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## KOOLEARN TECHNOLOGY HOLDING LIMITED

新东方在线科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1797)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2021

The Board of Koolearn Technology Holding Limited is pleased to announce the consolidated results of our Group for the financial year ended 31 May 2021. These annual results have been reviewed by the Audit Committee.

In this announcement: (a) “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group; and (b) our consolidated financial statements are presented in Renminbi unless otherwise stated, which is our Group’s primary functional currency.

### FINANCIAL HIGHLIGHTS

	FY2021	FY2020	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Revenue	<b>1,418,655</b>	1,080,587	<b>31.3</b>
Loss for the year	<b>(1,658,392)</b>	(758,239)	<b>118.7</b>
Loss for the year attributable to:			
— Owners of our Company	<b>(1,658,392)</b>	(742,005)	<b>123.5</b>
— Non-controlling interests	—	(16,234)	—
Loss per share			
— Basic and diluted (RMB)	<b>(1.72)</b>	(0.79)	<b>117.7</b>
Non-IFRS measure: Adjusted loss (unaudited) <sup>(1)</sup>	<b>(1,322,557)</b>	(658,022)	<b>101.0</b>
Non-IFRS measure: Adjusted LBITDA (unaudited) <sup>(2)</sup>	<b>(1,042,212)</b>	(673,764)	<b>54.7</b>

Notes:

<sup>(1)</sup> Adjusted Loss for the year represents loss for the year less gain on FVTPL (or fair value changes of financial assets at fair value through profit or loss) plus share-based compensation expenses, impairment for property and equipment, impairment for right-of-use assets, net loss on disposal and deemed disposal of associates and other expenses for the financial year (“FY”).

<sup>(2)</sup> Adjusted LBITDA (or losses before interest, taxes, depreciation, and amortisation) represents loss for the year plus income tax expenses (credit), share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment, depreciation of right-of-use assets, impairment for property and equipment, impairment for right-of-use assets and other expenses, less other income, gains and losses for the FY.

## BUSINESS OVERVIEW AND OUTLOOK

### Our business

We are a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognised brands known for our high-quality courses and content, with core expertise in online after-school tutoring and test preparation. We strive to become a lifelong learning partner, empowering students to achieve their full potential. We provide our courses and products through different online platforms and mobile applications in multiple formats across three business segments, namely our college education, K-12 education and pre-school education segments.

The table below sets out, for the years indicated, the number of student enrolments in each type of our course offerings:

	<u>FY2021</u>	<u>FY2020</u>
	<u>Student enrolments</u>	<u>Student enrolments</u>
	<u>'000</u>	<u>'000</u>
<b>Students</b>		
College education	573	942
K-12 education	3,315	1,856
Pre-school education <sup>(1)</sup>	4	54
	<hr/>	<hr/>
<b>Total</b>	<u><u>3,892</u></u>	<u><u>2,852</u></u>

<sup>(1)</sup> There was product lines adjustment in pre-school education since FY2020.

The table below sets out, for the years indicated, average spending per enrolment in each type of our course offerings:

	<u>FY2021</u>	<u>FY2020</u>
	<i>RMB</i>	<i>RMB</i>
<b>Formal courses</b>		
College education	<b>1,303</b>	1,222
K-12 education	<b>881</b>	882
Pre-school education <sup>(1)</sup>	<b>1,000</b>	1
	<hr/>	<hr/>
Sub-total average	<b>1,020</b>	1,015
	<hr/>	<hr/>
<b>Entry courses</b>	<b>45</b>	38
	<hr/>	<hr/>
<b>Total average</b>	<b>380</b>	401
	<hr/> <hr/>	<hr/> <hr/>

## **Our performance overview**

### *Overall financial performance*

Despite the continued impact of COVID-19 pandemic on the global economy and the changes in industry environment, we are pleased to announce an increase in total student enrolments. Benefiting from our long-term growth strategies, as well as the effective measures we have taken to improve our educational products and services, the number of student enrolments continued to grow to 3.89 million, representing a year-on-year growth of 36.5%. Total net revenues increased by 31.3% from RMB1,080.6 million for FY2020 to RMB1,418.7 million over the Reporting Period. In the college education segment, we continued to experience a positive impact from the optimisation of product lines and gradual reopening of overseas examination sessions due to the easing of the pandemic impact. In the K-12 education segment, the total net revenue and student enrolments in the K-12 segment increased year-on-year by 166.7% and 78.6%, respectively.

<sup>(1)</sup> There was product lines adjustment in pre-school education since FY2020.

## ***College education***

Our courses in the college segment consist of courses for college test preparation and overseas test preparation courses. Our courses are primarily used by college students and working professionals preparing for standardised tests or seeking to improve their English language proficiency. During the Reporting Period, we continued to improve our product structure, launching new college test preparation and overseas test preparation products and services, which increased the average spending per enrolment in formal courses from RMB1,222 for FY2020 to RMB1,303 over the Reporting Period. While in the process of designing new products and upgrading our core products, we also adjusted our marketing strategies to better meet consumer demands and maintain customer acquisition costs within a reasonable level. Due to recent changes in product and marketing strategies, as well as the continued negative effects from COVID-19 pandemic, we continued to see a decline in the number of students participating in our domestic and overseas test preparation courses during the Reporting Period. As a result, our student enrolments in the college segment recorded 573 thousand in the Reporting Period, compared to 942 thousand over the previous financial year.

## ***K-12 education***

Our comprehensive K-12 course offerings, including primarily Koolearn K-12 courses and DFUB, provide after-school tutoring courses that cover the majority of standard school subjects from primary to high school in China. We also offer preparation courses designed for standardised high school and national college entrance exams. Our courses are carefully designed for K-12 students taking standard education courses in primary and high school in China. Our student enrolments for the overall K-12 segment recorded year-on-year growth of 78.6%. More specifically, our student enrolments for Koolearn K-12 courses recorded year-on-year growth of 66.8%, and our student enrolments for DFUB courses grew year-on-year by 102.0%. As at 31 May 2021, DFUB had entered into 273 cities across 27 provinces in China.

## ***Pre-school education***

Our pre-school education segment offers inspiring and interactive English learning and other pre-school education content designed specifically for children between the ages of three and ten. Our child-friendly online educational content is delivered through our “Donut” APP. As mentioned in our interim report for the six months ended 30 November 2020 (published on 25 February 2021), we adjusted our product line in pre-school education and wound-down our course offerings on “Donut” APP during the Reporting Period. As a result, our number of student enrolments in the pre-school education segment decreased over the Reporting Period as compared with the previous financial year.

## Strategic update and future development

In response to the changing landscape of the education industry in China and around the world, we have been shifting our strategic focus and proactively adjusting our business lines and service offerings, moving away from traditional tutoring subjects and reorienting towards more innovative, quality-oriented and more holistic online after-school educational products and services. Leveraging on years of industry experience, we are firmly committed to continually improving students' comprehensive quality of knowledge and life and stimulate our students' interest in learning. As seen from the operational or financial above, we have achieved positive results to date, and will continue to develop as a lifelong learning partner to our customers in the future.

During the Reporting Period and over the upcoming years, our strategic operational and business development has shifted and will continue to shift as follows:

- (a) **College education:** we have laid a solid foundation in adult-student training in terms of branding, content development capability, talent building as well as systematic services in this business line. Whilst our primary focus remains on educational offerings for postgraduate domestic entrance exams, we plan to upgrade and extend our product offering matrix at different price-ranges and durations, with our superb high-end product offerings already showing great demand. For example, our pilot VIP Zhitong Che (VIP 直通車), which provides small class teaching, has received positive feedback among students. Our audience and user appeal will be further expanded as we broaden the scope of subjects offered (such as tutoring courses for masters of business administration, or MBA) and introduce more flexible courses of different durations (from one-year courses to courses lasting a few months). In addition to upgrading our existing products, we will explore new market opportunities, such as the expansion of new categories and the development of online-merge-offline (or OMO) teaching.
- (b) **Overseas test-preparation:** going forward, we aim to provide a “one-stop” service for our students to better supplement our well-established course offerings in overseas test-preparation. This would range from helping them research overseas opportunities, to helping them prepare and apply for internships, to offering skills/knowledge/exposure training, to more holistically prepare our students for overseas education at more prestigious schools. This has been, and will continue to be, supported by enhanced technology (such as improving Zhixin to better optimise our intelligent scoring and correction technology for oral and written language practice), our continued partnership with TOEFL and IELTS providers and further strengthening our collaboration with overseas English test providers such as Cambridge Assessment English.
- (c) **Product/business innovation:** based on our “customer-focused” strategy and our deep understanding of the needs of parents and students over the years, we strive to improve not only our product and service offerings, but also our internal system operating procedures to deliver a seamless and enjoyable user experience to our customers. We will continue to increase our efforts in exploring and delivering new content, new educational products and services through greater data intelligence and enhanced technology, such as vocational education/non-subject tutoring education. Underpinning this all will be our focus on strengthening the core of our educational offerings, the quality of our teachers and product development staff and other talented employees.

(d) **Technology:** we have continued, and will continue, to introduce more advanced educational technology and optimise the user experience in our live-broadcast classrooms, including extending the angle of a user’s view of the classroom and introducing a “greenscreen” function. We are further gamifying the educational aspects of our products and introducing more interactive functions to better attract and sustain the attention of students throughout the duration of the class (and increase class completion rate). We have enriched the question bank to which students/teachers may access during in-class tests and after-class practice, and through smart data optimisation technology, we will be able to better personalise a student’s user interaction and learning experience. This will be underpinned by our focused efforts in R&D, which will help develop our SaaS (or software as a service) business offerings to further diversify our business/customer base.

Ultimately, we believe that education is about consistently creating value for our staff, our students, and society as a whole. We will continue to invest in our products and services, our technological platforms and underlying systems and our overall operations, with the aim of making quality education accessible and affordable to more users across China.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

Our revenue increased by 31.3% from RMB1,080.6 million in FY2020 to RMB1,418.7 million in FY2021.

#### ***College education***

Revenue from our college education segment decreased by 14.5% from RMB641.7 million in FY2020 to RMB548.8 million in FY2021. The decrease was mainly due to our adjustment in marketing strategy for different product lines in college education segment to optimize advertising expenses, as well as prolonged effects from the cancellation of certain domestic or overseas exams and imposition of travel restrictions since the COVID-19 outbreak. The student enrolments in the college education segment decreased from 942 thousand in FY2020 to 573 thousand in FY2021.

#### ***K-12 education***

Revenue from our K-12 education segment increased by 166.7% from RMB295.1 million in FY2020 to RMB787.2 million in FY2021. During the Reporting Period, we continued to implement our strategy of diversifying course offerings. Through strengthening our teaching, tutoring, course research and product innovation capabilities, we continued to enhance the quality of products and services offered to our students and end-users. Student enrolments in the K-12 segment increased from 1,856 thousand in FY2020 to 3,315 thousand in FY2021.

### ***Pre-school education***

Revenue from our pre-school education segment decreased by 73.8% from RMB30.0 million in FY2020 to RMB7.9 million in FY2021, primarily due to our ceased investment in and de-emphasis of “Donut” English-learning APP and the termination of live English courses for “Donut” online classroom in 2020.

### ***Institutional customers***

Revenue from our institutional customers decreased by 34.2% from RMB113.7 million in FY2020 to RMB74.8 million in FY2021.

### **Cost of revenue, gross profit/loss and gross margin**

Our total cost of revenue increased by 71.3% from RMB587.5 million in FY2020 to RMB1.0 billion in FY2021, primarily due to an increase in teaching staff costs and course research staff costs, in particular in the K-12 education segment, which grew by 77.0% and 80.2% over the previous fiscal period, respectively, as we devoted significant resources to enhance the quality of our courses and services.

Our gross profit decreased by 16.4% from RMB493.1 million in FY2020 to RMB412.2 million in FY2021. Our gross profit margin decreased from 45.6% in FY2020 to 29.1% in FY2021, primarily due to the development in the K-12 education segment.

### ***College education***

Cost of revenue for our college education segment decreased by 12.4% from RMB206.0 million in FY2020 to RMB180.3 million in FY2021, primarily due to a decrease in teaching materials costs and teaching staff costs.

Segment gross profit for our college education business decreased by 15.4% from RMB435.7 million in FY2020 to RMB368.5 million in FY2021, and the segment gross profit margin decreased from 67.9% in FY2020 to 67.1% in FY2021. This was primarily due to an adjustment in business strategy, which led to a reduction in marketing activities, as well as the launching of new product offerings, which enhanced the offering of tutorial services and required more upfront investment.

### ***K-12 education***

Cost of revenue for our K-12 education segment increased by 138.9% from RMB340.0 million in FY2020 to RMB812.2 million in FY2021, primarily due to an increase in teaching staff cost and course research staff cost, as the enhancement of our offerings for Koolearn K-12 courses and DFUB required significant upfront investment to attract qualified teachers and design high-quality courses.

The segment gross loss for our K-12 education segment was RMB25.0 million in FY2021, compared to RMB44.9 million in FY2020, and the segment gross loss margin was 3.2% in FY2021, compared to 15.2% in FY2020. This was primarily due to improving the quality of our course content and services, which strengthened students' retention rates and increased our average selling price per student enrolment in K-12 segment.

### ***Pre-school education***

Cost of revenue for our pre-school education segment decreased by 73.8% from RMB21.5 million in FY2020 to RMB5.6 million in FY2021, primarily because we wound-down our live English learning courses and ceased investment in our "Donut" English-learning APP in this segment.

Segment gross profit for our pre-school education business decreased by 73.9% from a segment gross profit of RMB8.5 million in FY2020 to a segment gross profit of RMB2.2 million in FY2021, and the gross profit margin remained at 28.2% in FY2021, compared to a gross profit margin of 28.3% in FY2020.

### ***Institutional customers***

Cost of revenue for services to institutional customers decreased by 58.7% from RMB20.0 million in FY2020 to RMB8.3 million in FY2021.

Segment gross profit for our services to institutional customers decreased by 29.0% to RMB66.5 million in FY2021 from RMB93.7 million in FY2020, and the gross profit margin increased from 82.4% in FY2020 to 89.0% in FY2021.

### **Other income, gains and losses**

Our other income, gains and losses was from a net gain of RMB195.7 million in FY2020 to a net loss of RMB86.9 million in FY2021, primarily due to a net foreign exchange loss, compared with a net foreign exchange gain recorded in the previous reporting period.

### **Selling and marketing expenses**

Our selling and marketing expenses increased by 36.3% from RMB872.3 million in FY2020 to RMB1,189.0 million in FY2021, primarily an increase in staff costs, as we reduced the marketing expenses and established multi-channel marketing teams to better serve our customers and stabilise the cost of customer acquisition by adopting various innovative online and offline approaches.

### **Research and development expenses**

Our research and development expenses increased by 40.1% from RMB317.3 million in FY2020 to RMB444.4 million in FY2021, primarily due to an increase in staff costs as our business strategies required qualified research and development and technological staff and engineers to support our expansion.

### **Administrative expenses**

Our administrative expenses increased by 40.3% from RMB184.7 million in FY2020 to RMB259.1 million in FY2021, primarily due to an increase in share-based compensation expenses and staff costs, as our business strategies required more qualified administrative staff.



## **Share of results of associates**

Our share of results of associates increased by 533.6% from a loss of RMB1.8 million in FY2020 to a profit of RMB7.8 million in FY2021, primarily due to an increase in profit from Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.).

## **Income tax (expense) credit**

From FY2020 to FY2021, our income tax expenses decreased by 102.3% from an expense of RMB42.8 million to a credit of RMB1.0 million, primarily due to a decrease in deferred tax liability.

## **Loss for the year**

As a result of the foregoing, our loss for the year increased by 118.7% from RMB758.2 million in FY2020 to RMB1,658.4 million in FY2021.

## **Non-IFRS measures**

To supplement our financial information presented in accordance with IFRS, we also use Adjusted Loss for the year and Adjusted LBITDA as non-IFRS measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparison of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We also believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they have assisted our management. Please note, however, our presentation of Adjusted LBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define Adjusted Loss for the year as loss for the year less gain on fair value changes of financial assets at FVTPL plus share-based compensation expenses, impairment for property and equipment, impairment for right-of-use assets, net loss on disposal and deemed disposal of associates and other expenses for the FY. We define Adjusted LBITDA as loss for the year plus income tax expenses (credit), share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment, depreciation of right-of-use assets, impairment for property and equipment, impairment for right-of-use assets and other expenses, less other income, gains and losses for the FY.

The following table reconciles our loss for the year to Adjusted Loss for the year:

	<b>FY2021</b> <b>RMB'000</b> <b>(unaudited)</b>	FY2020 <i>RMB'000</i> (unaudited)
<b>Reconciliation of loss for the year to Adjusted Loss for the year:</b>		
Loss for the year	<b>(1,658,392)</b>	(758,239)
Less:		
Gain on fair value changes of financial assets at FVTPL — non-current assets	<b>24,169<sup>(1)</sup></b>	36,473
Add:		
Share-based compensation expenses	<b>280,738</b>	120,496
Impairment for property and equipment	<b>62,588<sup>(2)</sup></b>	—
Impairment for right-of-use assets	<b>16,678<sup>(2)</sup></b>	—
Net loss on disposal and deemed disposal of associates	—	213
Other expenses	—	15,981
<b>Adjusted loss for the year</b>	<b>(1,322,557)</b>	(658,022)

The following table reconciles our loss for the year to Adjusted LBITDA:

	<b>FY2021</b> <b>RMB'000</b> <b>(unaudited)</b>	FY2020 <i>RMB'000</i> (unaudited)
<b>Reconciliation of loss for the year to Adjusted LBITDA</b>		
Loss for the year	<b>(1,658,392)</b>	(758,239)
Add:		
Income tax (credit) expense	<b>(1,000)</b>	42,788
Share-based compensation expenses	<b>280,738</b>	120,496
Finance costs	<b>15,099</b>	10,576
Impairment losses under expected credit loss model, net of reversal	<b>5,702</b>	1,566
Depreciation of property and equipment	<b>45,830</b>	15,384
Depreciation of right-of-use assets	<b>103,659</b>	73,337
Impairment for property and equipment	<b>62,588<sup>(2)</sup></b>	—
Impairment for right-of-use assets	<b>16,678<sup>(2)</sup></b>	—
Other expenses	—	15,981
Less:		
Other income, gains and losses	<b>(86,886)</b>	195,653
<b>Adjusted LBITDA</b>	<b>(1,042,212)</b>	(673,764)

*Note:*

<sup>(1)</sup> During the Reporting Period, gain on fair value changes of financial assets at FVTPL includes interest income from wealth management products, which is excluded for calculation of Adjusted Loss for the year.

<sup>(2)</sup> In FY2021, we recognised an impairment loss of RMB62.6 million against the carrying amount of property and equipment (FY2020: nil) and RMB16.7 million against the carrying amount of right-of-use assets (FY2020: nil), primarily due to changes in the regulatory environment surrounding the online education industry in China and the financial performance of our K-12 education segment.

## Liquidity and capital resources

During the Reporting Period, we met our cash requirements primarily from cash and cash equivalents and proceeds from the issuance of Shares. We had cash and cash equivalents of RMB1.5 billion as at 31 May 2021 compared to RMB1.9 billion as at 30 November 2020 and RMB480.3 million as at 31 May 2020. We had term deposits of RMB316.6 million as at 31 May 2021, compared to RMB330.4 million as at 30 November 2020 and RMB1.5 billion as at 31 May 2020. Cash and cash equivalents were represented by bank balances and cash; and bank balances and cash comprised of cash and short-term deposits with an original maturity of three months or less.

During the Reporting Period, we primarily used cash to fund required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe that our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, net proceeds from the Company's Global Offering, as described in the Prospectus and from the subscription of new Shares (as described in the Company's announcements dated 8 September 2020, 28 September 2020, 5 November 2020 and 24 December 2020, and the circular of the Company dated 14 October 2020).

### Cash flow

The following table sets forth our cash flows for the FY indicated:

	<b>FY2021</b>	FY2020
	<b>RMB'000</b>	RMB'000
Net cash used in operating activities	<b>(913,675)</b>	(521,434)
Net cash generated from (used in) investing activities	<b>659,114</b>	(1,433,379)
Net cash generated from (used in) financing activities	<b>1,412,147</b>	(135,486)
Net increase (decrease) in cash and cash equivalents	<b>1,157,586</b>	(2,090,299)
Cash and cash equivalents at the beginning of the FY	<b>480,251</b>	2,497,621
Effect of exchange rate changes	<b>(118,273)</b>	72,929
<b>Cash and cash equivalents at the end of the FY</b>	<b>1,519,564</b>	480,251

### *Net cash used in operating activities*

Net cash used in operating activities primarily consists of our loss before tax for the FY adjusted by non-cash items, non-operating items and changes in working capital. Our net cash used in operating activities in FY2021 was RMB913.7 million. The difference between cash used in operating activities before tax and interest of RMB918.6 million and the loss before tax of RMB1.7 billion was mainly due to: (i) the inclusion of non-cash expenses items, primarily including share-based compensation expenses of RMB280.7 million, depreciation of right-of-use assets of RMB103.7 million, and impairment for property and equipment of RMB62.6 million; (ii) a RMB114.9 million increase in cash as a result of movements in working capital, which in turn mainly consisted of a RMB47.8 million increase in accrued expenses and other payables and a RMB56.8 million increase in refund liabilities; and (iii) excluding the effect of net foreign exchange loss of RMB162.2 million and gain on fair value changes of financial assets at FVTPL of RMB40.4 million.

### *Net cash from investing activities*

Our net cash used in investing activities in FY2021 was approximately RMB659.1 million, primarily attributable to withdrawal of term deposits of 1.7 billion, which was partially offset by placement of term deposits of RMB675.0 million and cashed used in net purchase of financial assets at FVTPL of RMB330.2 million.

### *Net cash from financing activities*

Our net cash used in financing activities in FY2021 was approximately RMB1.4 billion primarily attributable to the proceeds from issue of shares.

### **Capital expenditure**

The following table sets forth our capital expenditure for the FY indicated:

	<b>FY2021</b>	FY2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Purchase of property and equipment	<b>118,131</b>	79,843

Our capital expenditures were primarily for purchases of property and equipment in FY2020 and FY2021. Our purchases of property and equipment were RMB79.8 million and RMB118.1 million for FY2020 and FY2021, respectively.

### **Off-balance sheet commitments and arrangements**

As at 31 May 2021, we had not entered into any off-balance sheet transactions.

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

As at 31 May 2021, we did not have any other foreseeable plans for material investments and capital assets.

### **Material acquisitions and/or disposals of subsidiaries and affiliated companies**

During the Reporting Period, we did not have any other material acquisitions and/or disposals of subsidiaries and affiliated companies.

### **Employees and remuneration policy**

As at 31 May 2021, we had 6,437 full-time employees and 5,044 part-time employees, among which we had 2,650 full-time and 3,754 part-time teaching, content development and content production staff; 2,767 full-time and 1,134 part-time selling and marketing staff; 706 full-time and 31 part-time research, development and technology staff; and 314 full-time and 125 part-time general and administrative staff. All of our employees were based in China, in our headquarters in Beijing and in various other cities across China.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based bonuses and other incentives. As at 31 May 2021, 473 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for FY2021 were RMB2.0 billion, representing a year-on-year increase of 88.4% from RMB1.1 billion in FY2020.

### **Foreign exchange risk**

Foreign exchange risk arises when commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of our operating entities. We operate in the PRC with most of the transactions settled in Renminbi. During the Reporting Period, we held assets and liabilities that were denominated in United States dollars and Hong Kong dollars. We continuously monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

### **Indebtedness**

During the Reporting Period, we did not incur any bank loan or other borrowing. Our Directors consider that we have adequate cash and capital resources considering our bank balances and cash, term deposits and our financial assets at FVTPL-wealth management products generated from our operating activities and the net proceeds from the Global Offering to fund our operations and expansion, therefore, we do not plan to incur any borrowing in the 12 months from the date of this announcement.

### **Pledge of assets**

As at 31 May 2021, none of our Group's assets were pledged.

### **Contingent liabilities**

As at 31 May 2021, we did not have any material contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

We refer to our announcements dated 23 July, 26 July and 19 August 2021 in relation to the publication of the Opinion in July 2021. The Opinion included high-level policy directives about requirements and restrictions relating to online and offline after-school tutoring services, including but not limited to: (i) institutions providing after-school tutoring services on academic subjects in China's compulsory education system (or academic after-school tutoring institutions) would need to be registered as non-profit; (ii) foreign ownership in academic after-school tutoring institutions, including through contractual arrangements, are prohibited and companies with existing foreign ownership structures would need to rectify the situation; and (iii) China adopting an approval mechanism for online academic after-school tutoring institutions. The primary purpose of the Opinions is to alleviate the academic workload on students in China.

Our Company will follow the spirit of the Opinion and comply with relevant rules and regulations when providing educational services. We are considering appropriate compliance measures to be taken, and expects such measures to have material adverse impact on our after-school tutoring services related to academic subjects in China’s compulsory education services. We will proactively seek guidance from and cooperate with government authorities in connection with efforts to comply with the Opinion and any related rules and regulations.

In light of the Opinion and its potential implications on our Group, Shareholders should be aware of the following potential risks:

- (a) K-12 business is one of our business segments and sources of revenue. Under the “double reduction” policy set out in the Opinion, institutions providing after-school tutoring services on academic subjects in China’s compulsory education system will need to register as non-profit. As such, a portion of our business that concerns after-school tutoring on academic subjects in China’s compulsory education system will be affected by the Opinion and this may have implications on the overall business and financial performance of our Group; and
- (b) the Opinion prohibits foreign investment in academic after-school tutoring institutions, including through contractual arrangements, which may require our Group to, without limitation, unwind our existing contractual arrangements structure to the extent required under the Opinion, restructure our relevant ownership structure or operations, relinquish our interests in certain businesses, and this may adversely affect our overall business operations or financial performance; and
- (c) the “double reduction” policy may impose strict requirements on issuing licences and approving online academic after-school tutoring institutions, which may impact our Group and our operations. This may adversely affect the type/number of students to whom we may offer our services, or who may subscribe to our services, as well as the type/scope of products/services that we may offer.

See the section headed “Risk Factors”, and in particular, “Risk Factors — Risks Relating to our Corporate Structure” in the Prospectus for more information on the risks associated with investing in our Group. Save as disclosed in this announcement, our Group did not have any significant event occur after the Reporting Period.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 7 February 2018, and our Shares have been listed on the Main Board of the Stock Exchange since the Listing Date.

We are committed to maintaining and promoting stringent corporate governance. The principle of our Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Reporting Period, our Company has complied with the applicable code provisions in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

We have adopted the Model Code as the code of conduct regulating our Directors' dealings in our Company's securities. To the best of our Directors' knowledge and belief, all our Directors confirm that they have complied with the required standards set out in the Model Code during the Reporting Period.

## **SCOPE OF WORK OF OUR COMPANY'S EXTERNAL AUDITORS**

The figures of our Group's consolidated results for FY2021, contained in this announcement, have been agreed by our Company's external Auditor, to the figures set out in the audited consolidated financial statements of our Group for FY2021. The Auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The work performed by the Auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract from the independent auditor's report from our Company's external Auditor:

### **"Emphasis of Matter**

We draw attention to Note 1 to the consolidated financial statements, which describes the effect related to the "Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education" which was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the People's Republic of China on 24 July 2021. Our opinion is not modified in respect of this matter."

## **AUDIT COMMITTEE**

Our Board has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of our Group, to review and approve connected transactions and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. TONG Sui Bau (as the Audit Committee's chairperson), Mr. WU Qiang and Mr. KWONG Wai Sun Wilson.

The Audit Committee has reviewed our Group's audited consolidated financial statements for FY2021 and discussed matters on, among other things, the accounting policies and practices adopted by our Company and internal control measures, with senior management members and the Auditor.

## **OTHER BOARD COMMITTEES**

In addition to our Audit Committee, our Board has established a nomination committee and a remuneration committee.

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

On 8 September 2020, the Company entered into a subscription agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to the Share Subscription at the subscription price of US\$3.87 per subscription share (corresponding to approximately HK\$30.00 per subscription Share), with an aggregate subscription amount of US\$230 million (corresponding to approximately HK\$1.783 billion). The subscription was completed on 24 December 2020.

For further details of the subscription, please refer to the announcements of the Company dated 8 September 2020, 28 September 2020, 5 November 2020 and 24 December 2020, and the circular of the Company dated 14 October 2020.

Save as disclosed in this announcement, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange during the Reporting Period.

## **MATERIAL LITIGATION**

During the Reporting Period, our Company was not involved in any material litigation or arbitration; nor were our Directors aware of any material litigation or claims that were pending or threatened against our Company.

## **FINAL DIVIDEND**

The Board does not recommend the distribution of a final dividend for FY2021 (FY2020: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The AGM will be held on or around Wednesday, 3 November 2021. The register of members of our Company will be closed from Friday, 29 October 2021 to Wednesday, 3 November 2021 (both days inclusive) in order to determine the identity of our Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our 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 not later than 4:30 p.m. on Thursday, 28 October 2021.



## USE OF PROCEEDS FROM OUR GLOBAL OFFERING

Our Shares were listed on the Main Board of the Stock Exchange on 28 March 2019. Net proceeds received from our Global Offering aggregated approximately HK\$1.8 billion.

As disclosed in the announcement of the Company dated 22 January 2021, the Board resolved to change the use of the remaining net proceeds.

As at 31 May 2021, the utilisation of the net proceeds from the Global Offering are summarised as follows:

<i>HK\$ million</i> <sup>(4)</sup>	<b>Net proceeds from Global Offering</b> <sup>(1)(2)</sup>	<b>Utilised during FY2020</b> <sup>(3)</sup>	<b>Utilised during FY2021</b> <sup>(3)</sup>	<b>Remaining amount</b> <sup>(3)</sup>
Staff recruitment and training activities <sup>(2)</sup>	1,066.8	143.5	923.3	—
Acquisitions and/or investments <sup>(2)</sup>	—	—	—	—
Course development	177.8	18.5	159.3	—
Technology infrastructure	177.8	158.1	19.7	—
Marketing activities	177.8	158.1	19.7	—
Working capital and general corporate purposes	177.8	71.8	106.0	—
		<b>Total remaining amount</b>		<b>—</b>

The remaining amount was placed with banks and financial institutions or under held in accordance with our treasury policy detailed in “Business — Risk management and internal control — Treasury management policy” in the Prospectus. We will gradually utilise the net proceeds, in accordance with the use of proceeds detailed above, within three years from the date of this announcement.

### Notes:

- (1) Based on the amounts disclosed in the Prospectus and includes net proceeds from the partial exercise of the over-allotment options, as detailed in our Company’s announcement of 22 April 2019, which will be used by our Company for the purposes and in the same allocation proportions set out in the Prospectus.
- (2) On 30 November 2020, our use of proceeds from the Global Offering was adjusted, following which, the remaining amount initially allocated to “acquisitions and/or investments” (being approximately HK\$533.4 million as at 30 November 2020) was reallocated in full to “staff recruitment and training activities.” See our interim results announcement for the six months ended 30 November 2020, published on 22 January 2021.
- (3) The amounts “utilised during FY2020” are based on the figures disclosed in the annual results announcement for FY2020, published on 21 August 2020. The amounts “utilised during FY2021” are based on the exchange rate of HK\$1.20:RMB1. The “remaining amount” is calculated as the “net proceeds from the Global Offering” less amounts “utilised during FY2020” and utilised during FY2021.”
- (4) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

## NET PROCEEDS FROM THE SHARE SUBSCRIPTION

The Share Subscription was completed during the Reporting Period and raised approximately HK\$1.783 billion in net proceeds. We propose to use the net proceeds from the Share Subscription in the manner and within the time periods set out in our circular dated 14 October 2020, and expect to use the net proceeds from the Share Subscription within three years of the completion date (being 24 December 2020).

As at 31 May 2021, the utilisation of the net proceeds from the Share Subscription are summarised as follows:

<i>HK\$ million</i> <sup>(3)</sup>	<b>Net proceeds from the Share Subscription<sup>(1)</sup></b>	<b>Utilised during FY2020<sup>(1)</sup></b>	<b>Utilised during FY2021<sup>(2)</sup></b>	<b>Remaining amount<sup>(2)</sup></b>
Sales and marketing	712.4	—	44.7	667.7
Technology infrastructure	712.4	—	10.4	702.0
Teachers and teaching staff	178.1	—	—	178.1
Working capital	178.1	—	129.4	48.7
		<b>Total remaining amount</b>		<b>1,596.4</b>

*Notes:*

- (1) Based on the amounts disclosed in our circular dated 14 October 2020. The Share Subscription was completed during FY2021 and as such, no proceeds were used in FY2020.
- (2) The amounts “utilised during FY2021” are based on the exchange rate of HK\$1.20:RMB1. The “remaining amount” is calculated as the “net proceeds from the Share Subscription” less the amounts “utilised during FY2021.”
- (3) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

# CONSOLIDATED FINANCIAL STATEMENTS FOR FY2021

## Consolidated statement of profit or loss and other comprehensive income for FY2021

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>	3	<b>1,418,655</b>	1,080,587
Cost of revenue	3	<u>(1,006,447)</u>	<u>(587,501)</u>
Gross profit		<b>412,208</b>	493,086
Other income, gains and losses	4	<b>(86,886)</b>	195,653
Impairment for property and equipment	5	<b>(62,588)</b>	—
Impairment for right-of-use assets	5	<b>(16,678)</b>	—
Impairment losses under expected credit loss model, net of reversal		<b>(5,702)</b>	(1,566)
Selling and marketing expenses		<b>(1,188,967)</b>	(872,293)
Research and development expenses		<b>(444,387)</b>	(317,286)
Administrative expenses		<b>(259,081)</b>	(184,692)
Other expenses		—	(15,981)
Share of results of associates		<b>7,788</b>	(1,796)
Finance costs	6	<u>(15,099)</u>	<u>(10,576)</u>
Loss before tax		<b>(1,659,392)</b>	(715,451)
Income tax credit (expense)	7	<u>1,000</u>	<u>(42,788)</u>
<b>Loss for the year</b>	8	<u><b>(1,658,392)</b></u>	<u>(758,239)</u>
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		—	220
Total comprehensive expense for the year		<u><b>(1,658,392)</b></u>	<u>(758,019)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(1,658,392)</b>	(742,005)
Non-controlling interests		—	(16,234)
		<u><b>(1,658,392)</b></u>	<u>(758,239)</u>
<b>Total comprehensive expense for the year attributable to:</b>			
Owners of the Company		<b>(1,658,392)</b>	(741,785)
Non-controlling interests		—	(16,234)
		<u><b>(1,658,392)</b></u>	<u>(758,019)</u>
<b>Loss per share</b>			
— Basic and diluted (RMB)	9	<u><b>(1.72)</b></u>	<u>(0.79)</u>

## Consolidated statement of financial position as at the end of FY2021

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Non-current Assets</b>			
Property and equipment		<b>113,552</b>	81,676
Right-of-use assets		<b>302,622</b>	331,122
Interests in associates		<b>90,246</b>	82,458
Financial assets at fair value through profit or loss	<i>11</i>	<b>207,497</b>	183,328
Deposits for acquisition of property and equipment		<b>4,188</b>	13,852
Refundable rental deposits		<b>20,467</b>	15,396
		<b>738,572</b>	707,832
<b>Current Assets</b>			
Trade and other receivables	<i>12</i>	<b>30,881</b>	41,993
Prepayments		<b>55,417</b>	70,838
Financial assets at fair value through profit or loss	<i>11</i>	<b>624,235</b>	277,800
Term deposits		<b>316,649</b>	1,470,530
Bank balances and cash		<b>1,519,564</b>	480,251
		<b>2,546,746</b>	2,341,412
<b>Current Liabilities</b>			
Lease liabilities		<b>104,316</b>	77,263
Contract liabilities	<i>13</i>	<b>397,461</b>	420,103
Refund liabilities	<i>14</i>	<b>93,293</b>	36,491
Trade payables	<i>15</i>	<b>42,909</b>	34,067
Accrued expenses and other payables		<b>404,863</b>	343,752
		<b>1,042,842</b>	911,676
<b>Net current assets</b>		<b>1,503,904</b>	1,429,736
<b>Total assets less current liabilities</b>		<b>2,242,476</b>	2,137,568
<b>Capital and Reserves</b>			
Share capital		<b>129</b>	120
Reserves		<b>2,008,743</b>	1,863,580
<b>Total Equity</b>		<b>2,008,872</b>	1,863,700
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>24,092</b>	25,648
Lease liabilities		<b>209,512</b>	248,220
		<b>233,604</b>	273,868
<b>Net assets</b>		<b>2,008,872</b>	1,863,700

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Koolearn Technology Holding Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018 under the Companies law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and the principal place of business of the Company and its subsidiaries (collectively referred to as the “**Group**”) are disclosed in the section headed “Corporate Information” in the annual report. New Oriental Group is the ultimate controlling shareholder of the Company.

The Company is an investment holding company. The principal activities of the Group are providing online education service to pre-school children, primary and middle school students, college students and other occupational people. The Group also operates a business to business platform using online education modules to provide software-as-a-service online education service to institutional customers such as public libraries and universities.

The shares of the Company have been listed on the Stock Exchange with effect from 28 March 2019 (the “**Listing**” and “**Listing Date**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

### **Basis of preparation of the consolidated financial statements**

#### *Recently issued government industry policies in relation to after-school tutoring services*

On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of six years and middle school education of 3 years, together as the “Compulsory Stage Education”)” (the “**Opinion**”). The key provisions of the Opinion include, but not limited to: (i) institutions providing after-school tutoring (the “**AST**”) services on academic subjects in relation to the Compulsory Stage Education (the “**Academic AST Institutions**”) are required to be registered as non-profit organisation, (ii) Academic AST Institutions which providing online tutoring services are required to make application to renew their operating permit in order to maintain the internet content provider license (the “**ICP License**”); (iii) foreign investors shall not control or hold interest in Academic AST Institutions by means of direct investment, merge and acquisition, franchise or contractual arrangements; and (iv) certain restrictions on timing and fee of academic AST services.

Please refer to the announcement issued by the Company on 26 July 2021 for more details.

The Opinion will have a material adverse impact on the Group's AST services relating to academic subjects in the PRC's Compulsory Stage Education, which is part of the Group's K12 Education business. The Group is currently in the process of considering the impact of the Opinion on its current business and determining the necessary steps that need to be undertaken in order to fully comply with such Opinion. At this stage, the Directors are unable to determine the full impact of the Opinion on its future consolidated financial statements.

The impacts of the Opinion on the contractual arrangements and going concern assessment are also explained below.

### ***Contractual Arrangements***

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the value-added telecommunications services carried out by the Group, the Group conducts a substantial portion of the business through Beijing New Oriental Xuncheng Network Technology Inc. ("**Beijing Xuncheng**"), Beijing Kuxue Huisi Network Technology Co., Ltd. ("**Kuxue Huisi**") and Beijing Dongfang Youbo Network Technology Co., Ltd. ("**Dongfang Youbo**") (together the "**Consolidated Affiliated Entities**" or the "**VIEs**") in the PRC. On 10 May 2018, the wholly-owned subsidiary of the Company, Beijing Dexin Dongfang Network Technology Co., Inc. ("**Dexin Dongfang**") has entered into the contractual arrangements (the "**Contractual Arrangements**") with the Consolidated Affiliated Entities and their respective equity holders, which enable Dexin Dongfang and the Company to:

- expose, or has rights, to variable returns from its involvement with the investees and has ability to affect those returns through its power over the Consolidated Affiliated Entities;
- exercise equity holders' controlling voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC Laws. Dexin Dongfang may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dexin Dongfang; and

- obtain a pledge over the entire equity interest of the Beijing Xuncheng from their equity holders as collateral security for all of Beijing Xuncheng's and Kuxue Huisi's payments due to Dexin Dongfang and to secure performance of Beijing Xuncheng's and Kuxue Huisi's obligations under the Contractual Arrangements.

During the years ended 31 May 2021 and 2020, the Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for accounting purpose. The Company consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities upon the completion of the reorganisation on 10 May 2018.

As stated in the Opinion issued on 24 July 2021, foreign ownership in Academic AST Institutions became prohibited, including through the use of contractual arrangements, and companies with existing foreign ownership are required to rectify the situation. While the Company's contractual arrangements are legally binding as at 31 May 2021, the Group is still in the process of assessing the impact of the Opinion on its future consolidated financial statements up to the date of approval for issuance of the consolidated financial statements but the Group expects that businesses other than academic AST, which are currently operating in the Consolidated Affiliated Entities, would not be materially affected after taking necessary measures to comply with the Opinion.

### ***Going Concern Assessment***

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors consider that the Group can continue as going concern as (i) the Group is in healthy liquidity position, with sufficient bank and cash and term deposits held by the Company and its subsidiaries with direct or indirect equity interest; (ii) the profit-making college education segment and institutional customers segment would not be materially affected by the Opinion after taking necessary measures to comply with the Opinion; and (iii) the Group expects to significantly drop its selling and marketing expenses related to its K12 business resulting from the changes in regulations described above. In assessing the going concern assumption, the Directors also assume that reasonable time is allowed by relevant government authorities to enable the Group to fully comply with the Opinion and the Group will be able to continue to maintain the ICP License for operations not restricted by the Opinion. Based on the above, the Group believes that it is appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### **Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 June 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	COVID-19-Related Rent Concessions

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***Amendments to IAS 1 and IAS 8 Definition of Material***

The Group has applied the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

#### ***Amendment to IFRS 16 COVID-19-Related Rent Concessions***

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;



- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

### **New or revised standards that have been issued but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows:

1. College Education — online education service targeted to college and above students and adults.
2. K12 Education — online education service targeted to primary school, middle school and high school students.
3. Pre-school Education — online education service targeted to pre-school children.
4. Institutional Customers — online education service provided to institutional customers.

The following is an analysis of the Group’s revenue and results by reportable segment:

#### For the year ended 31 May 2021

	College education <i>RMB’000</i>	K12 education <i>RMB’000</i>	Pre-school education <i>RMB’000</i>	Institutional customer <i>RMB’000</i>	Total <i>RMB’000</i>
Revenue	548,825	787,158	7,867	74,805	1,418,655
Cost of revenue	<u>(180,339)</u>	<u>(812,198)</u>	<u>(5,647)</u>	<u>(8,263)</u>	<u>(1,006,447)</u>
Segment gross profit (loss)	<u>368,486</u>	<u>(25,040)</u>	<u>2,220</u>	<u>66,542</u>	<u>412,208</u>
Unallocated income and expenses:					
Other income, gains and losses					(86,886)
Impairment for property and equipment					(62,588)
Impairment for right-of-use assets					(16,678)
Impairment losses under expected credit loss model, net of reversal					(5,702)
Selling and marketing expenses					(1,188,967)
Research and development expenses					(444,387)
Administrative expenses					(259,081)
Share of results of associates					7,788
Finance costs					<u>(15,099)</u>
Loss before tax					<u><u>(1,659,392)</u></u>

## For the year ended 31 May 2020

	College education <i>RMB'000</i>	K12 education <i>RMB'000</i>	Pre-school education <i>RMB'000</i>	Institutional customer <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	641,691	295,135	30,014	113,747	1,080,587
Cost of revenue	(205,960)	(340,012)	(21,521)	(20,008)	(587,501)
Segment gross profit (loss)	435,731	(44,877)	8,493	93,739	493,086
Unallocated income and expenses:					
Other income, gains and losses					195,653
Impairment losses under expected credit loss model, net of reversal					(1,566)
Selling and marketing expenses					(872,293)
Research and development expenses					(317,286)
Administrative expenses					(184,692)
Other expenses					(15,981)
Share of results of associates					(1,796)
Finance costs					(10,576)
Loss before tax					<u>(715,451)</u>

Segment gross profit (loss) is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Segment gross profit (loss) is gross profit earned (gross loss incurred) by each segment and other income, gains and losses, impairment losses under expected credit loss model, net of reversal, impairment for property and equipment, impairment for right-of-use assets, selling and marketing expenses, research and development expenses, administrative expenses, other expenses, share of results of associates and financial costs are excluded from segment results.

Information of segment assets and liabilities and other segment information that are available for reportable and operating segments are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities and other segment information by reportable and operating segment is presented.

The Company is domiciled in the PRC and all of the Group's revenues were generated from external customers in the PRC during the years ended 31 May 2021 and 2020. The Group's non-current assets are all located in the PRC.

No service provided to a single customer exceeds 10% or more of the total revenue of the Group for the year ended 31 May 2021 (2020: Nil).

#### 4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange (loss) gain	(162,242)	73,175
Interest income from term deposits	5,425	48,855
Interest income from bank balances	7,469	15,821
Interest income from rental deposits	873	705
Gain on fair value changes of financial assets at FVTPL	40,417	45,705
Government grants <sup>(i)</sup>	2,538	3,807
Additional value added tax (“VAT”) input deduction and VAT exemption <sup>(ii)</sup>	14,369	10,280
Loss on disposal of property and equipment	(747)	(3,032)
Gain on lease termination	5,434	537
Others	(422)	(200)
	<b>(86,886)</b>	<b>195,653</b>

*Notes:*

- (i) Government grants amounted to RMB1,489,000 (2020: RMB684,000) and RMB1,000,000 (2020: Nil), have been recognised for the subsidies relating to the job stabilization and enterprise research and development during the year ended 31 May 2021. For the year ended 31 May 2020, government grants amounted to RMB3,000,000 (2021: Nil) have been recognised for the subsidies relating to the Listing. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the year in which they were recognised.
- (ii) Additional VAT input deduction and VAT exemption, amounted to RMB7,268,000 (2020: RMB2,204,000) and RMB7,101,000 (2020: RMB8,076,000), were recognized in profit or loss due to the VAT reform and VAT exemption caused by COVID-19 pandemic, respectively. In accordance with VAT Reformation Article No.39, the Group is eligible for additional VAT credits by 10% of the current-period creditable input VAT from 1 April 2019 to 31 December 2021 upon meeting all applicable criteria. In addition, in accordance with Cai Shui [2020] No.8 and Cai Shui [2021] No.7, income derived by the Group from providing specific services shall be exempted from VAT from 1 January 2020 to 31 March 2021.

## 5. IMPAIRMENT TESTING ON LONG-TERM ASSETS

As a result of the changes in regulatory environment in the online education industry, combined with the current year financial performance of the Group's K12 Education segment, the Group concluded that impairment indicators existed and performed an impairment assessment on its long-term assets which included property and equipment and right-of-use assets within the K12 Education segment with carrying amounts (before impairment) of RMB77,059,000 and RMB164,249,000, respectively.

When determining the value-in-use of the cash generating units (the "CGUs") related to the K12 Education segment to which those assets belong, the Directors have taken into consideration of relevant government regulations released and industry indicators presented as at 31 May 2021 and anticipated that there will be significant restrictions on the business of academic AST services provided to the Compulsory Stage Education students, including but not limited to potential restrictions on the nature, timing and fee of AST services and restrictions on advertisements related to such services. Based on the historical financial performance of the CGUs and the anticipated impact of the Opinion which can be reasonably expected as at 31 May 2021, the Directors developed cash flow projections and concluded that the K12 Education segment may not be able to generate positive cash flow in the foreseeable future resulting in a value-in-use calculation of nil. For the fair value less costs of disposal of the individual asset within the CGUs, the Directors have considered relevant publically available information, the alternative use of the assets, the remaining lease term, future lease payments and potential penalties charged by the lessor upon the earlier termination of leases associated with the K12 Education. The fair value of such property and equipment is considered as level 2 fair value measurement, which is determined with reference to quoted prices of similar assets whenever available. The fair value of right-of-use assets is considered as level 3 fair value measurement, which is determined with reference to future lease payments, remaining lease period and other relevant factors.

Based on the result of the assessment, impairment losses of RMB62,588,000 and RMB16,678,000 (2020: nil and nil) have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively.

## 6. FINANCE COSTS

	Year ended 31 May	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	<u>15,099</u>	<u>10,576</u>

## 7. INCOME TAX EXPENSE

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax	556	6,079
Deferred tax	(1,556)	36,709
	<u>(1,000)</u>	<u>42,788</u>

## 8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging the following items:

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Staff cost, including directors' and chief executives' remuneration		
— Salaries, allowances and benefits in kind	1,649,622	902,360
— Retirement benefit scheme contributions	77,304	42,628
— Share-based compensation expenses	280,738	120,496
Total staff cost	<u>2,007,664</u>	<u>1,065,484</u>
Depreciation of property and equipment	45,830	15,384
Depreciation of right-of-use assets	103,659	73,337
Expense of short-term leases	17,090	22,424
Other expenses <sup>(i)</sup>	—	15,981
Auditor's remuneration	4,250	4,000

*Note:*

- (i) During the year ended 31 May 2020, expenses for free course offerings, amounted to RMB15,981,000 (2021: Nil), were incurred for the Group's free online classes offered to the public during the COVID-19 pandemic.

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Loss:</b>		
Loss for the year attributable to owners of the Company		
for the purpose of calculating basic and diluted loss per share	<u>(1,658,392)</u>	<u>(742,005)</u>
	<b>2021</b>	2020
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose		
of calculating basic and diluted loss per share	<u>966,045,935</u>	<u>937,803,161</u>

The calculation of basic loss per share for the years ended 31 May 2021 and 2020 was based on the loss for the year attributable to the owners of the Company.

The calculation of diluted loss per share for the years ended 31 May 2021 and 2020 does not assume the exercise of the Company's share options since the assumed exercise of share options would result in a decrease in loss per share.

## 10. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Non-current assets</b>		
Financial assets at FVTPL		
— Unlisted equity investments <sup>(i)</sup>	<u>207,497</u>	<u>183,328</u>
<b>Current assets</b>		
Financial assets at FVTPL		
— Wealth management products <sup>(ii)</sup>	<u>624,235</u>	<u>277,800</u>

*Notes:*

- (i) Included in the unlisted equity investments are the Group's investments in preferred shares of Beijing Edutainment World Education Technology Co., Ltd. ("**Edutainment World**") and EEO Education Technology Co., Ltd. ("**EEO**") incorporated in the PRC and Cayman Island, respectively.
- (ii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.7% to 3.9% (2020: 2.2% to 4.1%), and maturity period ranging from 1 day to 182 days (2020: 1 day to 91 days). The principals and returns of these wealth management products are not guaranteed, except for one purchased wealth management product in May 2020, amounting to RMB15,000,000, with principal guaranteed and a term of conditionally early redemption, which is redeemed in October 2020.



## 12. TRADE AND OTHER RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>15,893</b>	15,137
Less: allowance for credit losses	<b>(9,445)</b>	(3,743)
	<u><b>6,448</b></u>	<u>11,394</u>
Other receivables:		
Receivables from third-party payment platforms	<b>9,667</b>	10,112
Rental deposits <sup>(i)</sup>	<b>5,738</b>	7,794
Deductible input on VAT	<b>4,331</b>	6,681
Institutional customer business deposits	<b>3,118</b>	3,944
Advances to employees	<b>755</b>	1,614
Others	<b>824</b>	454
	<u><b>24,433</b></u>	<u>30,599</u>
Trade and other receivables	<u><u><b>30,881</b></u></u>	<u><u>41,993</u></u>

*Note:*

(i) The rental deposits as at 31 May 2021 and 2020 represent refundable rental deposits that due within one year.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
1–90 days	<b>3,309</b>	6,880
91–180 days	<b>1,290</b>	2,890
181 days–1 year	<b>1,810</b>	1,491
1–2 years	<b>39</b>	133
	<u><b>6,448</b></u>	<u>11,394</u>

### 13. CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract liabilities in relation to:		
Students	368,692	378,006
Institutional customers	<u>28,769</u>	<u>42,097</u>
	<u><b>397,461</b></u>	<u><b>420,103</b></u>

### 14. REFUND LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Refund liabilities		
Arising from right of refund	<u><b>92,293</b></u>	<u><b>36,491</b></u>

The refund liabilities relate to customers' right of refund prepaid course fee or in some case refund course fee where related service is already provided. The Group uses its historical experience to estimate the number of returns on a portfolio level using the expected value method.

### 15. TRADE PAYABLES

The following is an analysis of trade payable by age, presented based on the invoice date.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1–90 days	33,937	24,156
91–180 days	5,650	6,333
181 days–1 year	2,399	2,014
1 year–2 years	123	241
>2 years	<u>800</u>	<u>1,323</u>
	<u><b>42,909</b></u>	<u><b>34,067</b></u>

## DEFINITIONS

Unless otherwise stated or set out below, capitalised terms have the same meaning as defined below.

<b>“Adjusted Loss”</b>	adjusted loss for a given period represents loss for the year less gain on fair value changes of financial assets at FVTPL plus share-based compensation expenses, impairment for property and equipment, impairment for right-of-use assets, net loss on disposal and deemed disposal of associates and other expenses for that period
<b>“Adjusted LBIDTA”</b>	or losses before interest, taxes, depreciation, and amortisation for a given period, represents loss for the period plus income tax expenses (credit), share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment, depreciation of right-of-use assets, impairment for property and equipment, impairment for right-of-use assets and other expenses, less other income, gains and losses for the period
<b>“AGM”</b>	annual general meeting of our Company
<b>“APP”</b>	software that causes a computer, smartphone, or electronic mobile device to perform tasks, specifically in our Company’s context, it refers to an English-learning application
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Auditor”</b>	Deloitte Touche Tohmatsu
<b>“Board”</b>	the board of Directors
<b>“China” or “the PRC”</b>	the People’s Republic of China
<b>“Company”</b>	Koolearn Technology Holding Limited 新東方在綫科技控股有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 7 February 2018
<b>“Corporate Governance Code”</b>	the <i>Corporate Governance Code and Corporate Governance Report</i> as set out in Appendix 14 to the Main Board Listing Rules
<b>“DFUB”</b>	an online education platform operating by Dongfang Youbo, including the website at <a href="http://dfub.xdf.cn/">http://dfub.xdf.cn/</a>
<b>“Directors”</b>	the directors of our Company
<b>“FVTPL”</b>	fair value through profit or loss

<b>“FY”</b>	the financial year ended 31 May
<b>“Global Offering”</b>	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus and set out in the section headed “Structure of the Global Offering” therein)
<b>“Group”</b>	the Company and its subsidiaries from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“HK\$”</b>	Hong Kong dollars, lawful currency of Hong Kong
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the People’s Republic of China
<b>“IELTS”</b>	International English Language Testing System, an international standardised test for English language proficiency jointly owned by the British Council, IDP: IELTS Australia and Cambridge Assessment English
<b>“IFRS”</b>	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
<b>“Listing Date”</b>	28 March 2019
<b>“Listing Rules”</b>	the <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> , as amended, supplemented or otherwise modified from time to time
<b>“Model Code”</b>	the <i>Model Code for Securities Transactions by Directors of Listed Issuers</i> as set out in Appendix 10 to the Main Board Listing Rules
<b>“New Oriental Group”</b>	New Oriental Education & Technology Group Inc.
<b>“Opinion”</b>	<i>Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education</i> issued by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council on 24 July 2021
<b>“Prospectus”</b>	the prospectus of our Company dated 15 March 2019 issued in relation to the listing of our Shares on the Main Board of the Stock Exchange
<b>“R&amp;D”</b>	research and development
<b>“Reporting Period”</b>	the financial year ended 31 May 2021, or FY2021
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of China

“Share(s)”	ordinary share(s) in the share capital of the Company, currently with a par value of US\$0.00002 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share Subscription”	the subscription of an aggregate of 59,432,000 Shares by the Subscribers for a subscription price of HK\$30.00 per subscription share, which was completed on 24 December 2020, pursuant to the subscription agreement dated 8 September 2020, the further details of which are contained in the Company’s circular dated 14 October 2020
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscribers”	New Oriental Group and Tigerstep Developments Limited
“TOEFL”	Test of English as a Foreign Language, an international standardised test for English language proficiency designed and administered by the Educational Testing Service (or ETS)
“US\$”	United States dollars, the lawful currency of the United States

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company website at [www.koolearn.hk](http://www.koolearn.hk). Our Group’s annual report for FY2021 will be published on the same websites of the Stock Exchange and our Company and will be dispatched to our Shareholders in due course.

By order of the Board  
**Koolearn Technology Holding Limited**  
**YU Minhong**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Board comprises Mr. SUN Dongxu and Mr. YIN Qiang as executive Directors; Mr. YU Minhong, Ms. SUN Chang, Mr. WU Qiang and Ms. LEUNG Yu Hua Catherine as non-executive Directors; and Mr. LIN Zheyang, Mr. TONG Sui Bau and Mr. KWONG Wai Sun Wilson as independent non-executive Directors.*