implement various ESG-related matters, to further improve the effectiveness of sustainable development governance. We have been striving to integrate the concept of sustainable development with the Company's overall strategy, policies, and business plans, to further guide the Group in its pursuit of value chain excellence while achieving its sustainability vision.

## THE GROUP'S FUTURE DEVELOPMENT AND COMMITMENTS

We regard our commitment to the environment, employees, customers, and communities as the four strategic pillars of the Group's sustainable development, and formulate corresponding ESG management policies and work plans. The Group insists on communicating and cooperating closely with all stakeholders including our employees shareholders and investors, suppliers, customers government departments, and communities in a candid, open, and responsible manner. At the same time, we continue to pay attention to the market development trends and the expectations of all sectors of society, and constantly review and adjust our ESG strategies, policies and measures so that we can quickly respond to various new opportunities and risks and further promote our sustainable development process.



To realize its sustainable development vision, the Group is committed to integrating sustainability concepts into our daily business operation through a comprehensive sustainability governance structure. The Group has a three-level sustainability governance structure, which is composed of the Board of Directors, the ESG Working Group, and the internal working groups to improve communication between the decision-making and execution levels, allowing thorough integration of corporate governance, environmental management, and social responsibility concepts into its daily operations. To enhance its corporate governance standard, the Group has also actively promoted Board diversity and adopted the “Board Diversity Policy”. When selecting members of the Board of Directors, the balance of different genders, ages, backgrounds, professional knowledge, etc., will be fully considered. With the diverse skills, experience, and perspectives of members, its decision-making capabilities for sustainable development can be advanced. Please refer to the “Corporate Governance Report” of the Group for more details.





# Environmental, Social and Governance Report

## Board of Directors

As the highest governance body of the Group, the Board of Directors assumes overall responsibility for ESG and climate-related matters. Their roles and responsibilities include:

- Regularly review and renew sustainable development strategies, ESG management, and performance to ensure the effective implementation of relevant policies
- Monitor and manage ESG-related risks and opportunities
- Review the progress of ESG-related work and goals
- Supervise and approve the Group's ESG matters and reports

## ESG Working Group

The ESG Working Group is authorized by the board of directors and composed of the Group's senior management, heads of functional departments, heads of branch divisions, and company secretary. It assists in coordinating and supervising ESG work and reports to the board of directors regularly. Their roles and responsibilities include:

- Set and implement relevant policies and measures following the Board's guidelines on ESG matters in each department
- Assist the board of directors in identifying, assessing, and managing ESG-related risks, and provide advice on formulating policies, goals, and work plans
- Regularly report ESG work performance to the Board of Directors to help review and improve the Group's sustainable development strategy and management
- Collect and manage ESG-related data and information, assist in the preparation of annual ESG reports and disclosure of related information

## Risk Management

The effectiveness of risk management is critical to the long-term growth sustainability of the Group's business. Effective ESG management helps us respond to various sustainable development risks and opportunities in a timely and effective manner. The Group has established a comprehensive ESG management system, which is divided into three levels and adopts a top-down management method, to consistently identify and evaluate the risks associated with its business operations.

At the Group level, the Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. Corresponding management and control measures are implemented based on the severity of these risks. The Group has taken steps to mitigate the impacts of these risks in timely manner, demonstrating its commitment to sustainable and responsible operations. Moreover, the Group has set up the Audit Committee, Remuneration Committee, and Nomination Committee under the supervision of the Board to conduct annual assessments on the existing and potential risks faced by the Group as a whole, review the effectiveness and suitability of the Company's internal control system, and give full play to the supporting role of laws, auditing, and discipline supervision, to ensure legal and compliant operations of the Company. In addition, the Company has also established an internal audit department, which is responsible for the construction, operation, and maintenance of the Company's risk prevention and control system.



# Environmental, Social and Governance Report

We have incorporated ESG risks into the Company's risk assessment and management system, including risks related to ESG matters. The response measures are set out in the corresponding sections of this Report. The Board has also engaged an external advisor about ESG matters. These measures shall ensure the sustainable and responsible growth and operation of the Group.

## Task Management

The Board is responsible for approving the Group's ESG-related targets and reviewing the progress of their achievement; the ESG working group is responsible for formulating the relevant targets and work plans, overseeing the progress of implementation, and reviewing their effectiveness. In the future, the Group will aim to promote its experience and set up environmental-related targets on more campuses to promote ecological protection.

## Compliance Management

Complying with all applicable laws and regulations is the basic requirement of the Group in its operations and is also a reflection of its social responsibility. We understand that violations of laws and regulations will have various impacts on the Group. Impacts may include damage to the ability to operate a business, damage to public image and credibility, as well as legal penalties and litigation. Therefore, we have developed and implemented a series of policies and systems to strengthen compliance management and ensure that business activities comply with all relevant legal and regulatory requirements. The Board of Directors and the Audit Committee are responsible for reviewing and evaluating the internal control system.

During the Reporting Period, the Group had no cases of violations of laws and regulations related to various ESG aspects, and there were no corruption lawsuits filed against the Group or its employees.

For details on the Group's corporate governance practices including risk and compliance management, please refer to the section headed "Corporate Governance Report" of the Company's annual report.

## Stakeholder Engagement and Materiality

Long-term support and trust of stakeholders is an important factor for the company's sustainable growth, and it also provides a solid foundation for us to formulate and implement effective sustainable development strategies, policies and measures.

The Group attaches great importance to establishing and maintaining two-way communication with stakeholders and strives to understand and respond to the concerns and expectations of various stakeholders to maintain close cooperation. Through a diversified and highly transparent communication platform, we regularly collect valuable opinions and suggestions from different stakeholders so that we can make corresponding improvements and adjustments in business management and sustainable development strategies to enhance ESG governance levels and performance.



# Environmental, Social and Governance Report

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
<i>Shareholders/ Investors</i>	<ul style="list-style-type: none"> <li>— Annual general meetings and other general meetings</li> <li>— Annual Reports and interim reports</li> <li>— Corporate communications (such as letters/circulars and meeting notice)</li> <li>— Results announcements</li> <li>— Investor meetings</li> <li>— Interviews</li> <li>— Investor relations emails</li> </ul>	<ul style="list-style-type: none"> <li>— Protect shareholders' rights and interests</li> <li>— Disclosing information accurately and timely</li> <li>— Improving corporate governance</li> <li>— Risk management and control</li> <li>— Group business and prospects</li> <li>— Business and financial strategies</li> </ul>	<ul style="list-style-type: none"> <li>— Convene annual general meetings and special general meetings</li> <li>— Improve transparency of information disclosure</li> <li>— Strengthen risk management and control</li> <li>— Promote sustainable development of the group</li> </ul>
<i>Teachers/Employees</i>	<ul style="list-style-type: none"> <li>— Emails, memorandums, and notices</li> <li>— Performance appraisals</li> <li>— Interviews</li> <li>— Seminars/workshops/speeches</li> <li>— Staff intranet</li> <li>— Regular training</li> </ul>	<ul style="list-style-type: none"> <li>— Employee benefits and rights</li> <li>— Competitive salary and welfare</li> <li>— Labour protection at the workplace</li> <li>— Employee development and training</li> <li>— Employee involvement and policy democracy</li> <li>— Corporate culture</li> <li>— Personal physical and mental health</li> <li>— Clear career path</li> </ul>	<ul style="list-style-type: none"> <li>— Follow labor standards</li> <li>— Provide competitive salary and benefits</li> <li>— Implement health and safety management system</li> <li>— Improve career development and training system</li> <li>— Host employee events</li> <li>— Establish a smooth and transparent communication mechanism to understand employees' opinions</li> </ul>
<i>Students</i>	<ul style="list-style-type: none"> <li>— Daily operations/communications</li> <li>— Telephone</li> <li>— Service brochure</li> <li>— Satisfaction survey</li> <li>— Job placement and entrepreneurship guidance and support</li> <li>— Employment return visit</li> </ul>	<ul style="list-style-type: none"> <li>— Customer service</li> <li>— Teaching quality</li> <li>— Transparent and reliable information</li> <li>— Data security and customer privacy management</li> <li>— Customer service and complaint handling</li> </ul>	<ul style="list-style-type: none"> <li>— Respond quickly to customer needs</li> <li>— Strengthen quality management</li> <li>— Upgrade information and network security systems</li> </ul>
<i>Suppliers/Partners</i>	<ul style="list-style-type: none"> <li>— Management procedures for suppliers</li> <li>— Supplier evaluation mechanism</li> <li>— Video conferences</li> <li>— On-site research and investigation</li> <li>— Mobile communication applications (such as WeChat)</li> </ul>	<ul style="list-style-type: none"> <li>— Supply chain management and sustainable development</li> <li>— Safeguarding suppliers' rights and interests</li> <li>— the Code of Business Conduct</li> <li>— Anti-corruption and anti-fraud</li> </ul>	<ul style="list-style-type: none"> <li>— Implement supplier admission and delisting mechanism</li> <li>— Conduct supplier training</li> <li>— Strengthen cooperation and communication</li> <li>— Commitment to operate with integrity</li> </ul>



# Environmental, Social and Governance Report

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
<i>Government</i>	<ul style="list-style-type: none"> <li>– Report disclosure</li> <li>– Regulatory information submission</li> <li>– Forum exchange activities</li> <li>– Meetings and discussions with government authorities</li> </ul>	<ul style="list-style-type: none"> <li>– Comply with laws and regulations</li> <li>– Workplace safety and health</li> <li>– Responding to national policies</li> <li>– Taxation</li> </ul>	<ul style="list-style-type: none"> <li>– Ensure operations and legal compliance</li> <li>– Implement workplace safety measures</li> </ul>
<i>Community</i>	<ul style="list-style-type: none"> <li>– Site visit</li> <li>– Community activity</li> <li>– Social media</li> <li>– Public welfare activities</li> </ul>	<ul style="list-style-type: none"> <li>– Creating economic benefits, promoting employment</li> <li>– Creating welfare for the community</li> <li>– Use of resources</li> <li>– Environment and natural resources</li> </ul>	<ul style="list-style-type: none"> <li>– Participate in community construction and services</li> <li>– Organize volunteer activities and encourage employees to actively participate</li> </ul>

## Materiality assessment

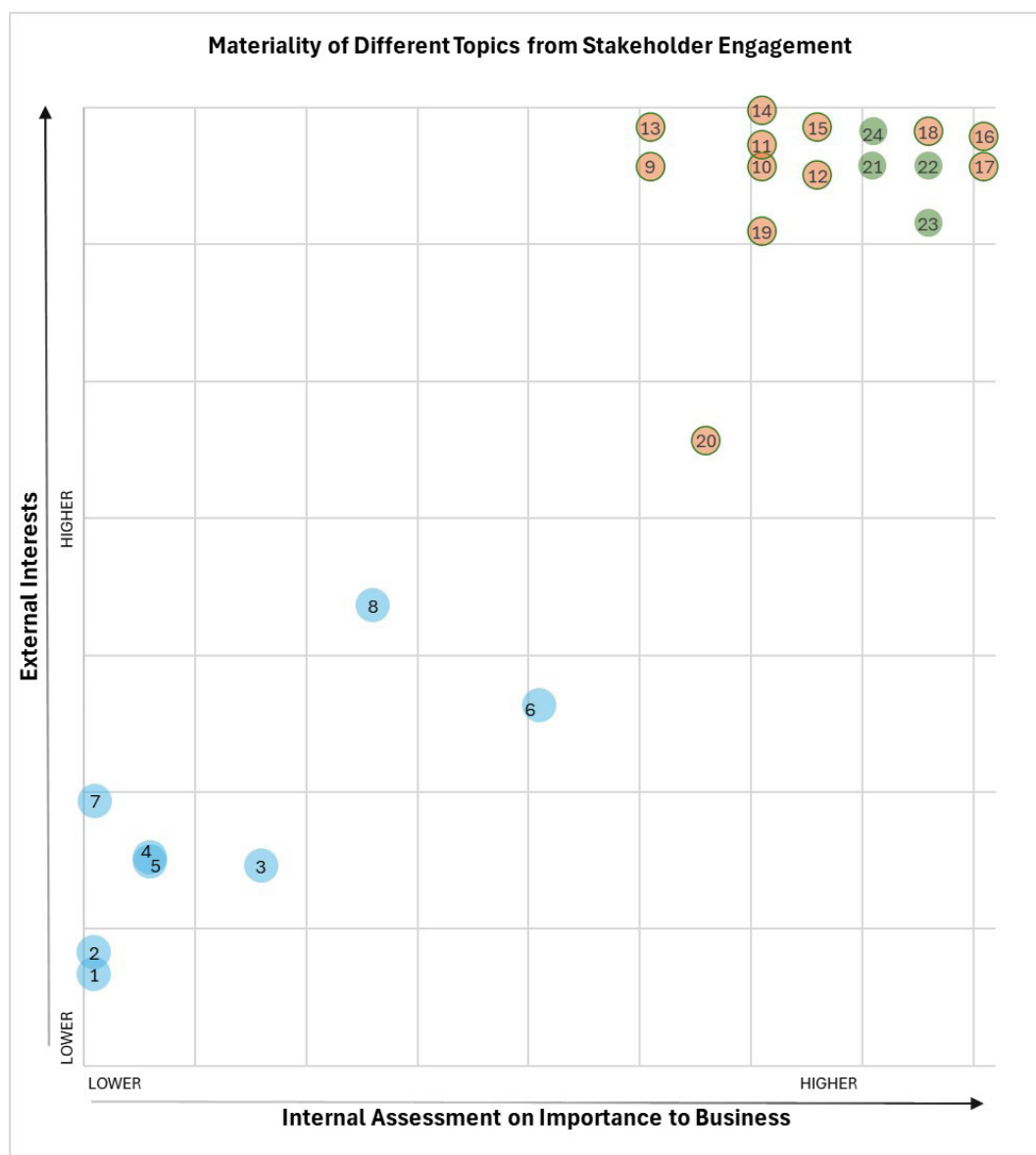
To promote its sustainable development, the Group regularly understands stakeholders' opinions and concerns on ESG matters through materiality assessment. During the Reporting Period, it has continued to entrust an independent sustainability consultant to carry out the materiality assessment. By inviting internal and external stakeholders to participate in the questionnaire survey, the assessment was conducted following the 3 steps of identification, prioritization, and verification. Based on the survey result, the Group has confirmed the materiality and impact of each sustainability issue on its sustainable development and determined the disclosure focus of the Report. Moreover, it will give priority to enhancing the ESG management work of related issues, and incorporate into the consideration of its future adjustment in strategic planning and risk management.

- 1 Identification**
  - Referring to the “Guidelines”, reporting trends and industry practices, and screening based on the group’s internal situation, 24 ESG issues closely related to the group’s business were identified.
- 2 Prioritization**
  - Invite internal and external stakeholders to participate in an online survey to rate the importance of ESG issues.
  - Collect scores on two dimensions of each ESG issue, including the impact on the Group’s corporate value (financial importance) and the Group’s impact on the economy, environment, and society (impact importance), to determine the overall importance of each ESG issue.
  - Develop a materiality matrix and priority list of ESG issues.
- 3 Verification**
  - After the assessment results are reviewed and confirmed by the board of directors and senior management, the Group will make targeted responses and focused reports.



# Environmental, Social and Governance Report

The stakeholder questionnaire survey of the Year was conducted online, 67 valid responses were received in total. Combining the impact of the issues on the Group’s corporate value and the Group’s impact on the economy, environment, and society, the following matrix shows the overall importance level of the 24 ESG issues, covering 3 aspects of “Environment”, “Society”, and “Governance” to compile the questionnaire. We identified 5 ESG issues after analysing the importance of the issues to the Group’s operations and stakeholders, considering the industry background, development status, and strategic planning. The 5 ESG issues, including “Customer Engagement”, “Data Security and Customer Privacy Management”, “Responsible Marketing and Labelling”, “Risk Management”, “Innovation and Technology”, located on the upper right side of the materiality matrix curve are regarded as “important issues”, and the Group will make targeted responses on relevant issues. At the same time, we will prioritize strengthening ESG management work on these issues and incorporate them into the Group’s future strategic planning and risk management considerations.





# Environmental, Social and Governance Report

Environment		Society		Governance	
1	Air Emission	9	Employment Practices	21	Business Ethics and Integrity
2	Greenhouse Gas Emissions	10	Employee Participation	22	Risk Management
3	Waste Management	11	Diversity and Equal Opportunities	23	Intellectual Property Protection
4	Energy Consumption	12	Development and Training	24	Innovation and Technology
5	Water Usage	13	Occupational Health and Safety		
6	Raw Materials Consumption	14	Labour Management		
7	Climate Change and Resilience	15	Quality and Safety of Products and Services		
8	Product Lifecycle Management	16	Customer Engagement		
		17	Data Security and Customer Privacy Management		
		18	Responsible Marketing and Labelling		
		19	Responsible Supply Chain Management		
		20	Community Engagement and Investment		

We firmly believe that the opinions of stakeholders have an important impact on the Group's achievement of sustainable development goals. Further understanding and respecting the views and needs of stakeholders will enable the Group to make better decisions and plans. In the future, the Group will continue to strive to establish and maintain positive interactions with stakeholders through diversified, transparent, and effective communication channels, optimize sustainable development strategies, and make us more successful in the pursuit of sustainable development.

## A. COMMITMENT TO ENVIRONMENT

The Group attaches great importance to sustainable development and regards environmental protection as one of its core responsibilities.

The Group carries out its business primarily in offices and training centers, which is not an energy-intensive industry and has limited impacts on the environment and natural resources. However, the Group still regards environment protection as an important corporate responsibility and is committed to promoting corporate social responsibility and sustainable development as well as integrating it into all major aspects of our business operations. We attach great importance to environmental protection and strictly abide by the Environmental Protection Law of the People's Republic of China (the "PRC"), the Law of the PRC on Conserving Energy, and other laws and regulations.

While developing our business, the Group thoroughly implements the concept of energy conservation and environmental protection by adopting a variety of measures, and continues to pursue clean, efficient, and green development. We have formulated internal policies, aiming to save energy, water, paper, and other resources, reduce greenhouse gas ("GHG") emissions and air pollutants from vehicles, as well as promote and support environmental policies including mitigation of climate change, while raising employees' awareness toward environmental protection. We will review and examine the implementation progress of various environmental protection measures, monitor each emission source, identify more opportunities for energy conservation and emission reduction, and establish relevant policies to effectively ensure that resources are used properly, aiming to reduce the environmental footprint. The following are some of the initiatives related to environmental protection.

# Environmental, Social and Governance Report

## A1. Emissions

The Group is principally engaged in non-formal vocational education and training (“VET”) which does not have significant air emissions nor discharges into water or land, such as nitrogen oxides, sulfur oxides, and respiratory suspended particles. Our carbon footprints mainly come from the use of electricity and water in offices, training centers, and a printing workshop, the use of office materials, the wastes generated from operations, company vehicle usage, and business trips. We have implemented environmental protection measures with energy management, water resource management, and waste reduction, to minimise the impact on the environment and natural resources.

During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations that had a significant impact on the Group.

### A1.1 Air Emissions

During the Reporting Period, the Group consumed petrol from our business operations, mainly for 2 company cars. The following table presents details of air emissions figures in 2023:

The type of emissions	2023	
	Emission (kg)	Intensity (g/Million RMB in Revenue)
Total NOx emissions	1.36	0.45
Total SOx emissions	0.87	0.29
Total PM emissions tons	0.10	0.03

### A1.2 Greenhouse Gas Emissions

During the Reporting Period, 169,854.32 (2022: 147,986.63) tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) greenhouse gases (“GHG”, mainly carbon dioxide, methane, and nitrous oxide) were emitted from the Group’s operations. The Company’s GHG emissions are generated from fuel consumption by the vehicles, electricity and water consumption during operation, landfill, paper consumption, emissions from air travel of employees for business trips, etc.

Scope of GHG	Emission Sources	Total Emission		Total Emission	
		(in tCO <sub>2</sub> e) 2023	(in %) 2023	(in tCO <sub>2</sub> e) 2022	(in %) 2022
Scope 1 Direct Emissions	Combustion of Fuel in Mobile Sources	157.98	0.09%	N/A	0.00%
Scope 2 Energy Indirect Emission	Purchased Electricity	6,658.11	3.92%	4,404.23	2.98%
Scope 3 Other Indirect Emissions	Paper Waste Disposal	162,561.59	95.99%	143,582.40	97.02%
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	50.17			
	Business Air Travels	426.46			
Total		169,854.32	100.00%	147,986.63	100.00%



# Environmental, Social and Governance Report

- Note 1:* Emission factors were made reference to Appendix C2 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.
- Note 2:* Scope 1 direct emission is directly generated by the businesses which are owned or controlled by the Group. As the Group engages in the business of education services but not industrial manufacturing, figure was minimal.
- Note 3:* Scope 2 Indirect emission is generated by the emissions from the electricity consumed (purchased or acquired) within the Group.
- Note 4:* The calculation scope of the GHG emission (Scope 3) mainly includes indirect GHG emissions from the Group's business travel and paper waste; GHG emissions from paper waste are calculated in accordance with the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.
- Note 5:* Due to the optimization of data collection system, data related to energy consumption and greenhouse gas emission in 2022 has been restated in order to reflect the actual situation.

The overall intensity was 56.22 (2022: 52.66) tCO<sub>2</sub>e per m<sup>2</sup> of million RMB in revenue.

## A1.3 Hazardous Waste

During the Reporting Period, 29.69 tonnes of hazardous waste were generated from daily business operations. The intensity was 9.83 kg of hazardous waste per million RMB in revenue. Hazardous wastes generated mainly comprised of ink waste, solid hazardous waste, waste containing organic solvents, electronic waste, and lightbulbs.

## A1.4 Non-hazardous Waste

Due to the business nature, the emission of noise and exhaust gas waste is immaterial. The Group's operations generated approximately 4,810.53 tonnes of non-hazardous waste, which mainly included everyday non-hazardous waste, food waste, and other paper waste.

### Non-hazardous waste generated during the Reporting Period

Types of Non-Hazardous Wastes	Waste Generated (tonnes)
Waste Plastic Film	22.93
Waste Wood	129.86
Other Paper Waste (e.g., newspaper, card paper)	4,657.74

The intensity was 1,592.19 kg of non-hazardous waste per million RMB in revenue.

## A1.5 Measures to Mitigate Emissions

The Group always advocates the concept of "green and sustainability" and is committed to making progress towards sustainable low-carbon operations and attempts to minimize resource consumption in daily operations. Currently, we formulate internal environment policies to reduce the impacts on the environment arising from our operations.





## Environmental, Social and Governance Report

During the Reporting Period, the Group has taken the following resources-saving measures during its operations:

*For Book-printing business unit:*

- The book-printing business unit will update the planned book demand by obtaining a six-month rolling forecast with each business department to accurately match the printing demand for sales of books and classroom-based tutoring.
- Continuous improvement in printing operations efficiency through providing on-the-job training to the employees of the book-printing operations and well-managed the printing machines.
- Further optimize the print output formatting, such as reducing default line spacing, reducing margins, reducing header/footer size, and reformatting reports/spreadsheets to fit a full page, to further reduce the paper usage without sacrificing the quality of the printing materials.
- Reduce the use of student notepads in classroom-based tutoring. Instead of providing a free notepad to each student, the students need to request the lesson. This can reduce the distribution of the notepads.
- The packaging cartons purchased are made of 10% recycled pulp.

*For Group basis:*

- The administrative department of the Group assesses and reports figures of consumption to the management team regularly. If there is any deviation, the company will investigate the cause and take appropriate corrective measures.
- Issued the “Low-Carbon Energy Conservation Proposal” to encourage all employees to participate together.
- Put up slogans in the work area to remind employees to turn off all switches when they are off
- Tailored-made the energy-saving and waste-reduction plan for offline teaching classrooms.
- Minimize the use of lighting and make full use of natural light sources.
- Switch off lights and powers for electronic devices when not used.
- Use double-sided printing of documents.
- Turn off the air-conditioning system during non-working hours to reduce unnecessary power consumption.
- Continuously reduce the provision of disposable bottled water in the classroom, and provide barreled or purified drinking water to the students. Besides, we encourage students to bring their own water cups to reduce the consumption of disposable paper cups.



# Environmental, Social and Governance Report

- Reduce the use of disposable products including wooden chopsticks, paper cups, and paper towels, and advocate for proper waste separation.
- Encouraged employees to take public and shared transportation to work.
- Regularly evaluated the number and cost of business trips and encouraged employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences.

During the Reporting Period, there were no breaches or violations of the PRC environmental laws and regulations applicable to our business operations that would have a material and adverse effect on our business, results of operations, or financial condition.

## **A1.6 Waste Reduction and Initiatives**

The Group understands the importance of good waste management practices and strictly complies with the Law of the PRC on the Prevention and Control of Solid Waste Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Water Pollution, the Integrated Wastewater Discharge Standard, and other relevant environmental laws and regulations.

The Group's operations involve the generation of carton boxes, general garbage, paper, plastic, and other non-hazardous waste. Through the specification of the management system, we reasonably classify, collect, store, and process all non-hazardous waste. To achieve the waste reduction goals of recycling, reducing waste, and saving costs, the Group advocates waste reduction at the source, strengthens the management and control of production units based on the principle of waste minimization, and reduces unnecessary waste generation.

Non-hazardous waste is collected and handled by the administration department. Paper is used for daily office operations such as document printing and deliverable packaging. Paper-saving initiatives are encouraged among employees, such as adopting double-sided printing and printing with single-sided paper. We also encourage using electronic documents for document issuance and notification for promoting a paperless office. The Group tries to recycle paper used whenever possible in an attempt to reduce waste disposed of at landfills. Food waste is also properly classified and handed to third-party organisations to be converted into fertilizer or fodder.

The Group generated most of its hazardous waste from the printing workshop. We established a hazardous waste ledger to record the generation, disposal, and storage of hazardous waste. These wastes were collected by professional third-party waste-handlers for recycling, reuse, or further processing. We ensure that hazardous waste is disposed of through legal and compliant channels, and regularly inspect the management of hazardous waste.

In the Reporting Period, the Group has set annual targets for the solid waste discharge of the Group, which were mainly focused on reducing waste discharge and demonstrated improvement. The Group will continue to refine and improve waste discharge strategies, to sustainably balance business growth and environmental protection. The Group aims to achieve a general reduction of 1% in overall hazardous waste and non-hazardous waste intensity in the upcoming three years.



# Environmental, Social and Governance Report

## A2. Use of Resources

The Group advocates efficient energy management to reduce our carbon footprint and promote the reasonable consumption and conservation of energy, as well as to enhance the overall efficiency of energy consumption. In accordance with relevant laws including the Law of the People’s Republic of China on Energy Conservation 《中華人民共和國節約能源法》 and the Energy Policy, we have formulated various energy reduction systems and established administration policies, continuously reduce energy consumption and improving energy efficiency by optimizing energy structure and applying advanced energy management technologies. We endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. We also encourage to minimise its use of business travel.

### A2.1 Energy Consumption

A total of 11,439,499.21 kWh of energy (2022: 7,218,868.10 kWh) was consumed by the Group for its operations during the Reporting Period. Electricity was the major source of energy for the Group, consuming 10,913,140.00 kWh (2022: 7,218,868.10 kWh) for machinery in the printing workshop, lighting, air-conditioning, and other equipment of the training centers and offices necessary for its daily operations. The rest of the Group’s energy source was petrol used for fueling its vehicle fleet, and 59,394.20 liters of petrol were consumed, which is equivalent to 526,359.67 kWh of energy.

The following table presents details of energy consumption figures in 2023:

Energy Consumption	2023	
	Consumption (kWh)	Intensity (kWh/Million RMB in Revenue)
Electricity	<b>10,913,319.54</b>	<b>3,612.04</b>
Petrol	<b>526,359.67</b>	<b>174.22</b>

### A2.2 Water Consumption

The headquarters and training centers consumed 81,323.78 m<sup>3</sup> of water during the Reporting Period. The water intensity was 26.92 m<sup>3</sup> per million RMB in Revenue. Due to the outbreak of Covid in 2022, the water consumption is minimal.



# Environmental, Social and Governance Report

## **A2.3 Energy Use Efficiency Initiatives**

We advocate the principles of green energy conservation and making good use of resources, and are committed to optimizing the use of resources and minimizing carbon emissions throughout our business. We formulate relevant energy-saving policies and measures to reflect our emphasis on energy efficiency. Power consumption of the Group is primarily generated from the lighting, air conditioning, and other equipment in the printing workshop, offices, and day-to-day operations in training centers. For electronic devices, we use products with high energy efficiency certification and power-saving modes, such as computers and printers that can automatically enter the standby or sleep mode when idling. We also procure electronic devices that can accommodate multiple servers, such as printing facilities with multi-functional printing and copying devices, and avoid using a single server with higher capacity to save electricity. During the Reporting Period, the Group has set annual targets and taken various measures to reduce its electricity and energy consumption during operation. In the future, the Group will strive to keep on improving consumption efficiency, to balance business growth and environment protection.

The Group aims to achieve a general reduction of 1% in overall energy use intensity in the upcoming three years.

## **A2.4 Water Use Efficiency Initiatives**

The Company strictly abides by the rules and regulations about water pollution control. The domestic water we use is supplied by our property buildings, and we have no problem in sourcing water that is fit for purpose.

During the Reporting Period, the Group has set annual targets for the use of water resources of the Group, which were mainly focused on reducing water waste and improving the use efficiency of water resources. To achieve the targets, the Group has taken the following measures:

- Regularly inspect pipes and fixtures for leaks and fix them promptly to prevent water loss.
- Encourage the employees and the students to adopt water-saving habits, such as turning off taps when not in use, using water efficiently during cleaning processes, and reporting any water leaks or issues promptly.
- Recycled water resources under suitable conditions.

Through these measures, the Group aims to achieve a general reduction of 1% in overall water use intensity in the upcoming three years.



# Environmental, Social and Governance Report

## A2.5 Packaging Materials Management

For packaging materials, the Group mainly uses materials including cartons, plastic films, stretch films, packing tape, Kraft paper, and wrapping paper for packaging the printed materials. In accordance with relevant management regulations, the production department has conducted a demand review and inventory accounting for packaging materials and purchased on demand to avoid excessive waste. The Group also promotes saving packaging materials, improving the utilization efficiency of packaging materials through weight reduction and recycling, and controlling the volume and weight of packaging with environmentally friendly designs, to reduce resource consumption. The Group's packaging material consumption for the Reporting Period is as follows:

Packaging material	Unit	2023
Carton	KG	1,305,776.30
Films	KG	90,322.00
Paper	KG	17,157.35
Tapes	KG	33,044.20
Bubble Bags	KG	154,022.50
Total materials used in packaging	KG	1,600,322.35
Packaging materials intensity	KG/million	529.68

RMB of revenue

## A3. The Environment and Natural Resources

We advocate the concept of “green and sustainability” and are committed to making progress towards a sustainable future by proactively addressing carbon emissions, waste management, energy, and water use. We formulate internal environmental policies to reduce the impacts on the environment arising from our operations.

### A3.1 Significant Impacts of Activities on the Environment

The Group's non-academic vocational education and training services do not have significant impacts on the environment and natural resources. The Group has established internal policies to reduce its consumption of resources, minimise business travel and encourage online meetings. The Group is also committed to purchasing from qualified suppliers who follow national environmental rules and regulations.

To promote the reasonable consumption and conservation of energy and thus enhance the overall efficiency of energy consumption, we advocate efficient energy management to reduce our carbon footprint. In accordance with relevant laws including the Law of the People's Republic of China on Energy Conservation and the Energy Policy《中華人民共和國節約能源法》, we have formulated various energy reduction systems and established administration policies, continuously reducing energy consumption and improving energy efficiency by optimizing energy structure and applying advanced energy management technologies. In addition, we also endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. We encourage online communications within the Group and with its business partners to reduce carbon emissions resulting from business travel.

The printing process of our textbooks and learning materials may generate noise, solid waste, exhaust gas, and wastewater. Our subsidiary was awarded the certificate of CEC-7009EL issued by the China Environmental Labeling Center. This indicates our products not only qualified in quality but also meet the specific environmental protection requirements in the adoption of printing materials, process of printing technologies, and production processes. Compared with similar products, our printings have proven to be environmentally friendly.



# Environmental, Social and Governance Report

To further cooperate with the Carbon Neutrality measures in mainland China, the Group continues to refine and improve resource-saving strategies, to balance business growth and environmental protection. Through these measures, the Group aims to achieve a general reduction of 1% in overall emission intensity in the upcoming three years.

## A4. Climate Change

Climate change is a pressing global issue with far-reaching impacts on the economy and society. The Company recognizes the escalating threat posed by climate change, which affects businesses worldwide, including our Group. In response, we are committed to implementing environmentally sound practices and complying with relevant regulations and guidelines from local and national authorities. We have implemented internal policies including a Low carbon energy saving proposal 《低碳節能倡議書》 to reduce our carbon footprint such as reducing energy consumption through different measures.

In order to lessen the consequence of extreme weather events and safeguard daily operations and personal safety, we have developed comprehensive emergency plans and countermeasures that are specifically suited to our unique conditions. In addition, we are actively pursuing a green transformation aligned with China's goals to reduce energy intensity and achieve "carbon peaking" and "carbon neutrality".

By prioritizing low-carbon operations, we aim to make meaningful contributions towards these ambitious targets. Our ongoing efforts include the development of internal policies and regulatory systems focusing on managing emissions, and resource utilization, and enhancing our ability to identify and address climate risks and opportunities. Suppliers in neighboring regions of our operations preferred to avoid carbon emissions from transportation, especially air pollution. We partner with reputable suppliers who are also devoted to carbon reduction and maintain a capacity comparable to their business needs to avoid over-usage and corresponding emissions. For instance, our major third-party cloud services and OA systems providers are Tencent and Alicloud. The vendors offer the green computing power to help clients build low-carbon digital infrastructure, as well as apply digital technologies to help optimize energy efficiency.

The Group deeply understands the importance of identifying and effectively managing climate risks and opportunities for achieving stable and sustainable business development. We plan to gradually identify industry-specific climate risks relevant to our operations and further analyze the connections and impacts between these risks and our business. As climate change intensifies, extreme weather events such as floods and heavy rainfall, are becoming more frequent and severe. This results in delays in the delivery of books and printing materials, and affects the operational efficiency and attendance of students, thereby affecting operating results. To fully cope with the opportunities and challenges brought about by climate change, the ESG task force has carefully assessed related risks and developed corresponding strategies and targets for climate change. The Group will also keep abreast of the trends of new environmental laws and regulations, and formulate contingency strategies and policies promptly to ensure compliance with environmental protection laws and regulations.



# Environmental, Social and Governance Report

With the intensification of climate change, extreme weather events are becoming more frequent and severe. In response to adverse weather conditions, the Group has developed an emergency action plan:

- |  |  |
|--|--|
| Strengthening the risk-awareness and emergency management    | <ul style="list-style-type: none"><li>• Enhance risk awareness, improve prevention and control capabilities, and focus on preventing and mitigating major risks.</li><li>• Strengthen emergency management training for leaders at all levels in collaboration with relevant departments to increase awareness of extreme weather events and improve emergency response capabilities.</li></ul>  |
| Strengthening forecast and warning                           | <ul style="list-style-type: none"><li>• Prioritize prevention and increase the frequency of monitoring and forecasting extreme weather events.</li><li>• Establish a point-to-point warning and response mechanism to promptly alert relevant departments to undertake preventive measures.</li><li>• Issue meteorological warning information to company employees to enable them to prepare for disaster prevention and mitigation in advance.</li></ul>   |
| Strengthening the operability of contingency plans           | <ul style="list-style-type: none"><li>• Establish a sound linkage mechanism between meteorological warnings and emergency response, quantify relevant activation standards, and formulate specific measures to prevent and respond to extreme weather events.</li><li>• In case of extreme weather conditions that create unanticipated system failure which may lead to lost data, three streamline broadcast service providers are engaged to ensure smooth operations even under extreme climate.</li><li>• Diversify the services locations and increase choices of online lessons to reduce the impact of classroom-based teaching under extreme weather.</li></ul> |
| Enhancing the coordination in disaster prevention and relief | <ul style="list-style-type: none"><li>• Strengthen the leadership in disaster prevention, reduction, and relief work, and strictly implement the responsibilities of various departments.</li><li>• Promote the responsibilities of the emergency management department and other relevant departments, establish emergency contacts and duty personnel, and fully leverage leadership, command, and coordination roles.</li><li>• Arrange training on safety emergency handling and operation of automated external defibrillator.</li></ul>  |



# Environmental, Social and Governance Report

## Strengthen resource prepositioning

- Select the store locations that are relatively prosperous or have better infrastructure, typically less prompt to the drainage and transportation issues.
- Based on risk assessment, guide and urge relevant departments to preposition response resources for high-risk areas.
- In terms of infrastructure, in addition to basic fire and flood prevention measures, special treatments are carried out based on regional geological characteristics. For example, considering the frequent earthquakes in the Chengdu area, the design and construction standards are enhanced for independent column foundations, ground beams, structural columns, ring beams, and steel material requirements.
- Various measures have also been taken for system maintenance in response to natural disasters, such as off-site data backup. Local core system data (SAP/MBS, etc.) are backed up daily and synchronized in an off-site data backup center on Alicloud, ensuring data availability in extreme situations. Rapid application recovery can be achieved using Alicloud's resources to quickly restore the business application environment in the event of a loss at the local data center, combined with off-site data backup to ensure business system availability. Fast network recovery is achieved by utilizing reliable third-party network infrastructure (such as Tencent and Alicloud) to build a network spanning the cities where the business operates, allowing secure access to any branch.

## Strengthening publicity and education

- Widely carry out disaster prevention and reduction publicity and education to enhance employee risk awareness and disaster prevention capabilities.

In the future, the Group will continue to proactively assume corporate social responsibilities for responding to climate change, and take effective measures to cope with the challenges brought by climate change, to achieve its sustainable development. The Group will actively respond to and implement relevant government policies and requirements in response to climate change, and actively engage in society-wide common actions to mitigate its negative impacts.





# Environmental, Social and Governance Report

## B. COMMITMENT TO EMPLOYEE

The Group upholds the core value of “people-oriented” and is committed to building an excellent and diverse team.

### B1. Employment

#### ***B1.1 Employment Figures***

The Group upholds the “people first” principle and believes that effective personnel management is essential to attaining sustained corporate development. In keeping with the people-oriented principle, we uphold the rights and interests of each and every employee, control employment practices, safeguard workers’ occupational health and safety, and foster an inclusive, safe, and healthy work environment in order to strengthen the close, long-term collaboration between our staff and ourselves.

Our innovative solutions to address the unmet needs of students are supported by our dedicated and talented employees. The Group values the opinions of employees and believes good employee relations are crucial to the long-term development of its business. Effective communication channels have been set up for employees in different age groups and assistance appropriate to their needs is offered, to maintain a harmonious workplace, and ultimately enhance work efficiency and productivity as a whole.

The Group acts in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Women’s Rights and Interests, the Law on the Protection of Minors, and the Provisions on Prohibiting the Use of Child Labour. In addition, we have formulated the Employee Handbook《員工手冊》to facilitate the building of talent teams and strive to create an equal, inclusive, healthy and safe working environment. Our staff handbook mandates human resource management policies, including equal employment, attendance management, remuneration and benefits, recruitment and promotion, training and development, health and safety, performance assessment, code of conduct, etc., to keep employees aware of the Company’s management basis and their interests.

During the Period, the Group did not note any cases of material non-compliance in relation to employment, including the provision of a safe working environment and protecting employees from occupational hazards.

As of 31<sup>st</sup> December 2023, we had a total of 7,325 (2002: 7,440) employees. See below for the detailed breakdown of the workforce.



# Environmental, Social and Governance Report

<b>Total Workforce as of 31 December</b>	<b>2023</b>	2022
<b>By Employment Type</b>		
Full-time	<b>100.00%</b>	100.00%
Part-time	<b>0.00%</b>	0.00%
<b>By Gender</b>		
Female	<b>70.65%</b>	71.42%
Male	<b>29.35%</b>	28.58%
<b>By Employee Category</b>		
Senior Management	<b>0.07%</b>	0.07%
Middle Management	<b>0.23%</b>	0.16%
Frontline and Other Employees	<b>99.70%</b>	99.70%
<b>By Age Group</b>		
18–25	<b>7.52%</b>	11.98%
26–35	<b>85.92%</b>	83.49%
36–45	<b>6.40%</b>	4.48%
46–55	<b>0.16%</b>	0.05%
56 or above	<b>0.00%</b>	0.00%
<b>By Geographical Location</b>		
Mainland China	<b>100.00%</b>	100.00%

## **B1.2 Turnover Figures**

A total of 2,230 (2022: 3,438) employees left the Group during the Reporting Period, which gave a turnover rate of 30.44% (2022: 46.21%). The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market. See below for the detailed breakdown of the turnover rate by employee group.



# Environmental, Social and Governance Report

<b>Turnover Rate as of 31 December</b>	<b>2023</b>	2022
<b>By Employment Type</b>		
Full-time	<b>30.44%</b>	46.21%
Part-time	<b>0.00%</b>	0.00%
<b>By Gender</b>		
Female	<b>29.35%</b>	39.80%
Male	<b>33.07%</b>	62.23%
<b>By Employee Category</b>		
Senior Management	<b>0.00%</b>	20.00%
Middle Management	<b>5.88%</b>	25.00%
Frontline and Other Employees	<b>30.52%</b>	46.26%
<b>By Age Group</b>		
18–25	<b>47.73%</b>	N.A*
26–35	<b>30.35%</b>	
36–45	<b>11.94%</b>	
46–55	<b>8.33%</b>	
56 or above	<b>0.00%</b>	
<b>By Geographical Location</b>		
Mainland China	<b>30.44%</b>	46.21%

\* Age Group is reclassified in 2023

### **B1.3 Employee Recruitment, Compensation, and Benefits**

The Group complies strictly with all applicable laws and regulations in relation to recruitment, pursuant to which the Group is to select, recruit and promote its employees at all levels in a fair, just and open manner based on their knowledge, integrity, ability and experience in either public recruitment or internal promotion, so as to ensure meritocracy and attract the best professional elites in the industry. We encourage and advocate equal opportunities and diversity. We recruit talents through the talent market, online platforms, on-campus job fairs, internal referrals, and other channels to build our employer brand that can meet the needs of our business. It forbids engagement in or support of discrimination based on ethnicity, social class, gender, etc. in such areas as recruitment, salary, and promotion. The recruitment process is arranged by the human resources department, with interviews arranged for the selected candidates. Qualified applicants shall provide their identity documents, academic certificates and resumes. The applicants shall pass the prescribed recruitment process, and become officially employed after signing the employment contracts. The Group ensures to carefully go over the identities and birth certificates of the qualified applicants to eliminate child labour at the source. During the Reporting Period, the Group was not aware of any instance of child labour and forced labour.

The Group sets up different career paths for the management, general, and technical personnel with corresponding different promotion channels. We assess each talent according to the performance appraisal result and skill sets, combined with measures such as talent review, and various training programs to provide equal and consistent opportunities for them to achieve career ambitions.



# Environmental, Social and Governance Report

We routinely carry out thorough appraisal assessments on the work performance, workability, and work attitude of the workforce through the performance appraisal system. The work performance, workability, and professional abilities of employees can be consistently enhanced through a suite of closed-loop performance management tools. Employee arrangements for promotions, pay adjustments, and terminations will be impacted by the evaluation results.

We provide market-competitive compensation, and the level of which our employees receive will be driven by their qualifications, experience, potential, and performance. The Group's employees in the PRC are entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC.

In addition to local statutory holidays such as basic paid annual leave, the qualified employees are also entitled to wedding leave, maternity and paternity leave, and bereavement leave.

The Group implements a flexible working hours system requiring employees to work eight hours a day and five days a week. We comply with all working hours, rest, and vacation regulations of the Chinese labour Law to ensure the physical and mental health of all employees. The Group does not force employees to work overtime. Employees may apply for overtime in advance. On statutory holidays, the approved overtime will be paid according to the Labour Law. After consulting with the employees, those who work overtime on weekends will be compensated with rest days. In addition to legal holidays, employees are entitled to annual leave, personal leave, sick leave, marriage leave, maternity leave, paternity leave, bereavement leave, and work-related injury leave.

We are committed to provide our employees with a warm and safe working environment and take a holistic approach to employee well-being. We offer programs that support healthy work-life harmony, promote employee communication, and encourage employees to make suggestions for the improvement of the Group.

## **B1.4 Communication with employee**

The Group attaches great importance to the opinions of employees. We understand that employees are our close and long-term partners and good employee relations are crucial to long-term development of the business. Maintaining effective and positive mutual communication can not only promote smooth operations, but also enhance mutual understanding and trust, and contribute to the stable development of the Company. Effective communication channels have been set up for employees in different age groups and assistance appropriate to their needs is offered, with the aim of maintaining a harmonious work place, and ultimately enhance work efficiency and productivity as a whole.

The Group mainly releases information and key issues to employees through internal office platforms, which include but not limited to emails, announcements, and corporate micro-channels. The employees can share opinions in following ways:

- Several communications channels have set up to receive and handle employees' opinions and demands;
- Employees can share their opinions with the leaders of the department or branch campus first. They can also share the opinions with the corresponding departments or the Audit and Supervision department of the headquarters;



# Environmental, Social and Governance Report

- Employees can leave comments via corporate mailbox, QQ, Weibo and WeChat;
- Employees are encouraged to provide real-name feedback and promise to protect employees from adverse effects. Meanwhile, an anonymous mailbox has also set up to regularly collect employees' thoughts and opinions.

The Group carefully reviews and considers all opinion from its employees and makes corresponding improvement to ensure their rights and interests.

## **B1.5 Equal Opportunity and Anti-Discrimination**

The Group attaches particular importance to equal employment opportunities and comply strictly with anti-discrimination laws. The Group has also formulated internal policy on equal employment opportunities, aiming to treat both employees and job applicants fairly and ensure they are not discriminated for their gender, marital status, pregnancy, age, family status, disability, ethnicity, nationality or religion. The Group treats each of its employees fairly and justly and offer equal opportunities to them in recruitment, promotion, rewards, training, etc., and promise that no discrimination will be tolerated. The Group shall consider disciplinary punishments on anyone who violates this policy. In compliance with the law, the Group provides training courses from time to time to prevent employees from being discriminated, harassed, and harmed during work.

## **B2. Employee Health and Safety**

The health and safety of our employees is a priority for us. We strictly follow relevant laws and regulations on occupational health and safety, including the Work Safety Law of the People's Republic of China《中華人民共和國安全生產法》 and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases《中華人民共和國職業病防治法》, and have established the Rules for the Administration of Safe Production《安全生產管理規程》to manage work safety and occupational health of our employees.

We allocate adequate resources and efforts to uphold and improve our safety management in order to reduce the inherent risks related to safety issues. Fire drills are conducted by administrative department in different offices every year to enhance staff's awareness of fire prevention and safety accident response ability. The HR department also regularly provide safety education training programs to the employees. The training content covers safety production requirements, hazard sources, identification of safety hidden dangers, safety protection, safe operation, etc.

During the Reporting Period, the Group did not experience any accidents or claims for personal or property damage that, individually or in aggregate, had a material effect on our Group's financial condition and results of operations. We had complied with the applicable national and local safety laws and regulations in all material respects, and the relevant PRC authorities had not imposed any material sanctions or penalty on us for incidents of non-compliance of any safety laws or regulations in the PRC. We had not been subject to any material claim or penalty in relation to health, safety, or social protection, or been involved in any significant workplace accident or fatality.

# Environmental, Social and Governance Report

## B2.1 Work-related fatalities and injury

### Occupational Health and Safety Data in 2023 and 2022

	2023	2022
Work related fatality	0	0
Fatality rate <sup>1</sup>	0.00%	0.00%
Work injury cases >3 days	3	6
Work injury cases ≤3 days	0	0
Lost days due to work injury	101	540

Note 1: Fatality rate is given by number of fatalities as a result of work-related injury divided by number of workers.

The company attaches great importance to the occupational safety of all colleagues and has devoted effort in protecting the health of its staff. During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

## B3. Development and training

Talents are one of the most important assets of the Group, the Group has staff development and training policies designed to help employees realise their potentials. Developing our people professionally is one of the most important things to us. We have developed diversified training programs such as new employee training, management skills training, professional skills training, management system training, to help our employees improve their working abilities and experience.

During the Reporting Period, 7,325 employees, or 98.45% of all employees, received training as arranged by the Group, and the average training hours that each employee received was approximately 2.58 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

	2023		2022	
<b>By Gender</b>				
Female	97.38%	2.47 hrs	25.54%	0.26 hrs
Male	101.13%	2.71 hrs	26.43%	0.27 hrs
<b>By Employee Category</b>				
Senior Management	100%	2.40 hrs	40.00%	0.40 hrs
Middle Management	100%	2.00 hrs	0.00%	0.00 hrs
Frontline and Other Employees	98.45%	2.53 hrs	25.82%	0.26 hrs

Note: Employee training statistics in 2023 include the current employees and retired employees of the Group during the year.  
 Trained employee ratio (percentage) = Number of trained employees in this category/Total number of employees in this category at the end of the reporting period x 100%.



# Environmental, Social and Governance Report



Development and training program



Festivals and celebration events



## B4. Labour standards and diversity inclusion

We strictly abide by the Labor Law of the People’s Republic of China《中華人民共和國勞動法》, Provisions on the Prohibition of Using Child Labor《禁止使用童工規定》 and other laws and regulations, and prohibit any forms of child labor and forced labour. All works are voluntarily performed and shall not involve forced labour, debt repayment or contractually bound labour or involuntary prison labour. The Group prohibits recruitment of child labor, or workers aged below 15 (or at legally forbidden age).

Before hiring, the HR Department verifies the age of candidates by conducting in-depth identity document checks and interviewing them. If the Group finds evidence of child labor, it will take the appropriate action in accordance with the “Child Labor Rescue and Help Procedures” such as: end the employment, set up a physical test to ensure the child’s health, and cover all associated costs.

We do not tolerate forced labour through violence, threats, coercion, or unlawful restraint. The Group does not tolerate any physical, sexual, psychological, or verbal harassment or abuse of employees. We have procedures in place to ensure relevant policies are properly implemented throughout the Company. These include giving relevant training, employee interviews and surveys, and conducting onsite visits and audits regularly. Issues or inquiries raised by employees via different channels will be handled and investigated by the Group carefully and in strict confidence.

We treat all employees fairly in terms of hiring, advancement, training, and other aspects of their job. We prohibit employment discrimination based on age, gender, nationality, color, marital status, or religion. We are also committed to embracing diversity within our business and treating all of our employees fairly and respectfully in terms of hiring, training, wellness, and professional and personal development. While working to ensure equal career possibilities for all, we continue to promote work-life balance and a pleasant workplace culture for all of our employees. During the Reporting Period, there were no instances of child or forced labour.



# Environmental, Social and Governance Report

## C. COMMITMENT TO CUSTOMERS

As a responsible company, we attach great importance to practicing social responsibilities and are committed to enhancing mutual trust with customers and suppliers to promote long-term cooperative relationships.

### C1. Supply Chain Management

In order to standardize the material supply procedures, to enhance the working efficiency, and to strengthen the supervision and management of partnered customers, the Group has formulated the Procurement Management System (採購管理制度), Working system of Cultural and Creative Procurement Department (文創採購部工作制度), Purchasing Management System of Bulk Purchasing Department (大宗採購部採購管理制度) and other policies and guidelines to scientifically manage the school procurement. Our suppliers mainly provide us with office supplies, teaching material, supplementary teaching material, furniture, teaching devices and other equipment.

As a responsible company, we attach great importance to practicing social responsibilities and are committed to enhancing mutual trust with customers and suppliers to promote long-term cooperative relationships.

As at 31 December, 2023, The Group has 3,958 (2022: 4,942), all suppliers are located in China (including Hong Kong and Macau).

#### ***C1.1 Practices and implementation of supplier engagement***

In order to improve procurement efficiency and reduce procurement costs, the whole procurement process usually involves different departments including:

- 1) Various business departments that clarify the procurement demand and budget;
- 2) Functional departments that carries out standard judgment and standard output for the procurement of materials and services;
- 3) Purchasing department that directly participates in the procurement process, formulates the Group's overall procurement plan, and controls the procurement process;
- 4) Finance and Legal Departments that support the procurement process including project budget, contract financial terms, tax terms and other audit support.

The Group encourages healthy and fair competition among suppliers, and often invites at least three possible bidders. We verify and conduct due diligence on the legitimacy of relevant suppliers, including the validity of their business license, tax registration certificate, and organization code certificate, logistic licenses (if required), qualification, business scope, and operating and financial results over the previous three years. The suppliers are requested to provide quality examination reports, quality certification, and other relevant materials for specific products for internal auditing. We will arrange a site visit to suppliers' production facilities. All suppliers must have a respectable business reputation/record, a sound service team, a completed tax payment record, a solid accounting system, and no records of lawsuits. All suppliers must have a good company reputation/record, a competent service team, a comprehensive tax payment record, and a robust accounting system, with no records of litigation or substantial penalties in the previous two years. Suppliers who participate in bidding and procurement will subsequently go through an approval and probation phase. After the probationary period is completed, the group will sign a procurement contract with the supplier. During the payment process, the Group's financial personnel analyze the full procurement procedure as well as upstream papers, and payment is made in accordance with contract criteria.





# Environmental, Social and Governance Report

## C1.2 Suppliers rating policy

The Group actively cooperates with suppliers to ensure the quality of purchased goods; apart from conducting periodic random inspection on product quality with suppliers, we explicit product quality assurance period on contracts. The Purchasing Department has also formulated “Supplier Evaluation Criteria Form” 《供應商評審標準表》 and shall organize the rating of key suppliers every two years.

Score	Grading of Suppliers	Company policies
80–100 points	Grade A	<ul style="list-style-type: none"> <li>Given priority to purchase</li> </ul>
60- 80 points,	Grade B	<ul style="list-style-type: none"> <li>Maintains normal procurement and requires improvements</li> </ul>
40- 60 points	Grade C	<ul style="list-style-type: none"> <li>Secondary procurement source</li> <li>Can only purchase non-essential products</li> </ul>
less than 40 points	Grade D	<ul style="list-style-type: none"> <li>Blacklisted</li> <li>Forbidden to purchase from the suppliers for three years</li> </ul>

Those with a comprehensive score of more than 60 points are qualified suppliers, those with more than 80 points are high-quality suppliers, and those with less than 60 points are unqualified suppliers.

## C2. Service responsibility

As a leading non-formal VET service provider in China, we are dedicated to making high-quality non-formal VET services accessible through technology and innovation. Our major products covered online premium courses with personalized tutoring services, offline course offerings on a large-scale basis, “challenge exercise” product leveraging our industry-leading data analytics and AI technologies, comprehensive online question bank in China’s recruitment examination tutoring industry and large-scale online mock examination products. All the training centers, as well as other ancillary services, are operated in accordance with the relevant education laws and regulations in their respective judications, such as the Vocational Education Law of the People’s Republic of China 《中華人民共和國職業教育法》 and Education Promotion Law of the People’s Republic of China 《中華人民共和國國民辦教育促進法》, to provide high quality online and offline higher education and vocational education services.

### C2.1 Consistent high-quality education

High-caliber teaching staff are at the core of satisfactory learning outcomes and examination passage rates, which are highly valued by students when choosing service providers. The group has a deep bench of qualified teaching staff. Firsthand teaching experience is also critical for our high-quality content development as it allows us to react to the evolving market demands and the differentiated learning patterns. We have developed substantially all the content on our platform in-house, and most of our content development specialists routinely participate in frontline teaching activities. As a result, we are able to formulate well-designed curricula and learning materials to facilitate an effective learning experience for students. Furthermore, the abundant teaching experience of our content development team, combined with our robust big data analytics, forms a solid foundation for us to continuously refine our course materials and teaching techniques. In addition, long-standing players in the industry can continue to attract and retain high-caliber teaching staff with brand reputation, competitive compensation package and well-designed instructor training system.



# Environmental, Social and Governance Report

## **C2.2 Compliance Marketing**

Fair dealing and truthful advertising are essential for preserving the reputation of the Group. We use trademarks, images, labels, and other information properly, and strictly manage the authenticity, accuracy, and compliance of the marketing information applied in the whole marketing process. During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations having a significant impact on the Group relating to marketing.

## **C2.3 Intellectual Property Rights**

Intellectual property is crucial to the success of the Group. Our strong R&D and innovation efforts build the strong foundation of our business success. Protecting our IPs is essential for us to maintain competitiveness in the market. Thus, while being committed to technological innovation, we also regard intellectual property protection such as patent application and trademark registration as vital and conducive to the Group's healthy and sustainable long-term development.

We strictly abide by the Patent Law of the People's Republic of China《中華人民共和國專利法》, the Trademark Law of the People's Republic of China《中華人民共和國商標法》and other laws and regulations. We formulated the Intellectual Property Management Policy《知識產權管理制度》with the intent to develop a culture that protects our IPs from growing external threats and organize IP protection training for the staff.

We are committed to protecting the intellectual properties of the Company as well as other parties, including patents, trademarks, and copyrights. Use of all such properties must be in accordance with applicable laws and regulations. Any forms of infringement of intellectual property rights are forbidden. We have set up channels for reporting any potential infringement and misappropriation incidents.

During the Reporting Period, there was no reported incident of violation of intellectual property rights, patents, or trademarks.

## **C2.4 Customer Services**

We are dedicated to delivering high-quality non-academic vocational education and training via technology. We have created a comprehensive vocational examination training product and service portfolio with strong synergy effects, as well as high-quality online training courses in the form of live or recorded broadcasts, supplemented by online self-study materials and tools, to prepare individuals for public positions and careers. Adult students in units are offered a comprehensive selection of recruitment and qualifying examination training courses, as well as a variety of other professional and industry advancements. We encourage students to give us feedback and assess the quality of our services in a timely manner.



# Environmental, Social and Governance Report

## **C2.5 Quality Assurances**

The Group has taken active measures of improvement for reasonable requests. In order to effectively protect the rights and benefits of our students and employees, we establish a number of communication channels aiming to collect feedbacks from students and employees, in a more efficient manner, which include daily operations/communications, telephone, Wechat, email and mailbox.

A comprehensive mechanism for handling student complaint was established to manage the collection, transmission, and handling of complaints as well as return visits. Upon receiving relevant complaint, such complaints will be reported to relevant departments in a timely manner, where they shall understand the root cause of the issue, proactively seek solutions, and formulate relevant measures to prevent similar situations from reoccurring. If the Group receives a material complaint, a special handling team will be set up in order to jointly formulate a handling plan, while ensuring the comprehensiveness, rationality and compliance of the plan as much as possible, and also strengthening communication with customers and strive to properly solve the related problems. The Group's customer relations managers will maintain close communication with its customers. In addition, the Group provides employees with training to improve their efficiency and capacity in handling students complaints.

## **C2.6 Objectivity of enrollment advertisement**

We carry our enrollment advertisement and promote our products mainly through the advertising on mainstream media such as official website, mobile apps, internet media, mobile newspaper, mobile application of mainstream media and official account on WeChat platform. The Group carry out promotional activities in strict compliance with relevant laws and regulations in their respective jurisdictions and have formulated the Summary of high-frequency compliance questions《合規高頻問題答疑匯總》, Advertising Compliance Guidelines《廣告宣傳合規指引》, "Advertising Compliance Review Process" Operation Instructions《廣告宣傳合規審核流程》操作說明, to make filing and effect management and control of the advertisement and promotional information. All advertisement and promotional information are accurate, objective, true and not misleading.

During the Reporting Period, the Group did not receive any complaints from the employees and complaints from the students. The Group was not involved in any material litigations, complaints, disputes or negative news coverage.

## **C2.7 Confidential Information**

The Group adheres to laws and regulations such as the Cybersecurity Law of the People's Republic of China《中華人民共和國網絡安全法》and the Regulations on the Management of Information Security《信息安全管理制度》. We undertake serious measures for protecting IT resources and data privacy of the Company and its stakeholders, including employees, business partners and customers. Our privacy policies and IT policies included Information system personnel safety management system《信息系統人員安全管理制度》, information system information security organization and job responsibilities management system《信息系統信息安全組織及崗位職責管理制度》, information system security incident reporting and handling management system《信息系統安全事件報告和處置管理制度》. According to the importance of data, all data is divided into 4 levels: C-1 Unrestricted, C-2 Restricted, C-3 Confidential, and C-4 Top Secret. The group stipulates the principles and responsibilities on personal data protection, as well as preventive mechanisms for checking information leakage. Employees in high risk positions are required to sign confidentiality agreements. Disciplinary actions are taken against individuals who have violated the policy. The Company takes the responsibility to ensure that no unauthorised person is able to access confidential information.



# Environmental, Social and Governance Report

We also respect the privacy of customers and employees and ensure that individual information will not be leaked and abused. We sign confidentiality agreement with our business partners to avoid leakage of privacy. During the Year, the Group was not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to customer privacy matters.

## **C2.8 Security management and remedial guidelines**

In order to strengthen the tracking, analysis, testing, distribution and inspection process of security patches for the information system, the Group implements the remedial measures for computers, network equipment, and database systems, in order to ensure the proper security of user personal information, reduce the security risks, and improve information system security.

The threat level of security loopholes shall be analyzed. For different security loopholes, the corresponding remedial period are as follows:

<b>Threat Level</b>	<b>Definition</b>	<b>Maximum Remedial Period</b>
Urgent	Exploit the vulnerability to remote access to administrator privileges	2 Days
Serious	Attack programs and viruses combine to form network worm	5–10 Days
Medium	Gain normal user access/elevated privileges/denial of remote service	10–30 Days
Low	Information leakage, denial of local service	30–90 Days

## **C2.9 Anti-Corruption and Business Ethics**

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardised and transparent business environment. We are committed to building a culture of compliance at our Group that engages all of our employees and business partners in ethical behaviors. In order to ensure the compliance of the Company’s business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course.

The Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated company policies covering compliance, integrity, and ethics, internal reporting and handling, and anti-fraud and anti-corruption systems, in order to regulate the professional behaviors and professional ethics of all employees of the Group, to establish a good atmosphere of integrity and diligence, and to prevent frauds.



## Environmental, Social and Governance Report

The Group developed a sound governance structure for preventing corruption, bribery, extortion, fraud, and money laundering. The management team take the responsibility to supervise and guide the anti-fraud to establish an anti-fraud cultural environment within the company and establish an internal control system preventing fraudulent activities. Head of the department/branch is responsible for maintaining the internal control system, setting up a reporting channel, implementing control measures, and taking remedial measures to reduce the chance of fraudulent activities within the company. All staff shall abide by the company's code of conduct and relevant national and industrial laws and regulations, and report fraudulent activities to anti-fraud through proper channels.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report unethical behaviours or any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails, suggestion boxes, e-mails or other channels. The identity of the whistle-blower will be kept strictly confidential. Any discrimination or retaliation against reporters will not be tolerated, and the reporters will be protected in assisting the investigation. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department.

If fraud cases are identified, we will take remedial measures to rectify the internal control of the affected business units. For the employees who are confirmed to have fraud, we will punish them according to our internal regulations; for those who violate the law, we will transfer them to the judicial organs for further handling.

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the directors and employees of the Company received anti-corruption training, with an average training hour of 1 hour per director. Topics of anti-corruption training included the situations of corruption reporting, anti-corruption laws and cases, roles of directors and employees in combating corruption, job embezzlement, fraud, and misappropriation of funds, etc. During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

### C3 Awards and Recognitions

During the Reporting Period, the Group is glad to receive recognition for excellence in business through a variety of local authorities and customers.

# Environmental, Social and Governance Report

## Name of awards

Public welfare project “Warm Light Action” brand case “Certificate of Honor of Beijing Private Education Association” (公益項目“暖光行動”品牌案例《北京民辦教育協會榮譽證書》)

National Customer Satisfaction Service Star Team (全國用戶滿意服務明星班組)

2023 Chalu • The 4th Elite Secretary to the Board Selection “Best Hong Kong Stock IR Team Award” (2023查鸞 • 第四屆精英董秘評選《最佳港股IR團隊獎》)

Thinking Finance Investor Annual Meeting 2023 and Golden Bridge Award “Outstanding Investor Relations (IR) Team of the Year”(2023年度思維財經投資者年會暨金橋獎《年度傑出投資者關係(IR)團隊》)

36KrWISE2023 Business King Conference “Future Business King Annual Enterprise”(36氪WISE2023商業之王大會《未來商業之王年度企業》)

The 8th Zhitong Finance Listed Company Selection “Best Hong Kong Stock Connect Company”(第八屆智通財經上市公司評選《最佳港股通公司》)

The 2023 Capital Market “Golden Sail” Case “2023 Outstanding Value Hong Kong Listed Companies” sponsored by “21st Century Business Herald”(《21世紀經濟報道》主辦的2023年資本市場「金帆」案例《2023年度卓越價值港股上市公司》)

“Southern Weekly” Annual Ceremony 2023 Brand Conference “2023 Influential Brands” (南方周末年度盛典2023品牌大會《2023年度影響力品牌》)

## Issuing Authority

Beijing Private Education Association (北京民辦教育協會)

Ministry of Industry and Information Technology Leading Group for Work Style Construction, National Telecommunications Users Committee (工業和信息化部行風建設領導小組、全國電信用戶委員會)

Shanghai Zhengjian Culture Communication Co., Ltd. (財聯社)

Thinking Finance (思維財經)

36 Kr (36氪)

Zhitong Finance (智通財經)

21st Century Business Herald (《21世紀經濟報道》)

Southern Weekly (《南方周末》)



# Environmental, Social and Governance Report

## Name of awards

“China Business Network” Capital Annual Conference “2023 Digital Education Leading Enterprises” (2023第一財經資本年會《2023數字教育領軍企業》)

“Shanghai Media Group” Jiemian Selection [2023 Best Company 50] “2023 (Best Company 50) Industry Leading Award”(上海報業集團|界面新聞評選[2023好公司50]《2023(好公司50)行業領先大獎》)

2023 Seventh Corporate Social Responsibility Development Forum Public Welfare List “2023 Excellent Cases of Corporate Social Responsibility Public Welfare Role Models” (2023第七屆企業社會責任發展論壇公益榜單《2023企業社會責任公益榜樣優秀案例》)



Xueqiu 2023 Listed Company Inventory List “2023 List of Top 100 Growth Listed Companies” (雪球2023年度上市公司盤點榜單《2023年度成長力上市公司100榜》)

Gelonghui’s “Jinge Award” Excellent Company Selection List “2023 Investment Value Award”(格隆匯「金格獎」卓越公司評選榜單《2023年度投資價值獎》)

## Issuing Authority

China Business Network (第一財經)

Shanghai Media Group Jiemian (上海報業集團界面新聞)

Corporate Social Responsibility Development Forum (企業社會責任發展論壇)

Xueqiu (雪球)

Gelonghui (格隆匯)



# Environmental, Social and Governance Report

## D. COMMITMENT TO THE COMMUNITY

The Group attaches great importance to social responsibility. While making achievements in its own development, it also hopes to care for and meet the needs and interests of local communities and promote the harmonious development of society.

Through various means of community participation and contribution, the Company is committed to spreading the spirit of service in the community and building a sustainable and inclusive society. While actively developing its business, the Group never forgets to support various community engagements in order to give back to the society. As a renowned VET service provider, the Group has always provided long-term and stable job opportunities to the society, maintained good employment relationships, increased local taxation, and improved the local automobile sales brand, thus promoting local economic development, and achieving self-development and a win-win situation with the local community.

In addition, the Group attaches great importance to social public welfare activities and hopes to spread the love and warmth from the Group to the society. It has contributed to activities and organisations that are beneficial to the community. During the Reporting Period, the Group participated in the following charitable activities:

Beneficiary	Details
Ziyang Charity Federation (資陽市慈善總會)	Donation of RMB 1million to provide targeted support for education in Ziyang City, rewarding students with excellent academic performance and outstanding teachers with both ability and political integrity in Ziyang City, and subsidising teachers and students in Ziyang City who are living in difficulty.
Red Cross Society of Horqin Left Wing Middle Banner, Tongliao City, Inner Mongolia (內蒙古通遼市科爾沁左翼中旗)	Donation of RMB 100,000 to support the “Green Heart” public welfare project which provides financial aid for academic and living expenses to disadvantaged youths in Horqin Left-wing Middle Banner, Tongliao City, Inner Mongolia.
Zhuozhou City of Hebei province	Donation of RMB 200,000 to assist Zhuozhou’s flood relief efforts.

In the future, we will continue to work proactively with charitable organizations and participate in various community investment and charitable activities especially in culture and sports area. To help create a peaceful and healthy society, the Group will keep allocating greater funds to social welfare and environmental protection initiatives, as well as embracing corporate social responsibility.

To demonstrate our commitment to social inclusivity, equal opportunity, and diversity in the workplace. we actively seeking to hire disabled employees. This not only aligns with our ESG goals but also contributes to a more inclusive society and positive corporate culture. In addition to hiring, we further support disabled employees by providing reasonable workplace accommodations, accessibility measures, and inclusive policies. This includes offering flexible work arrangements, accessible infrastructure, assistive technologies, and training programs to promote their professional development. During the Reporting Period, there are 78 (2022: 59) disabled employees in the Group. By fostering a diverse and inclusive workforce, we are dedicated to making a positive impact on society and creating a brighter future for all.





# Independent Auditor's Report



羅兵咸永道

To the Shareholders of Fenbi Ltd.  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Fenbi Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 101 to 191, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to revenue recognition of tutoring services.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of tutoring services</p> <p>Refer to Note 4(b) and Note 5 to the consolidated financial statements.</p> <p>The Group is engaged in the tutoring services to customers through online platforms and classroom-based platforms. During the year ended December 31, 2023, the Group recognised revenue from tutoring services including classroom-based and online tutoring services collectively amounting to RMB2,514,526,000.</p> <p>Revenue from the tutoring services is recognised when the performance obligation is satisfied over the relevant periods in which the services are rendered. For certain courses, customers are eligible to obtain a partial or full refund based on the terms of the relevant contracts. The Group recognised some or all of the amount of the refund related variable considerations in revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur or when the uncertainty associated with the variable consideration is resolved. The Group estimates the refund related variable considerations and refund rates by taking into consideration of the customer behaviours and historical experience. The estimation of the refund related variable considerations and refund rates in the tutoring services involve significant accounting estimates and judgments.</p> <p>We considered revenue recognition of tutoring services is a key audit matter because of large volume of transactions, large number of customers and the significant judgments on the recognition of variable considerations and hence significant effort was spent on auditing revenue recognition.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>— Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and other inherent risk factors;</li> <li>— Evaluated the appropriateness of the Group's revenue recognition policies across various tutoring services based on the applicable financial reporting standards;</li> <li>— Understood, evaluated and tested, on a sample basis, the key internal controls in relation to recognition of revenue from tutoring services;</li> <li>— Discussed with management and assessed the appropriateness of the refund rates used in management's estimation and measurement of the refund related variable considerations by considering the Group's historical data; and</li> </ul> <p>In respect of the revenue from tutoring services including classroom-based and online tutoring services, we performed the following testing procedures on a sample basis:</p> <ul style="list-style-type: none"> <li>— Tested revenue transactions by comparing the underlying contracts, the key terms and attributes of the contracts, where relevant, against the underlying data recorded in the Group's IT systems used in the transaction processing;</li> <li>— Tested the mathematical accuracy of the calculations of the revenue recognised proportionately over the relevant period in which the services are rendered ;</li> <li>— Checked revenue transactions to supporting evidence (e.g. student attendance records, bank documents related to the course considerations received and refunds); and</li> <li>— Tested the mathematical accuracy of the calculations of refund related variable considerations.</li> </ul> <p>Based on the procedures performed, we found the revenue transactions tested and the judgments applied in revenue recognition were supported by available evidence.</p>



# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Fenbi Ltd. 2023 Annual Report (the “**annual report**”) other than the consolidated financial statements and our auditor’s report thereon. We have obtained some of the other information including the Management Discussion and Analysis prior to the date of this auditor’s report. The remaining other information, including the Corporate Information, Chairman’s Statement, Results Highlights, Directors and Senior Management, Directors’ Report, Corporate Governance Report, Environmental, Social and Governance Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

## AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, March 28, 2024



# Consolidated Statement of Profit or Loss

(Expressed in Renminbi Yuan unless otherwise indicated)

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	Restated RMB'000
<b>Revenue</b>	5	<b>3,021,318</b>	2,810,429
Cost of revenue	5, 8	<b>(1,451,495)</b>	(1,444,724)
<b>Gross profit</b>		<b>1,569,823</b>	1,365,705
Administrative expenses	8	<b>(471,478)</b>	(543,689)
Selling and marketing expenses	8	<b>(673,908)</b>	(516,762)
Research and development expenses	8	<b>(251,354)</b>	(196,592)
Net impairment losses on financial assets		<b>(3,173)</b>	(324)
Other income	6	<b>28,896</b>	32,575
Other losses, net	7	<b>(17,792)</b>	(121,770)
<b>Operating profit</b>		<b>181,014</b>	19,143
Fair value losses of financial liabilities at fair value through profit or loss	28	<b>(4,853)</b>	(2,031,793)
Finance income		<b>42,247</b>	9,195
Finance costs		<b>(13,455)</b>	(42,071)
Finance income/(costs), net	10	<b>28,792</b>	(32,876)
<b>Profit/(loss) before income tax</b>		<b>204,953</b>	(2,045,526)
Income tax expense	11	<b>(16,387)</b>	(43,181)
<b>Profit/(loss) for the year</b>		<b>188,566</b>	(2,088,707)
<b>Profit/(loss) attributable to:</b>			
– Owners of the Company		<b>188,566</b>	(2,088,707)
<b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB)</b>			
Basic earnings/(loss) per share	12	<b>0.09</b>	(2.87)
Diluted earnings/(loss) per share	12	<b>0.08</b>	(2.87)

The accompanying notes on pages 108 to 191 are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income

(Expressed in Renminbi Yuan unless otherwise indicated)

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

The accompanying notes on pages 108 to 191 are an integral part of these consolidated financial statements.



# Consolidated Balance Sheet

(Expressed in Renminbi Yuan unless otherwise indicated)

	Notes	As at December 31,	
		2023	2022
		RMB'000	Restated RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>124,051</b>	129,978
Right-of-use assets	15	<b>116,190</b>	161,925
Intangible assets	14	<b>367</b>	874
Prepayments and other receivables	18	<b>11,932</b>	13,254
Deferred tax assets	30	<b>39,916</b>	37,401
<b>Total non-current assets</b>		<b>292,456</b>	343,432
<b>Current assets</b>			
Inventories	19	<b>60,987</b>	94,173
Trade receivables	17	<b>31,075</b>	15,936
Contract assets	5	<b>38,940</b>	9,000
Prepayment and other receivables	18	<b>66,990</b>	62,403
Financial assets at fair value through profit or loss	20	<b>195,246</b>	20,033
Other financial assets at amortised cost	21	<b>76,558</b>	41,071
Cash and cash equivalents	22	<b>671,530</b>	1,047,402
Restricted cash		<b>5,666</b>	—
Term deposits with initial term of over three months	23	<b>683,060</b>	—
<b>Total current assets</b>		<b>1,830,052</b>	1,290,018
<b>Total assets</b>		<b>2,122,508</b>	1,633,450



# Consolidated Balance Sheet (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

	Notes	As at December 31,	
		2023	2022
		RMB'000	Restated RMB'000
<b>Equity/(deficit)</b>			
<b>Equity/(deficit) attributable to owners of the Company</b>			
Share capital	24	150	47
Share premium	24	15,104,233	2,648,395
Other reserves	26	(9,511,560)	(9,002,744)
Accumulated losses		(4,325,079)	(4,508,710)
<b>Total equity/(deficit)</b>		<b>1,267,744</b>	<b>(10,863,012)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	71,683	101,650
Financial liabilities at fair value through profit or loss	28	—	11,668,784
Deferred tax liabilities	30	47	21
Deferred income		1,539	1,408
<b>Total non-current liabilities</b>		<b>73,269</b>	<b>11,771,863</b>
<b>Current liabilities</b>			
Trade and other payables	27	333,501	238,588
Contract liabilities	5	149,487	117,866
Refund liabilities	29	227,067	275,024
Current income tax liabilities		24,698	25,562
Lease liabilities	15	46,578	62,628
Financial liabilities at fair value through profit or loss	28	164	4,931
<b>Total current liabilities</b>		<b>781,495</b>	<b>724,599</b>
<b>Total liabilities</b>		<b>854,764</b>	<b>12,496,462</b>
<b>Total equity/(deficit) and liabilities</b>		<b>2,122,508</b>	<b>1,633,450</b>

The accompanying notes on pages 108 to 191 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 101 to 191 were approved by the Board of Directors on March 28, 2024 and were signed on its behalf:

\_\_\_\_\_  
ZHANG Xiaolong

\_\_\_\_\_  
WEI Liang

# Consolidated Statement of Changes in Equity

(Expressed in Renminbi Yuan unless otherwise indicated)

Notes	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance at January 1, 2023</b>	47	2,648,395	(9,002,744)	(4,508,623)	(10,862,925)
Change in accounting policies	2.2	—	—	(87)	(87)
<b>Balance at January 1, 2023 (restated)</b>	47	2,648,395	(9,002,744)	(4,508,710)	(10,863,012)
Profit for the year	—	—	—	188,566	188,566
Other comprehensive income	—	—	34,514	—	34,514
<b>Total comprehensive profit for the year</b>	—	—	34,514	188,566	223,080
<b>Transactions with owners in their capacity as owners:</b>					
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	24	160,103	—	—	160,104
Profit appropriation to statutory surplus reserves	—	—	4,935	(4,935)	—
Employee share schemes — value of employee services	9, 25	—	251,711	—	251,711
Employee share schemes — exercise of share options	24	622,190	(622,200)	—	—
Purchase of treasury shares	—	—	(177,776)	—	(177,776)
Conversion of preferred shares to ordinary shares	24	11,673,545	—	—	11,673,637
<b>Total transactions with owners in their capacity as owners</b>	103	12,455,838	(543,330)	(4,935)	11,907,676
<b>Balance at December 31, 2023</b>	150	15,104,233	(9,511,560)	(4,325,079)	1,267,744

# Consolidated Statement of Changes in Equity *(Continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

	Notes	Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
<b>Balance at January 1, 2022</b>		47	2,648,395	(8,465,224)	(2,417,858)	(8,234,640)
Change in accounting policies	2.2	—	—	—	1,273	1,273
<b>Balance at January 1, 2022 (restated)</b>		47	2,648,395	(8,465,224)	(2,416,585)	(8,233,367)
Loss for the year (restated)		—	—	—	(2,088,707)	(2,088,707)
Other comprehensive loss		—	—	(742,618)	—	(742,618)
<b>Total comprehensive loss for the year (restated)</b>		—	—	(742,618)	(2,088,707)	(2,831,325)
<b>Transactions with owners in their capacity as owners:</b>						
Profit appropriation to statutory surplus reserves		—	—	3,418	(3,418)	—
Employee share schemes — value of employee services	9, 25	—	—	201,680	—	201,680
<b>Total transactions with owners in their capacity as owners</b>		—	—	205,098	(3,418)	201,680
<b>Balance at December 31, 2022 (restated)</b>		47	2,648,395	(9,002,744)	(4,508,710)	(10,863,012)

The accompanying notes on pages 108 to 191 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

(Expressed in Renminbi Yuan unless otherwise indicated)

	Notes	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	32	582,175	(73,461)
Interest paid		(6,082)	(12,027)
Interest received		31,469	9,195
Income tax paid		(19,723)	(7,699)
<b>Net cash generated from/(used in) operating activities</b>		<b>587,839</b>	<b>(83,992)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(56,254)	(36,009)
Proceeds from government related to purchase property, plant and equipment		—	1,408
Purchase of intangible assets	14	—	(105)
Purchase of financial assets at fair value through profit or loss	3	(1,238,495)	(3,392,024)
Redemption of financial assets at fair value through profit or loss	3	1,069,408	3,390,993
Purchase of other financial assets at amortised cost		(382,466)	(41,828)
Redemption of other financial assets at amortised cost		352,854	—
Proceeds from sale of property, plant and equipment		15,739	38,655
Net cash (out)/in for the settlement of derivatives		(4,127)	2,118
Purchase of term deposits with initial term of over three months		(897,522)	—
Redemption of term deposits with initial term of over three months		229,326	—
<b>Net cash used in investing activities</b>		<b>(911,537)</b>	<b>(36,792)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowing		—	54,530
Repayments of bank borrowing		—	(54,530)
Payments for listing expenses		(11,894)	(352)
Principal elements of lease payments	32(b)	(57,940)	(84,891)
Proceeds from issuance of ordinary shares		173,114	—
Repurchase of treasury shares		(177,776)	—
<b>Net cash used in financing activities</b>		<b>(74,496)</b>	<b>(85,243)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(398,194)</b>	<b>(206,027)</b>
Cash and cash equivalents at the beginning of the year		1,047,402	1,159,867
Exchange differences		22,322	93,562
<b>Cash and cash equivalents at the end of the year</b>	22	<b>671,530</b>	<b>1,047,402</b>

The accompanying notes on pages 108 to 191 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

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

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

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

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

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

### 2.2 Changes in accounting policies

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 2.2 Changes in accounting policies *(Continued)*

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

As at December 31, 2023, the carrying amounts of the Group's monetary assets that are denominated in currency other than functional currency of the respective group entities were RMB52,042,000 (2022: RMB1,003,000).



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Cash and cash equivalents</b>		
RMB (functional currency – USD)	<b>799</b>	1,003
HKD (functional currency – USD)	<b>51,234</b>	—
USD (functional currency – RMB)	<b>9</b>	—
	<b>52,042</b>	1,003

#### Sensitivity

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Impact on post tax profit		
USD/RMB exchange rate – weaken 5%	<b>(30)</b>	(38)
USD/RMB exchange rate – strengthen 5%	<b>30</b>	38
USD/HKD exchange rate – weaken 5%	<b>(1,921)</b>	—
USD/HKD exchange rate – strengthen 5%	<b>1,921</b>	—
RMB/USD exchange rate – weaken 5%	—	—
RMB/USD exchange rate – strengthen 5%	—	—



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (ii) Interest rate risk

As the Group has no significant interest bearing assets other than cash and cash equivalents, restricted cash and term deposits with initial term of over three months, the Group's income and operating cash flows are substantially independent from changes in market interest rate.

As at December 31, 2023, the Group had no borrowings and other interest bearing debts (2022: nil), so there is no potential risk caused by interest rate fluctuation.

As at December 31, 2023, if the interest rates of cash and cash equivalents, restricted cash and term deposits with initial term of over three months had been increased/decreased by 50 basis points with all other variables held constant, the change of the post-tax profit would have been RMB5,101,000 (2022: RMB3,928,000) higher/lower.

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Net profit increase/(decrease)		
— increase in interest rate	<b>5,101</b>	3,928
— decrease in interest rate	<b>(5,101)</b>	(3,928)

##### (iii) Price risk

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

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

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, term deposits with initial term of over three months, contract assets, trade receivables, other receivables, financial assets at fair value through profit or loss (FVPL) and other financial assets at amortised cost.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### (b) Credit risk *(Continued)*

##### (i) Risk management

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

Credit risk is managed on a group basis. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, restricted cash, term deposits with initial term of over three months, trade receivables, other receivables, financial assets at fair value through profit or loss and other financial assets at amortised cost, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

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

##### (ii) Impairment of financial assets

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

- cash and cash equivalents
- restricted cash
- term deposits with initial term of over three months
- contract assets
- trade receivables
- other receivables, and
- other financial assets at amortised cost

#### *Cash and cash equivalents, restricted cash and term deposits with initial term of over three months*

As at December 31, 2023 and 2022, the Group's cash and cash equivalents, restricted cash and term deposits with initial term of over three months were held in state-owned financial institutions, reputable joint-stock commercial banks or financial institutions. Management does not expect any losses from non-performance by these counterparties.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

###### *Trade receivables and contract assets*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables mainly represents the trade receivables from customers for providing vocational education and training services and selling books. The loss allowance for trade receivables was not material during the year ended December 31, 2023 and 2022.

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Trade receivables and contract assets (Continued)

The loss allowances for trade receivables and contract assets as at December 31, 2023 and 2022 were as follows:

At December 31, 2023	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	Total RMB'000
Expected loss rate	0.08% to 2.69%	2.76%	2.92%	3.89%	—
Gross carrying amount — trade receivables	20,092	8,004	1,744	1,669	31,509
Gross carrying amount — contract assets	39,252	—	—	—	39,252
Loss allowance	409	221	51	65	746
At December 31, 2022	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	Total RMB'000
Expected loss rate	0.08% to 2.46%	2.69%	2.92%	3.77%	—
Gross carrying amount — trade receivables	14,375	445	785	563	16,168
Gross carrying amount — contract assets	9,069	—	—	—	9,069
Loss allowance	246	12	22	21	301



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Trade receivables and contract assets (Continued)

The loss allowances for trade receivables and contract assets as at December 31, 2023 and 2022 reconcile to the opening loss allowances were as follows:

	Trade receivables, Contract assets RMB'000
<b>Opening loss allowance as at January 1, 2023</b>	<b>301</b>
Increase in the allowance recognised in profit or loss during the year	<b>623</b>
Receivables written off during the year as uncollectible	<b>(178)</b>
	<hr/>
<b>Closing loss allowance as at December 31, 2023</b> (Note 5, Note 17)	<b>746</b>
	<hr/>
	Trade receivables, Contract assets RMB'000
<b>Opening loss allowance as at January 1, 2022</b>	268
Increase in the allowance recognised in profit or loss during the year	33
Receivables written off during the year as uncollectible	—
	<hr/>
<b>Closing loss allowance as at December 31, 2022</b> (Note 5, Note 17)	<b>301</b>
	<hr/>



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### **(b) Credit risk** *(Continued)*

##### *(ii) Impairment of financial assets (Continued)*

###### *Other receivables*

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

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.
- actual or expected significant changes in the operating results of the counterparty.
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Other receivables (Continued)

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

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Interest and/or principal repayments are 90 days past due, or other objective internal and external information indicating a significant increase in credit risk since initial recognition, but have not yet experienced credit impairment	Lifetime expected losses
Stage 3	Interest and/or principal repayments are 180 days past due, or it becomes probable a customer will enter bankruptcy	Lifetime expected losses



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Other receivables (Continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
<b>Other receivables</b>				
<b>At December 31, 2023</b>				
Gross carrying amount	23,695	198	2,003	25,896
Loss allowance provision	(391)	(2)	(2,003)	(2,396)
<b>At December 31, 2022</b>				
Gross carrying amount	28,538	686	—	29,224
Loss allowance provision	(252)	(214)	—	(466)

The loss allowance for other receivables as at December 31, 2023 and 2022 reconciles to the opening loss allowance were as follows:

	Other receivables RMB'000
<b>Opening loss allowance as at January 1, 2023</b>	466
Increase in the allowance recognised in profit or loss during the year	1,994
Receivables written off during the year as uncollectible	(64)
<b>Closing loss allowance as at December 31, 2023 (Note 18)</b>	2,396
	Other receivables RMB'000
<b>Opening loss allowance as at January 1, 2022</b>	1,607
Decrease in the allowance recognised in profit or loss during the year	(401)
Receivables written off during the year as uncollectible	(740)
<b>Closing loss allowance as at December 31, 2022 (Note 18)</b>	466



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

###### Other financial assets at amortised cost

Other financial assets at amortised cost mainly include short-term note with fixed interest rate.

The loss allowance for other financial assets at amortised cost as at December 31, 2023 and 2022 reconciles to the opening loss allowance were as follows:

	<b>Other financial assets at amortised cost RMB'000</b>
<b>Opening loss allowance as at January 1, 2023</b>	<b>717</b>
Increase in the allowance recognised in profit or loss during the year	<b>556</b>
Exchange difference	<b>(19)</b>
	<hr/>
<b>Closing loss allowance as at December 31, 2023</b>	<b>1,254</b>
	<hr/>
	Other financial assets at amortised cost RMB'000
<b>Opening loss allowance as at January 1, 2022</b>	—
Increase in the allowance recognised in profit or loss during the year	692
Exchange difference	25
	<hr/>
<b>Closing loss allowance as at December 31, 2022</b>	<b>717</b>
	<hr/>

##### (iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to investment in wealth management products that are measured at financial assets at fair value through profit or loss. The maximum exposure at the reporting period is the carrying amount of these investments which is RMB195,246,000 (2022: RMB20,033,000).

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk

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

As at December 31, 2023, the Group has cash and cash equivalents, restricted cash, term deposits with initial term of over three months, other receivables, trade receivables, financial assets at fair value through profit or loss and other financial assets at amortised cost of RMB1,686,635,000 (2022: RMB1,160,750,000) (Note 16), that can be used for fulfillment obligation or used in operation to generate cash inflows.

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

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>At December 31, 2023</b>					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	42,613	—	—	—	42,613
Lease liabilities	50,893	46,129	23,207	6,309	126,538
Financial liabilities at fair value through profit or loss	164	—	—	—	164
	<b>93,670</b>	<b>46,129</b>	<b>23,207</b>	<b>6,309</b>	<b>169,315</b>
<b>At December 31, 2022</b>					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	48,732	—	—	—	48,732
Lease liabilities	68,579	46,988	52,029	9,463	177,059
Financial liabilities at fair value through profit or loss	4,931	—	11,668,784	—	11,673,715
	<b>122,242</b>	<b>46,988</b>	<b>11,720,813</b>	<b>9,463</b>	<b>11,899,506</b>



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.2 Capital management

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at December 31, 2023 was 40% (2022: 765%). As at December 31, 2022, the Group's total liabilities include convertible preferred shares amounting to RMB11,668,784,000 which were recognised as financial liabilities at fair value through profit or loss. All convertible preferred shares were converted into ordinary shares upon completion of the IPO on January 9, 2023.

	<b>As at December 31,</b>	
	<b>2023</b>	2022
		Restated
	<b>RMB'000</b>	RMB'000
Total liabilities	<b>854,764</b>	12,496,462
Total assets	<b>2,122,508</b>	1,633,450
<b>The liability-to-asset ratio</b>	<b>40%</b>	765%

### 3.3 Fair value estimation

#### (a) Fair value hierarchy

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

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

#### (a) Fair value hierarchy *(Continued)*

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At December 31, 2023</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	—	—	195,246	195,246
<b>At December 31, 2022</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	—	—	20,033	20,033

There were no transfers between level 1, level 2 and level 3 for recurring fair value measurements during the year.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the year ended December 31, 2023 and 2022, respectively:

	Wealth management products RMB'000
<b>Opening balance as at January 1, 2023</b>	<b>20,033</b>
Additions	1,238,495
Settlements	(1,069,408)
Fair value gains on financial assets at fair value through profit or loss <i>(Note 7)</i>	6,120
Exchange difference	6
<b>Closing balance as at December 31, 2023</b>	<b>195,246</b>
	Wealth management products RMB'000
<b>Opening balance as at January 1, 2022</b>	10,139
Additions	3,392,024
Settlements	(3,390,993)
Fair value gains on financial assets at fair value through profit or loss <i>(Note 7)</i>	8,863
<b>Closing balance as at December 31, 2022</b>	<b>20,033</b>



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

#### (c) Valuation inputs and relationships to fair value

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

Description	Fair value at December 31,		Unobservable Inputs
	2023	2022	
	RMB'000	RMB'000	
Wealth management products	195,246	20,033	The estimated weighted average return rates of these products were 1.28% to 4.63% per annum.

The financial assets measured at fair value through profit and loss were investment in wealth management products that usually held from several days up to one year. The increase of estimated weighted average return rates will lead to the higher fair value of the financial products. If the estimated weighted average return rates had increased/decreased by 0.5% with all other variables held constant, the profit before income tax for the year ended December 31, 2023, would have been approximately RMB371,000 (2022: RMB44,000) higher/lower.

#### (d) The Group's valuation processes

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

The fair values have been determined by using various applicable valuation techniques, including binominal model and market approach etc.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Contractual arrangements

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

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

### (b) Estimation of the refund related variable considerations of tutoring courses service of the Group

The Group recognised the refund related variable considerations in revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur or when the uncertainty associated with the variable consideration is subsequently resolved.

Based on different refund policies, the tutoring courses service that the Group provide to customers can be classified as non-contractual classes and contractual classes. The Group recognised a refund liability if the Group expects to refund some or all of the consideration received from customers.

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





# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (b) Estimation of the refund related variable considerations of tutoring courses service of the Group *(Continued)*

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

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

### (c) Recognition of share-based compensation expenses

As disclosed in Note 40.16 and 25, an equity-settled share-based compensation plan was adopted by the Group and share options under the plan were granted to the participants. The fair value of the share options is developed based on the fair value of the ordinary shares, which is derived from the equity value of the Group determined under discounted cash flow method performed by an independent valuer. The share-based compensation is to be expensed over the vesting period. Significant estimate on key assumptions, such as discount rate, risk-free interest rate and discount for lack of marketability, are made by the management in applying the valuation model.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 5 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 5 SEGMENT INFORMATION (Continued)

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

	Year ended December 31, 2023		
	Tutoring services RMB'000	Sales of books RMB'000	Total RMB'000
Segment revenue	2,514,526	657,895	3,172,421
Inter-segment revenue	—	(151,103)	(151,103)
Revenue from external customers	2,514,526	506,792	3,021,318
Cost of revenue	(1,120,672)	(330,823)	(1,451,495)
Gross profit	1,393,854	175,969	1,569,823
	Year ended December 31, 2022		
	Tutoring services RMB'000	Sales of books RMB'000	Total RMB'000
Segment revenue	2,353,858	604,662	2,958,520
Inter-segment revenue	—	(148,091)	(148,091)
Revenue from external customers	2,353,858	456,571	2,810,429
Cost of revenue	(1,141,713)	(303,011)	(1,444,724)
Gross profit	1,212,145	153,560	1,365,705

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 5 SEGMENT INFORMATION (Continued)

### Contract liabilities and contract assets

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

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

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

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

### (ii) Unsatisfied contracts

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

### Accounting policies of revenue recognition

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 5 SEGMENT INFORMATION *(Continued)*

### Accounting policies of revenue recognition *(Continued)*

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 6 OTHER INCOME

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

## 7 OTHER LOSSES, NET

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 8 EXPENSES BY NATURE

	Notes	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Employee benefit expenses	9	<b>1,657,185</b>	1,569,262
Cost of course materials	19	<b>299,283</b>	257,252
Human resource outsourcing and other labour costs		<b>200,177</b>	174,143
Promotion expenses		<b>120,440</b>	72,934
Depreciation of right-of-use assets	15	<b>60,744</b>	101,573
Logistic expenses		<b>73,603</b>	79,560
Lease expenses	15	<b>202,916</b>	158,181
Classroom consumables		<b>22,121</b>	17,123
Meal expenses provided to students		<b>12,217</b>	15,727
Travel expenses		<b>30,399</b>	21,216
Office expenses		<b>8,171</b>	8,186
Depreciation of property, plant and equipment	13	<b>39,633</b>	58,517
Amortisation for intangible assets	14	<b>76</b>	113
Services fee for cloud storage		<b>18,386</b>	18,561
Property management costs		<b>13,324</b>	18,951
Tax and surcharge		<b>14,463</b>	14,535
Auditor's remuneration			
— Audit and audit related services		<b>4,564</b>	4,685
— Non-audit services		<b>720</b>	917
Charges for licensed payment institutions		<b>18,038</b>	15,657
Listing expenses		<b>—</b>	45,368
Others		<b>51,775</b>	49,306
		<b>2,848,235</b>	2,701,767

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 9 EMPLOYEE BENEFIT EXPENSE

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	RMB'000
Wages, salaries and bonus		<b>1,154,648</b>	1,088,668
Pension costs — defined contribution plans (a)		<b>69,544</b>	72,299
Other social security costs		<b>126,824</b>	133,003
Share based payments	25	<b>251,711</b>	201,680
Other employee welfares		<b>54,458</b>	73,612
		<hr/>	<hr/>
Total employee benefit expenses		<b>1,657,185</b>	1,569,262

Employee benefit expenses changed in the consolidated statement of profit or loss were as follow:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	<b>675,655</b>	731,119
Administrative expenses	<b>278,772</b>	278,018
Selling and marketing expenses	<b>486,790</b>	386,175
Research and development expenses	<b>215,968</b>	173,950
	<hr/>	<hr/>
	<b>1,657,185</b>	1,569,262

- (a) During the year ended December 31, 2023, there were no forfeited contributions under the Group's defined contribution plans (2022: nil).



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 9 EMPLOYEE BENEFIT EXPENSE (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years include nil director (2022: 1) whose emoluments are reflected in the analysis shown in Note 36. Details of the remunerations of the highest paid non-director individuals during the year were set out as below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	10,690	7,451
Pension costs — defined contribution plans	294	247
Other social security costs	416	325
Share based payments	191,099	81,200
	<b>202,499</b>	<b>89,223</b>

The emoluments fell within the following bands:

Emolument bands (in HK dollar)	Year ended December 31,	
	2023	2022
HK15,500,001 to HK16,000,000	—	1
HK18,500,001 to HK19,000,000	—	1
HK24,500,001 to HK25,000,000	—	1
HK40,500,001 to HK41,000,000	—	1
HK41,500,001 to HK42,000,000	2	—
HK44,000,001 to HK44,500,000	1	—
HK48,000,001 to HK48,500,000	1	—
HK49,000,001 to HK49,500,000	1	—
	<b>5</b>	<b>4</b>

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 10 FINANCE INCOME/(COSTS), NET

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

## 11 INCOME TAX EXPENSE

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

### 11.1 Accounting policies of income tax expense

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

#### **Current income tax**

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 11 INCOME TAX EXPENSE *(Continued)*

### 11.1 Accounting policies of income tax expense *(Continued)*

#### **Deferred income tax**

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 11 INCOME TAX EXPENSE (Continued)

### 11.2 Financial information of income tax expense

#### (a) Income tax expense

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

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

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

#### (ii) Hong Kong profits tax

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

#### (iii) PRC corporate income tax ("CIT")

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 11 INCOME TAX EXPENSE (Continued)

### 11.2 Financial information of income tax expense (Continued)

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 12 EARNINGS/(LOSS) PER SHARE

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

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 12 EARNINGS/(LOSS) PER SHARE *(Continued)*

### 12.2 Financial information of earnings/(loss) per share *(Continued)*

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 PROPERTY, PLANT AND EQUIPMENT

### 13.1 Accounting policies of property, plant and equipment

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 PROPERTY, PLANT AND EQUIPMENT (Continued)

### 13.2 Financial information of property, plant and equipment

	Machinery RMB'000	Electronic equipment RMB'000	Motor Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Year ended December 31, 2023</b>							
Opening net book amount	61,476	12,565	10,819	16,639	28,479	–	129,978
Additions	4,659	12,866	2,285	517	3,021	30,893	54,241
Disposals	(1,303)	(6,081)	(1,106)	(7,905)	(4,140)	–	(20,535)
Depreciation charge (Note 8)	(6,845)	(12,865)	(4,705)	(2,687)	(12,531)	–	(39,633)
Closing net book amount	57,987	6,485	7,293	6,564	14,829	30,893	124,051
<b>As at December 31, 2023</b>							
Cost	73,432	56,025	20,163	12,089	50,387	30,893	242,989
Accumulated depreciation	(15,445)	(49,540)	(12,870)	(5,525)	(35,558)	–	(118,938)
Net book amount	57,987	6,485	7,293	6,564	14,829	30,893	124,051
<b>Year ended December 31, 2022</b>							
Opening net book amount	56,463	51,844	21,955	22,474	78,369	–	231,105
Additions	2,865	7,891	4,977	1,379	8,609	10,665	36,386
Transfer upon completion	10,665	–	–	–	–	(10,665)	–
Disposals	(2,197)	(29,710)	(9,870)	(5,112)	(32,107)	–	(78,996)
Depreciation charge (Note 8)	(6,320)	(17,460)	(6,243)	(2,102)	(26,392)	–	(58,517)
Closing net book amount	61,476	12,565	10,819	16,639	28,479	–	129,978
<b>As at December 31, 2022</b>							
Cost	70,240	55,343	19,632	21,830	71,673	–	238,718
Accumulated depreciation	(8,764)	(42,778)	(8,813)	(5,191)	(43,194)	–	(108,740)
Net book amount	61,476	12,565	10,819	16,639	28,479	–	129,978

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### 13.2 Financial information of property, plant and equipment *(Continued)*

- (a) No property, plant and equipment of the Group were pledged as security as at December 31, 2023 (2022: nil).
- (b) Depreciation charges were charged to the consolidated statement of profit or loss as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	14,393	20,226
Administrative expenses	18,222	32,398
Selling and marketing expenses	6,479	5,487
Research and development expenses	539	406
	<b>39,633</b>	<b>58,517</b>

## 14 INTANGIBLE ASSETS

	Computer software RMB'000
<b>Year ended December 31, 2023</b>	
Opening net book amount	874
Disposals	(431)
Amortisation	(76)
<b>Closing net book amount as at December 31, 2023</b>	<b>367</b>
<b>At December 31, 2023</b>	
Cost	524
Accumulated depreciation	(157)
<b>Net book amount</b>	<b>367</b>
<b>Year ended December 31, 2022</b>	
Opening net book amount	882
Additions	105
Amortisation	(113)
<b>Closing net book amount as at December 31, 2022</b>	<b>874</b>
<b>At December 31, 2022</b>	
Cost	1,187
Accumulated depreciation	(313)
<b>Net book amount</b>	<b>874</b>



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 14 INTANGIBLE ASSETS *(Continued)*

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Administrative expenses	<b>76</b>	113

## 15 LEASES

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

### 15.1 Accounting policies of leases

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

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

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 15 LEASES (Continued)

### 15.1 Accounting policies of leases (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 15 LEASES (Continued)

### 15.1 Accounting policies of leases (Continued)

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 15 LEASES (Continued)

### 15.2 Financial information of leases

#### (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Right-of-use assets</b>		
Buildings	<b>116,190</b>	161,925
<b>Lease liabilities</b>		
Current	<b>(46,578)</b>	(62,628)
Non-current	<b>(71,683)</b>	(101,650)
	<b>(118,261)</b>	(164,278)

Additions to the right-of-use assets during the year ended December 31, 2023 were RMB36,276,000 (2022: RMB19,017,000).

#### (b) Amounts recognised in the consolidated statement of profit or loss

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Depreciation charge of right-of-use assets	<b>60,744</b>	101,573
Interest expense (included in finance cost)	<b>6,082</b>	11,825
Expense relating to short-term leases	<b>202,916</b>	158,181

The total cash outflow for short-term leases during the year 2023 were RMB202,916,000 (2022: RMB158,181,000).

The total cash outflow for leases except for short-term leases during the year ended December 31, 2023 were RMB64,022,000 (2022: RMB96,716,000).

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost		
Trade receivables	<b>31,075</b>	15,936
Prepayments and other receivables (excluding non-financial assets)	<b>23,500</b>	36,308
Cash and cash equivalents	<b>671,530</b>	1,047,402
Term deposits with initial term of over three months	<b>683,060</b>	—
Restricted cash	<b>5,666</b>	—
Other financial assets at amortised cost	<b>76,558</b>	41,071
Financial assets at fair value through profit or loss	<b>195,246</b>	20,033
	<b>1,686,635</b>	1,160,750
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
Trade and other payables (excluding tax payable and accrued salaries and bonuses)	<b>42,613</b>	48,732
Lease liabilities	<b>118,261</b>	164,278
Financial liabilities at fair value through profit or loss	<b>164</b>	11,673,715
	<b>161,038</b>	11,886,725

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 17 TRADE RECEIVABLES

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

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

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

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

- (c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to trade receivables. The loss allowance for trade receivables at amortised cost was not material during the year ended December 31, 2023. Note 3.1 (b) provides for details about the calculation of the allowance.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 18 PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31,	
		2023	2022
		RMB'000	RMB'000
<b>Non-current portion:</b>			
Prepayments for property, plant and equipment		2,056	43
Deposits receivable		9,980	13,211
Loss allowance		(104)	—
		<b>11,932</b>	13,254
<b>Current portion:</b>			
Advances to suppliers		26,640	26,455
Prepayments for taxes		555	573
Deposits receivable		13,369	11,632
Input VAT recoverable		10,394	7,753
Amount due from related parties	35(c)	3,157	2,843
Others		15,167	13,613
Loss allowance		(2,292)	(466)
		<b>66,990</b>	62,403
		<b>78,922</b>	75,657

## 19 INVENTORIES

		As at December 31,	
		2023	2022
		RMB'000	RMB'000
Finished goods		42,716	50,524
Raw materials		15,527	25,055
Work in progress		2,744	18,594
		<b>60,987</b>	94,173

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

The cost of inventories recognised as an expense and included in cost of revenue for the year ended December 31, 2023 amounted to RMB299,283,000 (2022: RMB257,252,000) (Note 8).

Included in the finished goods related to consignment arrangement were RMB2,036,000 as at December 31, 2023 (2022: RMB1,357,000).



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Wealth management products	<b>195,246</b>	20,033

### (i) Amounts recognised in profit or loss

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Fair value gains on financial assets at fair value through profit or loss ( <i>Note 7</i> )	<b>6,120</b>	8,863

### (ii) Risk exposure and fair value measurements

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

## 21 OTHER FINANCIAL ASSETS AT AMORTISED COST

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Other financial assets at amortised cost	<b>76,558</b>	41,071

Other financial assets at amortised cost mainly includes short-term notes and other investments, with guaranteed annual returns ranging from 4.0% to 4.6% for the year ended December 31, 2023 (2022: 4.6%). The investments are held for collection of contractual cash flows and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortised costs.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 22 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand		
— RMB	297,770	406,567
— USD	310,233	614,692
— HKD	51,234	58
Cash at licensed payment institutions		
— RMB	12,293	26,085
	<b>671,530</b>	<b>1,047,402</b>

## 23 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Current portion:</b>		
Term deposits with initial term of over three months		
— RMB	153,773	—
— USD	529,287	—
	<b>683,060</b>	<b>—</b>

The carrying amounts of term deposits with initial term of over three months approximated their fair values, since the interest receivables on these term deposits with initial term of over three months is either close to current market rates or the term deposits with initial term of over three months are of a short-term nature.

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 24 SHARE CAPITAL AND SHARE PREMIUM

### Company

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 24 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

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

## 25 SHARES BASED PAYMENTS

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 25 SHARES BASED PAYMENTS *(Continued)*

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

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 25 SHARES BASED PAYMENTS *(Continued)*

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

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

	Number of share options
<b>Outstanding as at January 1, 2023</b>	<b>218,500,500</b>
Forfeited during the year	<b>(938,300)</b>
Exercised during the year <i>(Note a)</i>	<b>(142,235,440)</b>
	<hr/>
<b>Outstanding as at December 31, 2023</b>	<b>75,326,760</b>
— Exercisable as at December 31, 2023	<b>60,832,538</b>
	<hr/>
<b>Outstanding as at January 1, 2022</b>	17,797,695
Granted during the year	4,328,868
Forfeited during the year	(276,513)
Effect of share subdivision <i>(Note b)</i>	196,650,450
	<hr/>
<b>Outstanding as at December 31, 2022</b>	218,500,500
— Exercisable as at December 31, 2022	167,306,120
	<hr/>

The weighted-average remaining contract life for outstanding share options were 7.09 years as of year ended December 31, 2023 (2022: 8.09 years).

*Note a:*

In June 2023, pursuant to the resolution, the directors of the Company has approved the acceleration of the vesting of 19,947,980 options. During the year ended December 31, 2023, 142,235,440 options (including both the previously vested and accelerated ones) were exercised.

*Note b:*

It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 25 SHARES BASED PAYMENTS (Continued)

### (a) The Pre-IPO Share Option Scheme (Continued)

#### (ii) Fair value of options granted

As the exercise price of share option is nil, the fair value of the share options is developed based on the spot price of the ordinary share. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Group. When calculating the fair value of the share option per unit, the Share Subdivision on December 20, 2022 was treated as if those share split had been occurred since January 1, 2022.

During the year ended December 31, 2023, there were no grants related to the Pre-IPO Share Option Scheme. Key assumptions for grant date fair value related to the Pre-IPO Share Option Scheme during the year ended 2022 were set as below:

	Year ended December 31, 2022
Fair value per unit (RMB)	5.35 to 7.99
Discount for lack of marketability (“ <b>DLOM</b> ”)	2% to 20%
Discount rate (%)	13% to 13.5%
Risk-free rate (%)	1.35% to 4.22%
Expected option life (year)	10

### (b) The 2023 Share Incentive Schemes

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

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

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

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

During the year ended December 31, 2023, there were no grants related to the 2023 Share Option Scheme.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 25 SHARES BASED PAYMENTS *(Continued)*

### (b) The 2023 Share Incentive Schemes *(Continued)*

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

	Number of RSUs
<b>Outstanding as at January 1, 2023</b>	—
Granted during the year	894,000
Forfeited during the year	(28,000)
	<hr/>
<b>Outstanding as at December 31, 2023</b>	866,000
— Vested and exercisable as at December 31, 2023	192,875
	<hr/>

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

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Options issued under the Pre-IPO Share Option Scheme	250,336	201,680
Shares issued under the 2023 Restricted Share Unit Scheme	1,375	—
	<hr/>	<hr/>
	251,711	201,680
	<hr/>	<hr/>

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 26 OTHER RESERVES

	Capital reserves RMB'000	Statutory surplus reserves RMB'000 (Note a)	Share-based payment reserves RMB'000	Treasury shares RMB'000 (Note b)	Other comprehensive income RMB'000	Total RMB'000
<b>As at January 1, 2023</b>	<b>(9,029,398)</b>	<b>12,566</b>	<b>581,774</b>	<b>–</b>	<b>(567,686)</b>	<b>(9,002,744)</b>
Profit appropriation to statutory surplus reserves	–	4,935	–	–	–	4,935
Share-based compensation (Note 9)	–	–	251,711	–	–	251,711
Employee share schemes – exercise of share options	–	–	(622,200)	–	–	(622,200)
Purchase of treasury shares	–	–	–	(177,776)	–	(177,776)
Currency translation differences	–	–	–	–	34,514	34,514
<b>As at December 31, 2023</b>	<b>(9,029,398)</b>	<b>17,501</b>	<b>211,285</b>	<b>(177,776)</b>	<b>(533,172)</b>	<b>(9,511,560)</b>

	Capital reserves RMB'000	Statutory surplus reserves RMB'000 (Note a)	Share-based payment reserves RMB'000	Treasury shares RMB'000	Other comprehensive income RMB'000	Total RMB'000
<b>As at January 1, 2022</b>	<b>(9,029,398)</b>	<b>9,148</b>	<b>380,094</b>	<b>–</b>	<b>174,932</b>	<b>(8,465,224)</b>
Profit appropriation to statutory surplus reserves	–	3,418	–	–	–	3,418
Share-based compensation (Note 9)	–	–	201,680	–	–	201,680
Currency translation differences	–	–	–	–	(742,618)	(742,618)
<b>As at December 31, 2022</b>	<b>(9,029,398)</b>	<b>12,566</b>	<b>581,774</b>	<b>–</b>	<b>(567,686)</b>	<b>(9,002,744)</b>

### (a) Statutory surplus reserves

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 26 OTHER RESERVES (Continued)

### (b) 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.

Pursuant to the rules of the 2023 Share Incentive Schemes adopted by the Company in June 2023, the trustee of the 2023 Share Incentive Schemes purchased from the market a total of 44,520,000 shares at a total consideration of approximately HK\$194,129,000 (equivalent to RMB177,776,000) during the period on behalf of treasury shares, which was deducted from "treasury shares" under equity.

## 27 TRADE AND OTHER PAYABLES

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

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 28 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>		
Convertible preferred shares		
– Series A preferred shares	–	8,940,747
– Series B preferred shares	–	2,728,037
<b>Current liabilities</b>		
Foreign currency option contracts	<b>164</b>	4,931
	<b>164</b>	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 USD0.0001 each to the respective shareholders of YUAN Inc at nominal consideration, to reflect the beneficial ownership of the shareholders of YUAN Inc in the Listing Business (the “**Series A preferred shares**”).

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 28 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

	<b>Year ended December 31, RMB'000</b>
<b>As at January 1, 2022</b>	8,756,164
Changes in fair value	2,031,793
Currency translation differences	880,827
<b>As at December 31, 2022</b>	<b>11,668,784</b>
Changes in fair value	<b>4,853</b>
Converted to ordinary shares	<b>(11,673,637)</b>
<b>As at December 31, 2023</b>	<b>—</b>

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 was 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.

## 29 REFUND LIABILITIES

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Refund liabilities</b>		
Arising from right of refund	<b>227,067</b>	275,024

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 30 DEFERRED TAX BALANCES

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

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

Note a:

Tax losses

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 30 DEFERRED TAX BALANCES (Continued)

The expiry date of tax losses was as follow:

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

Note i:

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

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

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

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 31 DIVIDENDS

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

## 32 CASH FLOW INFORMATION

### (a) Cash generated from operations

	Notes	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>Profit/(loss) before income tax</b>		<b>204,953</b>	(2,045,526)
Adjustments for:			
Depreciation of property, plant and equipment	13	<b>39,633</b>	58,517
Amortisation of intangible assets	14	<b>76</b>	113
Depreciation of right-of-use assets	15	<b>60,744</b>	101,573
Losses on disposal of property, plant and equipment and intangible assets	7	<b>1,087</b>	8,234
Fair value losses on financial liabilities at fair value through profit or loss		<b>4,853</b>	2,031,793
Fair value gains on financial assets at fair value through profit or loss	20	<b>(6,120)</b>	(8,863)
Interest income on other financial assets at amortised cost	6	<b>(5,704)</b>	—
Net fair value (gains)/losses on derivatives	7	<b>(640)</b>	17,480
Finance (income)/costs, net	10	<b>(28,792)</b>	32,876
Impairment losses on financial assets		<b>3,173</b>	324
Losses on disposal of leasehold improvement		<b>4,140</b>	32,107
Gain on disposal of right-of-use assets (i)		<b>(3,086)</b>	(20,337)
Non-cash employee benefits expense — share based payments	9	<b>251,711</b>	201,680
Other income transferred from deferred income		<b>131</b>	—
<b>Change in operating assets and liabilities:</b>			
(Increase)/decrease in trade receivables and prepayments and other receivables		<b>(19,899)</b>	43,301
(Increase)/decrease in contract assets		<b>(30,183)</b>	11,613
Decrease/(increase) in inventories		<b>33,186</b>	(6,976)
Increase/(decrease) in contract liabilities		<b>31,621</b>	(51,328)
Decrease in refund liabilities		<b>(47,957)</b>	(405,269)
Increase/(decrease) in trade and other payables		<b>94,914</b>	(74,773)
Increase in restricted cash		<b>(5,666)</b>	—
<b>Cash generated from/(used in) operations</b>		<b>582,175</b>	(73,461)

(i) The adjustments did not include the penalty losses of RMB3,059,000 in operating cashflows as a result of the early terminations of lease agreements for the year ended December 31, 2023 (2022: RMB17,862,000).





# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 32 CASH FLOW INFORMATION (Continued)

### (b) Net debts reconciliation

This section sets out an analysis of net cash and the movements in net cash for the reporting periods.

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	671,530	1,047,402
Restricted cash	5,666	—
Term deposits with initial term of over three months	683,060	—
Liquid investment (i)	271,804	61,104
Financial liabilities at fair value through profit or loss	(164)	(11,673,715)
Lease liabilities	(118,261)	(164,278)
<b>Net cash</b>	<b>1,513,635</b>	<b>(10,729,487)</b>
Cash and liquid investments	1,632,060	1,108,506
Gross debt — fixed interest rates	(118,425)	(11,837,993)
<b>Net cash</b>	<b>1,513,635</b>	<b>(10,729,487)</b>

- (i) Liquid investments comprise current investments that are investment in wealth management products that usually held from several days up to one year, being the Group's financial assets held at fair value through profit or loss (see Note 20), and current investments that are investment in short-term notes that held at amortised cost (see Note 21).

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 32 CASH FLOW INFORMATION (Continued)

### (b) Net debts reconciliation (Continued)

	Liabilities from financing activities			Total RMB'000
	Lease liabilities RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Borrowings RMB'000	
<b>Net debt as at January 1, 2022</b>	(435,688)	(8,756,164)	—	(9,191,852)
Cash flows	96,716	—	—	96,716
Additions	(19,017)	—	(54,530)	(73,547)
Accrual interest for lease liabilities	(11,825)	—	—	(11,825)
Other changes	205,536	(2,917,551)	—	(2,712,015)
Repayments	—	—	54,530	54,530
<b>Net debt as at December 31, 2022</b>	(164,278)	(11,673,715)	—	(11,837,993)
Cash flows	<b>64,022</b>	—	—	<b>64,022</b>
Additions	<b>(36,276)</b>	—	—	<b>(36,276)</b>
Accrual interest for lease liabilities	<b>(6,082)</b>	—	—	<b>(6,082)</b>
Other changes	<b>24,353</b>	<b>11,673,551</b>	—	<b>11,697,904</b>
<b>Net debt as at December 31, 2023</b>	<b>(118,261)</b>	<b>(164)</b>	—	<b>(118,425)</b>

### (c) Non-cash investing and financing activities

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

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

Details of options and shares granted to participants under the Pre-IPO Share Option Scheme and 2023 Share Incentive Schemes without cash considerations were disclosed in Note 25.

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 33 CONTINGENCIES

As at December 31, 2023 and 2022, the Group did not have any significant contingent liabilities.

## 34 COMMITMENTS

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

## 35 RELATED PARTY TRANSACTIONS

### (a) Names and relationships with related parties

Name of the related parties	Nature of relationship
Beijing Yuanli Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Beijing Little Ape Culture Communication Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Tencent Cloud Computing (Beijing) Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Tenpay Payment Technology Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Shenzhen Tencent Computer System Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Beijing Tencent Culture Media Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Beijing Fenbi Zhiwuya Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc

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

### (b) Transactions with related parties

During the reporting periods presented, the Group had the following significant transactions with related parties.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Sales of goods and services:</b>		
Beijing Yuanli Technology Co., Ltd. (i)	93	824
Beijing Yuanli Technology Co., Ltd. (ii)	3,550	1,141
	<b>3,643</b>	1,965

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

(ii) This related party transaction represents revenue from providing printing services.

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 35 RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties (Continued)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Purchases of goods and services:</b>		
Tencent Cloud Computing (Beijing) Co., Ltd. (iii)	9,949	10,521
Tenpay Payment Technology Co., Ltd. (iv)	8,976	6,818
Beijing Tencent Culture Media Co., Ltd. (v)	32	—
Shenzhen Tencent Computer System Co., Ltd. (vi)	1,304	—
Beijing Little Ape Culture Communication Co., Ltd. (vii)	30	—
Beijing Yuanli Technology Co., Ltd. (viii)	—	2
	<b>20,291</b>	<b>17,341</b>

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

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

(v) This related party transaction represents cost paid to related promotion service.

(vi) This related party transaction represents cost paid to related technical service.

(vii) This related party transaction represents purchase cost of electronic equipment.

(viii) This related party transaction represents purchase cost of electronic equipment.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 35 RELATED PARTY TRANSACTIONS (Continued)

### (c) Outstanding balances due from related parties

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Balances due from related parties</b>		
Beijing Yuanli Technology Co., Ltd.	1	—
Tencent Cloud Computing (Beijing) Co., Ltd.	2,400	2,840
Tenpay Payment Technology Co., Ltd.	64	—
Shenzhen Tencent Computer System Co., Ltd.	692	—
Beijing Fenbi Zhiwuya Technology Co., Ltd.	—	3
	<b>3,157</b>	<b>2,843</b>

### (d) Key management personnel compensation

Key management compensation other than those relating to the emoluments of the directors of the Company being disclosed were set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	12,119	6,052
Pension costs — defined contribution plans	172	189
Other social security costs	199	243
Share-based compensation expenses	89,136	56,900
	<b>101,626</b>	<b>63,384</b>

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 36 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of each Director for the years ended December 31, 2023 and 2022 were set out below:

Year ended				Discretionary	Contribution to	Welfare, medical and	
December 31, 2023	Notes	Fees	Salary	bonus	pension plan	other expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Name of director</b>							
Mr. ZHANG Xiaolong	(i)	—	2,422	—	67	89	2,578
Mr. WEI Liang	(ii)	—	2,422	—	70	89	2,581
Mr. LI Yong	(iii)	—	—	—	—	—	—
Mr. LI Xin	(iv)	—	—	—	—	—	—
Mr. LI Zhaohui	(v)	—	—	—	—	—	—
Mr. QIU Dongxiao	(x)	153	—	—	—	—	153
Mr. YUEN Kai Yiu Kelvin	(xi)	135	—	—	—	—	135
Ms. YUAN Jia	(xii)	135	—	—	—	—	135
		<b>423</b>	<b>4,844</b>	<b>—</b>	<b>137</b>	<b>178</b>	<b>5,582</b>

Year ended					Welfare, medical and	Share-based	
December 31, 2022	Notes	Salary	Discretionary bonus	Contribution to pension plan	other expenses	compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Name of director</b>							
Mr. ZHANG Xiaolong	(i)	1,200	200	58	81	—	1,539
Mr. WEI Liang	(ii)	1,200	200	58	81	39,955	41,494
Mr. LI Yong	(iii)	—	—	—	—	—	—
Mr. LI Xin	(iv)	—	—	—	—	—	—
Mr. LI Zhaohui	(v)	—	—	—	—	—	—
Mr. ZUO Lingye	(vi)	—	—	—	—	—	—
Mr. CAO Wei	(vii)	—	—	—	—	—	—
Mr. DU Nan	(viii)	—	—	—	—	—	—
Mr. NIU Kuiguang	(ix)	—	—	—	—	—	—
		<b>2,400</b>	<b>400</b>	<b>116</b>	<b>162</b>	<b>39,955</b>	<b>43,033</b>



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. ZHANG Xiaolong was appointed as a director and chief executive officer of the Company with effect from December 14, 2020.
- (ii) Mr. WEI Liang was appointed as a director and chief technology officer of the Company with effect from December 31, 2020.
- (iii) Mr. LI Yong was appointed as a director of the Company with effect from December 31, 2020.
- (iv) Mr. LI Xin was appointed as a director of the Company with effect from December 31, 2020.
- (v) Mr. LI Zhaohui was appointed as a director of the Company with effect from December 31, 2020 and resigned at March 8, 2023 due to personal reason.
- (vi) Mr. ZUO Lingye was appointed as a director of the Company with effect from December 31, 2020 and resigned at February 18, 2022 due to personal reason.
- (vii) Mr. CAO Wei was appointed as a director of the Company with effect from December 31, 2020 and resigned at February 18, 2022 due to personal reason.
- (viii) Mr. DU Nan was appointed as a director of the Company with effect from March 3, 2021 and resigned at February 18, 2022 due to personal reason.
- (ix) Mr. NIU Kuiguang was appointed as a director of the Company with effect from March 3, 2021 and resigned at February 18, 2022 due to personal reason.
- (x) Mr. QIU Dongxiao was appointed as an independent non-executive director of the Company with effect from January 9, 2023.
- (xi) Mr. YUEN Kai Yiu Kelvin was appointed as an independent non-executive director of the Company with effect from January 9, 2023.
- (xii) Ms. YUAN Jia was appointed as an independent non-executive director of the Company with effect from January 9, 2023.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (b) Directors' retirement benefits

During the year ended December 31, 2023, no retirement benefits were paid or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: nil).

### (c) Directors' termination benefits

During the year ended December 31, 2023, no payments was made to directors as compensation for early termination of the appointment (2022: nil).

### (d) Consideration provided to third parties for making available directors' service

During the year ended December 31, 2023, no payment was made to the former employer of directors or third parties for making available the services as a director of the Company (2022: nil).

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended December 31, 2023, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (2022: nil).

### (f) Directors' material interests in transactions, arrangements or contracts

During the year ended December 31, 2023, no significant transaction, arrangement and contract in relation to the Group's business to which the Group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the year (2022: nil).



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

	Notes	As at December 31,	
		2023	2022
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		10,075,704	9,823,993
<b>Total non-current assets</b>		<b>10,075,704</b>	<b>9,823,993</b>
<b>Current assets</b>			
Cash and cash equivalents		124,010	5,207
Financial assets at fair value through profit or loss		164,894	—
Other financial assets at amortised cost		6,628	—
Term deposits with initial term of over three months		14,471	—
Prepayments and other receivables		1,529,882	1,655,764
<b>Total current assets</b>		<b>1,839,885</b>	<b>1,660,971</b>
<b>Total assets</b>		<b>11,915,589</b>	<b>11,484,964</b>
<b>Equity/(deficit)</b>			
<b>Equity/(deficit) attributable to owners of the Company</b>			
Share capital		150	47
Share premium	(a)	15,104,233	2,648,395
Other reserves	(a)	(318,635)	17,608
Accumulated losses	(a)	(2,902,789)	(2,887,028)
<b>Total equity/(deficit)</b>		<b>11,882,959</b>	<b>(220,978)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss		—	11,668,784
<b>Total non-current liabilities</b>		<b>—</b>	<b>11,668,784</b>
<b>Current liabilities</b>			
Trade and other payables		32,630	37,158
<b>Total current liabilities</b>		<b>32,630</b>	<b>37,158</b>
<b>Total liabilities</b>		<b>32,630</b>	<b>11,705,942</b>
<b>Total equity/(deficit) and liabilities</b>		<b>11,915,589</b>	<b>11,484,964</b>

The balance sheet of the Company was approved by the Board of Directors on March 28, 2024 and was signed on its behalf:

ZHANG Xiaolong

WEI Liang

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserves RMB'000	Other comprehensive income RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>As at January 1, 2023</b>	<b>2,648,395</b>	<b>581,774</b>	<b>(564,166)</b>	<b>(2,887,028)</b>	<b>(221,025)</b>
Loss for the year	—	—	—	(15,761)	(15,761)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	160,103	—	—	—	160,103
Share-based compensation (Note 9)	—	251,711	—	—	251,711
Employee share schemes — exercise of share options	622,190	(622,200)	—	—	(10)
Currency translation differences	—	—	34,246	—	34,246
Conversion of preferred shares to ordinary shares	11,673,545	—	—	—	11,673,545
<b>As at December 31, 2023</b>	<b>15,104,233</b>	<b>211,285</b>	<b>(529,920)</b>	<b>(2,902,789)</b>	<b>11,882,809</b>
<b>As at January 1, 2022</b>	<b>2,648,395</b>	<b>380,094</b>	<b>175,054</b>	<b>(804,846)</b>	<b>2,398,697</b>
Loss for the year	—	—	—	(2,082,182)	(2,082,182)
Share-based compensation (Note 9)	—	201,680	—	—	201,680
Currency translation differences	—	—	(739,220)	—	(739,220)
<b>As at December 31, 2022</b>	<b>2,648,395</b>	<b>581,774</b>	<b>(564,166)</b>	<b>(2,887,028)</b>	<b>(221,025)</b>

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 38 SUBSIDIARIES

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

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held by the Company		Principal activities
			As at December 31, 2023	2022	
<b>Directly held by the Company</b>					
Fenbi Education Technology (HK) Limited.	Hong Kong/ January 15, 2021/ Limited liability company	HKD 1	100%	100%	Holding Company
<b>Indirectly held by the Company</b>					
Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司)	PRC Mainland China/ February 25, 2015/ Limited liability company	RMB10,000,000	100%	100%	Provision of education and training services
Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司, "Beijing Fenbi Tianxia Culture")	PRC Mainland China/ March 25, 2016/ Limited liability company	RMB10,000,000	100%	100%	Sales of books
Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司, "Beijing Fenbi Tianxia Education")	PRC Mainland China/ November 15, 2016/ Limited liability company	RMB 10,000,000	100%	100%	Provision of education and training services
Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司)	PRC Mainland China/ October 27, 2020/ Limited liability company	RMB 10,000,000	100%	100%	Manufacturing books
Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司)	PRC Mainland China/ June 15, 2005/ Limited liability company	RMB 2,000,000	100%	100%	Sales of books
Zhejiang Huacai Fenbi Education Technology Co., Ltd. (浙江華才粉筆教育科技有限公司)	PRC Mainland China/ December 17, 2018/ Limited liability company	RMB 5,000,000	100%	100%	Provision of education and training services
Jiangsu Fenbi Training Center Co., Ltd. (江蘇粉筆培訓中心有限公司)	PRC Mainland China/ April 15, 2021/ Limited liability company	RMB 10,000,000	100%	100%	Provision of education and training services
Chongqing Fenyong Bixing Education Technology Co., Ltd. (重慶粉優筆行教育科技有限公司)	PRC Mainland China/ January 21, 2021/ Limited liability company	RMB 5,000,000	100%	100%	Provision of education and training services

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 38 SUBSIDIARIES (Continued)

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held by the Company		Principal activities
			As at December 31, 2023	2022	
Shanghai Bizhuo Technology Co., Ltd. (上海筆灼科技有限公司)	PRC Mainland China/ June 10, 2021/ Limited liability company	RMB 1,000,000	100%	100%	Provision of technical services
Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)	PRC Mainland China/ March 23, 2021/ Limited liability company	RMB 500,000	100%	100%	Provision of education and training services
Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司, "Fenbi ShangAn")	PRC Mainland China/ April 9, 2021/ Limited liability company	USD 10,000,000	100%	100%	Provision of education and training services
Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司, "Fenbi ChuXin")	PRC Mainland China/ July 22, 2021/ Limited liability company	USD 10,000,000	100%	100%	Provision of education and training services
Diqing Bilan Education Training Co., Ltd. (迪慶筆藍教育培訓有限公司)	PRC Mainland China/ August 24, 2021/ Limited liability company	RMB 500,000	100%	100%	Provision of education and training services
Anhui Fenbi Tianxia Training School Co., Ltd. (安徽粉筆天下培訓學校有限公司)	PRC Mainland China/ March 18, 2021/ Limited liability company	RMB 5,000,000	100%	100%	Provision of education and training services
Beijing Fenbi Planet Technology Co., Ltd. (北京粉筆星球科技有限公司)	PRC Mainland China/ June 15, 2022/ Limited liability company	RMB 10,000,000	100%	100%	Provision of education and training services
Sichuan Lancai Shumei Technology Co., Ltd. (四川藍彩書美科技有限公司)	PRC Mainland China/ April 7, 2023/ Limited liability company	RMB10,000,000	100%	—	Manufacturing books
Beijing Fenbi Xingchen Technology Co., Ltd. (北京粉筆星辰科技有限公司)	PRC Mainland China/ February 14, 2023/ Limited liability company	RMB1,000,000	100%	—	Provision of education and training services

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 39 SUBSEQUENT EVENTS

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

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

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

### 40.1 Principles of consolidation

#### (i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 40.1(ii)).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in consolidated financial statements.



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 40.1 Principles of consolidation (Continued)

#### (ii) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.2 Separate financial statements

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

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

### 40.3 Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 40.3 Foreign currency translation (Continued)

#### (iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

#### (iv) Disposal of foreign operation and partial disposal

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

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

### 40.4 Intangible assets

Intangible assets represent the computer software.

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

- Software 10 years





# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.4 Intangible assets *(Continued)*

#### **Research and development expenses**

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

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

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

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

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

### 40.5 Derivatives and hedging activities

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

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

### 40.6 Impairment of non-financial assets

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.7 Investments and other financial assets

#### **(i) Classification**

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

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

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

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

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

#### **(ii) Recognition and derecognition**

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

#### **(iii) Measurement**

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.7 Investments and other financial assets *(Continued)*

#### **(iii) Measurement** *(Continued)*

##### *Debt instruments*

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### *Equity instruments*

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.7 Investments and other financial assets *(Continued)*

#### *(iv) Impairment*

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

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

### 40.8 Offsetting financial instruments

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

### 40.9 Inventories

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

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

### 40.10 Trade receivables

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

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

### 40.11 Cash and cash equivalents

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.12 Share capital

Ordinary shares are classified as equity.

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

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

### 40.13 Trade and other payables

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

### 40.14 Convertible preferred shares

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

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

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.15 Employee benefits

#### ***Liabilities for wages and salaries***

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

#### ***Pension obligations***

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

#### ***Housing funds***

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

#### ***Termination benefits***

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.16 Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan (the “**ESOP**”) and the Restricted Share Unit Scheme (the “**RSU Scheme**”) adopted by the Company, were collectively referred as the Share Incentive Scheme.

#### **Share Incentive Schemes**

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

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

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

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

#### **Share-based payment transaction among group entities**

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

#### **Modifications and Cancellations**

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



# Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 40.17 Government grants

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

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

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

### 40.18 Interest income

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

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income, see Note 6.

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

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





## Definition

“AGM”	the annual general meeting of the Company to be held on June 13, 2024 or any adjournment thereof
“Articles of Association” or “Articles”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Beijing Fenbi Box”	Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)) is an employee shareholding platform of the Group
“Board Committees”	collectively, the Audit Committee, the Remuneration Committee and the Nomination Committee
“Board of Directors” or “Board”	the board of directors of our Company
“Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
“China,” “Mainland China” or “PRC”	People’s Republic of China, excluding, for the purposes of this annual report and for geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company,” “our Company,” “Fenbi,” “Group,” “our Group,” “we” or “us”	Fenbi Ltd. (粉筆有限公司), formerly known successively as Fenbi Education Technology Ltd. and Fenbi Technology Ltd., an exempted company incorporated under the laws of Cayman Islands with limited liability on December 14, 2020, and, except where the context indicated otherwise, all of its subsidiaries, or with respect to the period before our Company became the holding company of our current subsidiaries, the business operated by our present subsidiaries or their predecessors (as the case may be)
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Fenbi Bluesky and its subsidiaries, the financial accounts of which have been consolidated and accounted for as if it were a subsidiary of our Company by virtue of the Contractual Arrangements
“Contractual Arrangements”	a series of contractual arrangements we entered into to allow our Company to exercise control over the business operation of the Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	an infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus)
“Director(s)”	the director(s) of our Company
“Fenbi Bluesky”	Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), a limited liability company established under the laws of the PRC on February 25, 2015, and one of the Consolidated Affiliated Entities



“Fenbi ChuXin”	Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司), a limited liability company established under the laws of the PRC on July 22, 2021 and an indirect wholly-owned subsidiary of the Company
“Fenbi ShangAn”	Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), a limited liability company established under the laws of the PRC on April 9, 2021 and an indirect wholly-owned subsidiary of the Company
“Global Offering”	the Hong Kong public offering and the international offering of the Company
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“Lancai Tianxia”	Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司), a limited liability company established under the laws of the PRC on October 27, 2020, and one of the Consolidated Affiliated Entities
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	January 9, 2023, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Mr. Zhang”	Mr. ZHANG Xiaolong (張小龍), our chairman of the Board, executive Director, chief executive officer and one of the Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“Ocorian Trust Company”	Ocorian Singapore Trust Company Pte. Ltd., an Independent Third Party and professional trustee company established in Singapore, acting as the trustee of each of ZXL Family Trust and WL Family Trust
“Pre-IPO Share Option Scheme”	the pre-IPO equity incentive scheme adopted by the Company on December 31, 2020, as amended from time to time, the principal terms of which are summarized in “Statutory and General Information — D. Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Prospectus”	the prospectus of the Company dated December 23, 2022



## Definition

“Registered Shareholders”	the registered shareholders of Fenbi Bluesky
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the year ended December 31, 2023
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司)
“Tianxia Culture”	Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司), a limited liability company established under the laws of the PRC on March 25, 2016 and an indirect wholly-owned subsidiary of the Company
“Tianxia Education”	Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司), a limited liability company established under the laws of the PRC on November 15, 2016 and an indirect wholly-owned subsidiary of the Company
“USD” or “US\$”	US dollars, the lawful currency of the United States
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“WL Family Trust”	the discretionary trust established by Mr. WEI Liang as the settlor and the protector, with Ocorian Trust Company as the trustee, details of which are set out in “History, Reorganization and Corporate Structure” in the Prospectus
“YLBJ”	Beijing Yuanli Education Technology Co., Ltd. (北京猿力教育科技有限公司), a limited liability company established under the laws of the PRC
“ZXL Family Trust”	the discretionary trust established by Mr. ZHANG Xiaolong as the settlor and the protector, with Ocorian Trust Company as the trustee, details of which are set out in “History, Reorganization and Corporate Structure” in the Prospectus
“2023 Restricted Share Unit Scheme”	the restricted share unit scheme adopted by the Company on June 14, 2023
“2023 Share Option Scheme”	the share option scheme adopted by the Company on June 14, 2023