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**KOOLEARN TECHNOLOGY HOLDING LIMITED**

**新東方在綫科技控股有限公司**

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

**(Stock code: 1797)**

**(1) ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MAY 2019; AND  
(2) CHANGE OF DIRECTORS**

The board (“**Board**”) of directors (“**Directors**”) of Koolearn Technology Holding Limited (“**Company**”) is pleased to announce the consolidated results of our Company and our subsidiaries (collectively, our “**Group**”) for the financial year (“**FY**”) ended 31 May 2019 (“**Reporting Period**”). These annual results have been reviewed by our Board’s audit committee (“**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 (“**RMB**”) unless otherwise stated, which is our Group’s primary functional currency.

All other capitalised terms will have the same definitions as in our Prospectus of 15 March 2019 (“**Prospectus**”) unless otherwise stated.

# ANNUAL RESULTS AND ANNOUNCEMENT FOR FY 2019

## FINANCIAL HIGHLIGHTS

|  | <b>FY 2019</b>   | <b>FY 2018</b> | <b>Year-on-year</b> |
|--|------------------|----------------|---------------------|
|  | <b>RMB'000</b>   | <b>RMB'000</b> | <b>change</b>       |
|  |                  |                | <b>(%)</b>          |
| Revenue  | <b>918,911</b>   | 650,457        | <b>41.3</b>         |
| (Loss) profit for the year   | <b>(64,109)</b>  | 82,026         | <b>(178.2)</b>      |
| Total comprehensive (expense) income attributable to:              |                  |                |                     |
| — Owners of our Company  | <b>(39,773)</b>  | 91,375         | <b>(143.5)</b>      |
| — Non-controlling interests  | <b>(24,336)</b>  | (9,349)        | <b>160.3</b>        |
| (Loss) earnings per share  |                  |                |                     |
| — Basic and diluted (RMB)  | <b>(0.06)</b>    | 0.10           | <b>(160.0)</b>      |
| Non-IFRS measure: Adjusted (loss) profit for the year <sup>1</sup> | <b>(289)</b>     | 73,584         | <b>(100.4)</b>      |
| Non-IFRS measure: EBITDA <sup>2</sup>                              | <b>(122,032)</b> | 40,776         | <b>(399.3)</b>      |

## 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 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 core segments, namely our college education, K-12 education and pre-school education segments.

<sup>1</sup> Adjusted (loss) profit for the year represents (loss) profit for the year less gain on disposal of a joint venture and gain on fair value changes of long-term investments designated as fair value through profit or loss (“FVTPL”)/financial assets at FVTPL plus listing expenses and share-based compensation expenses for the year.

<sup>2</sup> Earnings before interest, taxes, depreciation, and amortisation (“EBITDA”) represents (loss) profit for the year plus income tax credit (expenses), listing expenses, share-based compensation expenses and depreciation of property and equipment less other income, gains and losses and (impairment losses, net of reversal) reversal of impairment losses, net of impairment on trade receivables for the year. The reclassification of (impairment losses, net of reversal) reversal of impairment losses, net of impairment on trade receivables and, consequently, the change in the definition of our EBITDA, was due to our application of IFRS 9 on 1 June 2018.

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

|                      | <u>FY 2019</u>            | <u>FY 2018</u>            |
|----------------------|---------------------------|---------------------------|
|                      | <u>Student enrolments</u> | <u>Student enrolments</u> |
|                      | <u>'000</u>               | <u>'000</u>               |
| <b>Students</b>      |                           |                           |
| College education    | 1,293                     | 1,158                     |
| K-12 education       | 572                       | 185                       |
| Pre-school education | 314                       | 597                       |
|                      | <u>2,179</u>              | <u>1,940</u>              |
| <b>Total</b>         | <u>2,179</u>              | <u>1,940</u>              |

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

|                       | <u>FY 2019</u> | <u>FY 2018</u> |
|-----------------------|----------------|----------------|
|                       | <u>RMB</u>     | <u>RMB</u>     |
| <b>Formal courses</b> |                |                |
| College education     | 715            | 682            |
| K-12 education        | 959            | 991            |
| Pre-school education  | 203            | 44             |
|                       | <u>646</u>     | <u>462</u>     |
| Sub-total average     | <u>646</u>     | <u>462</u>     |
| <b>Entry courses</b>  | <u>21</u>      | <u>11</u>      |
| <b>Total average</b>  | <u>434</u>     | <u>370</u>     |

## **Our performance overview**

### ***Overall financial performance***

We achieved significant growth in terms of net revenues and student enrolments across all four business segments during the Reporting Period. Our total net revenues increased by 41.3% from RMB650.5 million in FY 2018 to RMB918.9 million in the Reporting Period. In the college education segment, we recorded RMB631.4 million in net revenue, representing a year-on-year growth of 36.5%. In the K-12 education segment, successful execution of our growth strategies led to extraordinary growth in this highly competitive market. Our net revenue and student enrolments in the K-12 segment increased year-on-year by 80.8% and 209.2%, respectively. In the pre-school education segment, we optimised our product offerings that increased the average spending per student from RMB43 to RMB185, leading to a year-on-year growth of 205.8% in net revenue.

### ***College education***

Our courses in the college segment consist of courses for college test preparation, overseas test preparation, English language learning, and other 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, our performance in the college segment continued to grow steadily. Our student enrolments in the college segment recorded 1.3 million in the Reporting Period, representing an increase of 11.7% over the previous fiscal year.

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

Our comprehensive K-12 course offerings, including primarily Koolearn K-12 courses and location-based live interactive after-school tutoring courses (“DFUB”), provide after-school tutoring courses that cover the majority of standard school subjects from primary and 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.

During the Reporting Period, we implemented a series of initiatives to accelerate the expansion of our K-12 segment and achieved outstanding operating results in our K-12 segment. Our student enrolments for overall K-12 segment recorded year-on-year growth of 209.2%. More specifically, our student enrolments for Koolearn K-12 courses recorded year-on-year growth of 188.3%, and our student enrolments for DFUB courses grew year-on-year by 316.1%. Our growth in K-12 education during the Reporting Period was largely attributable to the successful execution of our growth strategies in this segment. In the summer of 2018, we introduced a modified version of the “dual-teacher model”, which was applied to all of our K-12 courses on the Koolearn platform, strengthening our content development and customer services, and leading to increased student enrolments. We accelerated the expansion of DFUB business during the Reporting Period and continued to optimise the operations of DFUB courses in each city. As at 31 May 2019, DFUB had entered 63 cities across 15 provinces in China.

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

Our pre-school education segment offers inspiring and interactive English learning and other pre-school education courses designed specifically for children between the ages of three and ten. Our child-friendly online educational content are delivered through our *Donut* English-learning app and *Donut* live online English classroom courses, both of which achieved significant growth during the Reporting Period.

## **Strategic update and future development**

Going forward, we will continue our long-term growth strategies to increase student enrolments by increasing the retention of our existing students and the acquisition of new students. We plan to optimise our products and course offerings across each education segment through developing and refining our content. We will continue to invest more in recruiting, retaining, training and promoting high-calibre teaching, course research and marketing staff. To achieve this, we expect to establish a strong central platform to enhance our office automation system, in an effort to systematically discover and nurture high-calibre teaching staff, establish class scheduling and teaching administration, and improve marketing efficiency through new logo and branding activities, diversified media channels, integrated marketing resources with performance-oriented precision marketing.

In the K-12 segment, we established a teaching training center in Wuhan to ensure a continuous supply of qualified teachers for DFUB in FY 2019. We also optimised user experience on DFUB platform by introducing more online features such as parents' classrooms and new students' classrooms. We deepened our cooperation with EEO Education Technology Co., Ltd (“EEO”) and other education technology companies to provide students with a better online study experience. In FY 2020, we expect DFUB to expand into more cities and further customize course content based on materials used by local schools. We plan to establish teaching training centres in other geographical locations to attract more qualified teachers and provide more tailored training programs. For *Koolearn* K-12 courses, we plan to devote more resources to both product and technological development so as to improve the effectiveness and efficiency of online teaching. We will also enhance our target marketing strategies to lower our average user acquisition cost.

In our college segment, we have taken various steps to strengthen our market leading position. We continuously enhance our development and increase our portfolio of courses in subjects other than English, our strongest subject. In FY 2020, we will introduce more high-quality courses aimed at enhancing the efficiency of our online test preparation. We will also explore our “dual-teacher model” and tailor it for application in preparation courses for graduate school entrance exams. In our overseas test preparation segment, we will continue to collaborate closely with providers of overseas English tests such as Educational Testing Service (“ETS”). As a growing number of Chinese students take Scholastic Assessment Test (“SAT”) and Graduate Record Exams (“GRE”) outside China, we will also optimise our SAT and GRE preparation courses to better meet their study needs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

Our revenue increased by 41.3% from RMB650.5 million in FY 2018 to RMB918.9 million in FY 2019.

#### *College education*

Revenue from our college education segment increased by 36.5% from RMB462.5 million in FY 2018 to RMB631.4 million in FY 2019, driven primarily by the increase in revenue from college test preparation and revenue from overseas test preparation, which increased by 32.5% and 39.9% year-on-year, respectively. Our courses for graduate school entrance exams, the revenue from which accounted for more than half of the revenue under college test preparation, grew by 40.4% from the previous year, as both the number of our courses and the average spending per enrolment in this segment steadily increased. Student enrolment in the college segment increased from 1.2 million in FY 2018 to 1.3 million in FY 2019.

#### *K-12 education*

Revenue from our K-12 education segment increased by 80.8% from RMB88.1 million in FY 2018 to RMB159.2 million in FY 2019, primarily due to the expansion of DFUB courses and the optimisation of the Koolearn K-12 courses. In FY 2019, while we continued to increase the presence of DFUB, we also gradually increased the number of formal courses as the DFUB model began to gain wide market recognition. Student enrolments in the K-12 segment increased from 185 thousand in FY 2018 to 572 thousand in FY 2019.

#### *Pre-school education*

Revenue from our pre-school education segment increased by 205.8% from RMB10.9 million in FY 2018 to RMB33.4 million in FY 2019, primarily due the optimisation of our *Donut* English-learning app, where average spending per enrolment increased from RMB16 in FY 2018 to RMB98 in FY 2019, and the introduction of short-term courses for the *Donut* online classroom, where average spending per enrolment increased from RMB1,006 in FY 2018 to RMB1,812 in FY 2019. This enabled a substantial increase in revenue despite a drop in student enrolments in this segment.

#### *Institutional customers*

Revenue from our institutional customers increased by 6.7% from RMB89.0 million in FY 2018 to RMB94.9 million in FY 2019.

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

Our total cost of revenue increased by 63.3% from RMB252.5 million in FY 2018 to RMB412.5 million in FY 2019, primarily due to an increase in teaching staff costs, course research staff costs and teaching materials costs, which grew by 54.6%, 73.1% and 67.3% over FY 2018, respectively, as we devoted significant resources to enhance the quality of our courses.

Our gross profit increased by 27.3% from RMB397.9 million in FY 2018 to RMB506.4 million in FY 2019. Our gross profit margin decreased from 61.2% in FY 2018 to 55.1% in FY 2019, primarily due to the expansion in K-12 segment, in particular an increase in teaching staff costs.

### ***College education***

Cost of revenue for our college education segment increased by 28.6% from RMB168.7 million in FY 2018 to RMB216.9 million in FY 2019, primarily due to an increase in teaching materials costs.

Segment gross profit for our college education business increased by 41.1% from RMB293.8 million in FY 2018 to RMB414.5 million in FY 2019, and the gross profit margin increased from 63.5% in FY 2018 to 65.6% in FY 2019.

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

Cost of revenue for our K-12 education segment increased by 167.9% from RMB53.5 million in FY 2018 to RMB143.4 million in FY 2019, primarily due to an enhancement of our offerings for Koolearn K-12 courses and the expansion of DFUB to more regions required significant upfront investment to attract qualified teachers and design high-quality courses.

Segment gross profit for our K-12 business decreased by 54.1% from RMB34.6 million in FY 2018 to RMB15.9 million in FY 2019, and the gross profit margin decreased from 39.2% to 10.0%, primarily due to an increase in student enrolments to entry courses from summer of 2018, the increase in teaching staff costs and course research staff costs, as we updated our *Koolearn* K-12 course offerings and committed more resources on course development, as well as the increase in IT support and technology costs, as all of our *Koolearn* K-12 courses and *DFUB* courses are delivered in a live format.

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

Cost of revenue for our pre-school education segment increased by 131.4% from RMB14.6 million in FY 2018 to RMB33.7 million in FY 2019, primarily due to the development of small class live English learning courses by *Donut* online classroom which led to an increase in course research staff costs and teaching materials costs, as we optimised our course offerings and developed new products in this segment.

Segment gross loss for our pre-school education business decreased by 91.7% from RMB3.6 million in FY 2018 to RMB0.3 million in FY 2019, and the gross loss margin decreased from 33.4% to 0.9%, primarily due to *Donut* English learning app's gross margin improvement.



### ***Institutional customers***

Cost of revenue for services to institutional customers increased by 17.6% from RMB15.8 million in FY 2018 to RMB18.5 million in FY 2019.

Segment gross profit for our services to institutional customers remained relatively steady at RMB73.2 million in FY 2018 and RMB76.4 million in FY 2019, and the gross profit margin decreased slightly from 82.3% to 80.5%.

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

Our other income, gains and losses increased by 96.2% from RMB72.7 million in FY 2018, to RMB142.7 million in FY 2019, primarily due to RMB94.6 million of foreign exchange gain.

### **Selling and marketing expenses**

Our selling and marketing expenses increased by 98.2% from RMB224.0 million in FY 2018 to RMB443.9 million in FY 2019, primarily due to a substantial increase in marketing expenses, in particular expenses relating to online media promotion, as we continued to invest in the promotion for our course offerings in our college and K-12 segments. The marketing expenses in the college segment increased as we diversified our online marketing channels to strengthen our leading position in this market. In the K-12 segment, marketing expenses increased primarily due to our efforts to gain wider market recognition and to reach our target students more precisely through online marketing campaigns.

### **Research and development expenses**

Our research and development expenses increased by 46.9% from RMB100.4 million in FY 2018 to RMB147.5 million in FY 2019, primarily due to the increase in staff costs as our business strategies required more qualified research and development staff to support our expansion.

### **Administrative expenses**

Our administrative expenses increased by 155.5% from RMB40.5 million in FY 2018 to RMB103.4 million in FY 2019, primarily due to share-based compensation expenses.

### **Share of result of associates**

Our share of profit of associates increased by 54.9% from RMB2.0 million in FY 2018 to RMB3.1 million in FY 2019, primarily due to the increase in our share of Shidai Yuntu's profit.

### **Share of result of a joint venture**

Our share of loss of a joint venture decreased from RMB271 thousand in FY 2018 to nil in FY 2019, as the loss-making Beijing Zhishang Education Technology Co., Ltd was re-categorised from joint venture to associate in June 2017.



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

From FY 2018 to FY 2019, our income tax expenses decreased by 202.0% from an expense of RMB10.7 million to a credit of RMB10.9 million in FY 2019, primarily due to a decrease in our taxable income.

## **Listing expenses**

We incurred listing expenses of RMB15.5 million in FY 2018 and RMB31.5 million in FY 2019 in connection with our global offering in March 2019 (“**Global Offering**”).

## **(Loss) profit for the year**

As a result of the foregoing, our profit for the year decreased by 178.2% from RMB82.0 million in FY 2018 to a loss of RMB64.1 million in FY 2019.

## **Non-IFRS measures**

To supplement our financial information presented in accordance with International Financial Reporting Standards (“**IFRS**”), we also use adjusted profit (loss) and EBITDA 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 EBITDA 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 EBITDA as (loss) profit for the FY plus income tax (credit) expenses, listing expenses share-based compensation expenses and depreciation of property and equipment less other income, gains and losses and (impairment losses, net of reversal) reversal of impairment losses, net of impairment on trade receivables for the FY.

The following table reconciles our net (loss) profit to adjusted (loss) profit:

|  | <b>FY 2019</b><br><b>RMB'000</b> | FY 2018<br><b>RMB'000</b> |
|--|----------------------------------|---------------------------|
| <b>Reconciliation of net (loss) profit to adjusted (loss) profit:</b>        |                                  |                           |
| (Loss) profit for the FY   | <b>(64,109)</b>                  | 82,026                    |
| Less:  |                                  |                           |
| Gain on disposal of a joint venture  | —                                | 469                       |
| Gain on fair value changes of long-term investments designated as FVTPL      | —                                | 23,426                    |
| Gain on fair value changes of financial assets at FVTPL — Non-current assets | <b>21,926<sup>1</sup></b>        | —                         |
| Add:   |                                  |                           |
| Listing expenses   | <b>31,525</b>                    | 15,453                    |
| Share-based compensation expenses  | <b>54,221</b>                    | —                         |
| <b>Adjusted (loss) profit for the year</b>                                   | <b>(289)</b>                     | 73,584                    |

The following table reconciles our net profit to EBITDA:

|  | <b>FY 2019</b><br><b>RMB'000</b> | FY 2018<br><b>RMB'000</b> |
|--|----------------------------------|---------------------------|
| <b>Reconciliation of profit (loss) for the FY to EBITDA</b>  |                                  |                           |
| (Loss) profit for the FY   | <b>(64,109)</b>                  | 82,026                    |
| Add:   |                                  |                           |
| Income tax (credit) expenses   | <b>(10,871)</b>                  | 10,653                    |
| Listing expenses   | <b>31,525</b>                    | 15,453                    |
| Share-based compensation expenses  | <b>54,221</b>                    | —                         |
| Depreciation of property and equipment   | <b>9,050</b>                     | 5,949                     |
| Less:  |                                  |                           |
| Other income, gains and losses   | <b>142,728</b>                   | 72,739                    |
| (Impairment losses, net of reversal) reversal of impairment losses, net of impairment on trade receivables | <b>(880)</b>                     | 566                       |
| <b>EBITDA</b>  | <b>(122,032)</b>                 | 40,776                    |

### **Liquidity and capital resources**

During the Reporting Period, we met our cash requirements principally from cash generated from our operating activities, proceeds from issuance of shares and our retained profits accumulated in the past. We had cash and cash equivalents represented by bank balances and cash of RMB709.4 million and RMB2,497.6 million as at 31 May 2018 and 2019, respectively. Bank balances and cash comprise of cash and short-term deposits with a term of less than three months.

<sup>1</sup> For FY 2019, 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.

During the Reporting Period, we primarily use cash to fund required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash and net proceeds from the Global Offering.

## Cash flow

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

|  | <b>FY 2019</b>   | FY 2018 |
|--|------------------|---------|
|  | <b>RMB'000</b>   | RMB'000 |
| Net cash (used in) generated from operating activities | <b>(24,711)</b>  | 149,449 |
| Net cash generated from investing activities           | <b>15,880</b>    | 508,724 |
| Net cash generated from financing activities           | <b>1,702,448</b> | 5,547   |
| Net increase in cash and cash equivalents              | <b>1,693,617</b> | 663,720 |
| Cash and cash equivalents at the beginning of the FY   | <b>709,448</b>   | 42,376  |
| Effect of exchange rate changes                        | <b>94,556</b>    | 3,352   |
| <b>Cash and cash equivalents at the end of the FY</b>  | <b>2,497,621</b> | 709,448 |

### *Net cash (used in) generated from operating activities*

Net cash (used in) generated from operating activities primarily consists of our profit before tax for the FY adjusted by non-cash items and changes in working capital.

Our net cash used in operating activities in FY 2019 was RMB24.7 million. The difference between cash used in operating activities before tax and interest of RMB21.2 million and the loss before tax of RMB75.0 million was mainly due to (i) inclusion of non-cash expenses items, primarily including share-based compensation expenses of RMB54.2 million; (ii) a RMB134.6 million increase in cash as a result of movements in working capital, which in turn mainly consisted of a RMB67.5 million increase in contract liabilities and a RMB62.3 million increase in accrued expenses and other payables and (iii) exclusion the effect of foreign exchange gain of RMB94.6 million and gain on fair value changes of financial assets at FVTPL of RMB41.9 million. The increase in contract liabilities was primarily attributable to the growth of our customer base and our increased revenue. The increase in accrued expenses and other payables was primarily due to the increase in teachers' commission fees and course fees and the number of our teachers.

### *Net cash generated from investing activities*

Our net cash generated from investing activities in FY 2019 was RMB15.9 million, primarily attributable to cash generated from net disposal of financial assets at FVTPL of RMB50.7 million, which partially offset by purchase of property and equipment of RMB20.8 million and payments for investments in associates of RMB14.1 million.

## *Net cash generated from financing activities*

Our net cash generated from financing activities in FY 2019 was approximately RMB1.70 billion, primarily attributable to proceeds from issuance of ordinary shares relating to the IPO.

## **Capital expenditure**

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

|                                    | <b>FY 2019</b>        | FY 2018        |
|------------------------------------|-----------------------|----------------|
|                                    | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Purchase of property and equipment | <b>20,830</b>         | 19,053         |

Our capital expenditures were primarily for purchases of property and equipment in FY 2018 and 2019, respectively. Our purchases of property and equipment were RMB19.1 million and RMB20.8 million for FY 2018 and 2019, respectively.

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

As at 31 May 2019, we have not entered into any off-balance sheet transactions.

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

As at 31 May 2019, we did not have plans for material investments and capital assets other than the acquisition of equity interest in Dongfang Youbo as disclosed in “Events After the Reporting Period”.

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

During FY 2019, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

## **Employees and remuneration policy**

As at 31 May 2019, we had 1,690 full-time employees and 4,545 part-time employees, among which we had 553 full-time and 4,173 part-time teaching, content development and content production staff; 597 full-time and 342 part-time selling and marketing staff; 426 full-time and 11 part-time research, development and technology staff; and 114 full-time and 19 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 2019, 123 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for FY 2019 were RMB413.3 million, representing a year-on-year increase of 76.9%.

## **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 RMB. In FY 2019, we have assets and liabilities 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 cash and cash equivalents at hand 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 2019, none of our Group's assets were pledged.

## **Contingent liabilities**

As at 31 May 2019, we did not have any material contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

On 16 August 2019, Beijing New Oriental Xuncheng Network Technology Inc. (“**Beijing Xuncheng**”) entered into an agreement to acquire the remaining 49% equity interest in Dongfang Youbo from its remaining shareholder, Tianjin Qiancheng Xiangyu Technology Limited Partnership (天津前程翔宇科技合夥企業(有限合夥)). Please refer to our announcement of the same date on “Discloseable and connected transaction for the acquisition of 49% of Dongfang Youbo” for details of this transaction.

## **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 of the Hong Kong Limited (“**Stock Exchange**”) since 28 March 2019 (“**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. Between the Listing Date and end of FY 2019 (both dates inclusive), our Company has complied with the applicable code provisions in the *Corporate Governance Code* (“**Code**”) as stated in Appendix 14 of the Listing Rules except for a deviation from provision A.1.1 of the Code.

Provision A.1.1 of the Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. Our Company was listed on 28 March 2019, and since then until the end of the FY 2019 (being 31 May 2019, both dates inclusive) (“**FY 2019 Listed Period**”), our Board had held 3 meetings. Further information of our Company’s corporate governance practice will be set out in the corporate governance report included in our Company’s annual report for FY 2019.

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

We have adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* (“**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 FY 2019 Listed Period.

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

The figures of our Group’s consolidated results for FY 2019, contained in this announcement, have been agreed by our Company’s external auditor, Deloitte Touche Tohmastu (“**Auditor**”), to the figures set out in the audited consolidated financial statements of our Group for FY 2019. The Auditors 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 Auditors 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 Auditors on this announcement.

## **AUDIT COMMITTEE**

We have established an audit committee of the Board (“**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the 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 FY 2019 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**

During the FY 2019 Listed Period, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

## **MATERIAL LITIGATION**

As at FY 2019, 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 FY 2019. (FY 2018: nil)

## **CLOSURE OF REGISTER OF MEMBERS**

Our Company's annual general meeting ("AGM") will be held on or around 5 November 2019. Our register of members will be closed from 31 October 2019 to 5 November 2019 (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 30 October 2019.

## **USE OF PROCEEDS FROM OUR GLOBAL OFFERING**

With the partial exercise of the over-allotment option described in our Prospectus on 18 April 2019, the net proceeds from the Global Offering were approximately HK\$1.78 billion, which will be utilised for the purposes as set out in the Prospectus.



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2019**

|  | <i>Notes</i> | <b>FY 2019</b><br><i>RMB'000</i> | FY 2018<br><i>RMB'000</i> |
|--|--------------|----------------------------------|---------------------------|
| <b>Revenue</b>   | 3            | <b>918,911</b>                   | 650,457                   |
| Cost of revenue  | 3            | <u>(412,502)</u>                 | <u>(252,531)</u>          |
| Gross profit   |              | <b>506,409</b>                   | 397,926                   |
| Other income, gains and losses   | 4            | <b>142,728</b>                   | 72,739                    |
| (Impairment losses, net of reversal) reversal of impairment losses, net of impairment on trade receivables |              | <b>(880)</b>                     | 566                       |
| Selling and marketing expenses   |              | <b>(443,930)</b>                 | (223,978)                 |
| Research and development expenses  |              | <b>(147,520)</b>                 | (100,392)                 |
| Administrative expenses  |              | <b>(103,373)</b>                 | (40,466)                  |
| Listing expenses   |              | <b>(31,525)</b>                  | (15,453)                  |
| Share of result of associates  |              | <b>3,111</b>                     | 2,008                     |
| Share of result of a joint venture   |              | <u>—</u>                         | <u>(271)</u>              |
| (Loss) profit before tax   |              | <b>(74,980)</b>                  | 92,679                    |
| Income tax credit (expense)  | 5            | <u>10,871</u>                    | <u>(10,653)</u>           |
| <b>(Loss) profit for the year</b>  | 6            | <u><b>(64,109)</b></u>           | <u>82,026</u>             |
| (Loss) profit and total comprehensive (expense) income for the year attributable to:                       |              |                                  |                           |
| Owners of the Company  |              | <b>(39,773)</b>                  | 91,375                    |
| Non-controlling interests  |              | <u><b>(24,336)</b></u>           | <u>(9,349)</u>            |
|  |              | <u><b>(64,109)</b></u>           | <u>82,026</u>             |
| (Loss) earnings per share  |              |                                  |                           |
| — Basic and diluted (RMB)  | 7            | <u><b>(0.06)</b></u>             | <u>0.10</u>               |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 MAY 2019

|   |       | As at 31 May            |                       |
|---|-------|-------------------------|-----------------------|
|   | Notes | 2019                    | 2018                  |
|   |       | RMB'000                 | RMB'000               |
| <b>Non-current Assets</b>   |       |                         |                       |
| Property and equipment  |       | 29,548                  | 20,713                |
| Interests in associates   |       | 84,025                  | 66,855                |
| Long-term investments designated as fair value through profit or loss |       | —                       | 124,929               |
| Financial assets at fair value through profit or loss                 | 9     | 146,855                 | —                     |
| Deferred tax assets   |       | 27,591                  | 5,224                 |
| Deposits for acquisition of property and equipment                    |       | 5,757                   | 3,113                 |
|   |       | <u>293,776</u>          | <u>220,834</u>        |
| <b>Current Assets</b>   |       |                         |                       |
| Trade and other receivables   | 10    | 35,478                  | 33,426                |
| Prepayments   |       | 81,870                  | 69,214                |
| Available-for-sale investments  |       | —                       | 380,000               |
| Financial assets at fair value through profit or loss                 | 9     | 352,943                 | —                     |
| Income tax recoverable  |       | 6,905                   | 7,648                 |
| Bank balances and cash  |       | 2,497,621               | 709,448               |
|   |       | <u>2,974,817</u>        | <u>1,199,736</u>      |
| <b>Current Liabilities</b>  |       |                         |                       |
| Contract liabilities  | 11    | 400,928                 | 333,421               |
| Refund liabilities  | 12    | 19,414                  | 9,272                 |
| Trade payables  | 13    | 41,541                  | 29,067                |
| Accrued expenses and other payables                                   |       | 219,645                 | 158,730               |
| Income tax payables   |       | 428                     | 846                   |
|   |       | <u>681,956</u>          | <u>531,336</u>        |
| <b>Net Current Assets</b>   |       | <u>2,292,861</u>        | <u>668,400</u>        |
| <b>Total Assets Less Current Liabilities</b>                          |       | <u><u>2,586,637</u></u> | <u><u>889,234</u></u> |

|  | <b>As at 31 May</b>     |                       |
|--|-------------------------|-----------------------|
|  | <b>2019</b>             | 2018                  |
|  | <b>RMB'000</b>          | <i>RMB'000</i>        |
| <b>Non-current Liabilities</b>               |                         |                       |
| Deferred tax liabilities                     | <u>16,530</u>           | <u>11,049</u>         |
| <b>Net assets</b>                            | <u><u>2,570,107</u></u> | <u><u>878,185</u></u> |
| <b>Capital And Reserves</b>                  |                         |                       |
| Share capital                                | 120                     | 73                    |
| Reserves                                     | <u>2,601,466</u>        | <u>885,255</u>        |
| Equity attributable to owners of the Company | <u>2,601,586</u>        | 885,328               |
| Non-controlling interests                    | <u>(31,479)</u>         | <u>(7,143)</u>        |
| <b>Total Equity</b>                          | <u><u>2,570,107</u></u> | <u><u>878,185</u></u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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. New Oriental Education & Technology Group Inc. (“**New Oriental Group**”) is the ultimate controlling shareholders of the Company.

The Company is an investment holding company. The principle activities of the Group are providing on-line 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 (“**Listing**”).

The consolidated financial statements is presented in RMB, which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has consistently applied IFRSs, amendments to IFRSs and the related interpretations issued by the International Accounting Standards Board (“**IASB**”) that are effective for the accounting period beginning on 1 June 2018, for FY 2019 and 2018, except that the Group adopted IFRS 9 *Financial Instruments* on 1 June 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* during the year ended 31 May 2018. Specifically, the Group has adopted IFRS 15 *Revenue from contracts with customers* on a consistent basis throughout FY 2019 and 2018. The accounting policies for financial instruments which conform with IFRS 9 that are applicable from 1 June 2018 onwards and IAS 39 which are applicable for FY 2018 and revenue recognition under IFRS 15.

On 1 June 2018, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“**ECL**”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, *i.e.* applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 June 2018 (date of initial application) and has not applied the requirements to instruments that have already been

derecognised as at 1 June 2018. The difference between carrying amounts as at 31 May 2018 and the carrying amounts as at 1 June 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items under IFRS 9 and IAS 39 at the date of initial application, 1 June 2018.

|   | Available<br>for-sale<br>("AFS")<br>investments<br><i>RMB'000</i> | Long-term<br>investments<br>designated as<br>FVTPL<br><i>RMB'000</i> | Financial<br>assets at<br>FVTPL<br>as new<br>measurement<br>category under<br>IFRS 9<br><i>RMB'000</i> | Trade<br>receivables<br><i>RMB'000</i> | Retained<br>profits<br><i>RMB'000</i> |
|---|---|--|--|--|---------------------------------------|
| <b>Closing balance at 31 May 2018</b>                         |   |  |  |  |                                       |
| — IAS 39  | 380,000   | 124,929  | —  | 6,348                                  | 106,059                               |
| <b>Effect arising from initial<br/>application of IFRS 9:</b> |   |  |  |  |                                       |
| <b>Reclassification</b>                                       |   |  |  |  |                                       |
| From AFS investments  | (380,000)   | —  | 380,000  | —                                      | —                                     |
| From long-term investments<br>designated at FVTPL             | —   | (124,929)  | 124,929  | —                                      | —                                     |
|   | <u>—</u>  | <u>(124,929)</u>   | <u>124,929</u>   | <u>—</u>                               | <u>—</u>                              |
| <b>Remeasurement</b>  |   |  |  |  |                                       |
| Impairment under ECL model                                    | —   | —  | —  | (186)                                  | (186)                                 |
|   | <u>—</u>  | <u>—</u>   | <u>—</u>   | <u>(186)</u>                           | <u>(186)</u>                          |
| <b>Opening balance<br/>at 1 June 2018 — IFRS 9</b>            | <u>—</u>  | <u>—</u>   | <u>504,929</u>   | <u>6,162</u>                           | <u>105,873</u>                        |

As at 1 June 2018, additional credit loss allowance of RMB186,000 has been recognised against retained profits. Loss allowance was charged against the trade receivables.

### 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 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 2019

|  | College<br>Education<br><i>RMB'000</i> | K12<br>Education<br><i>RMB'000</i> | Pre-school<br>Education<br><i>RMB'000</i> | Institutional<br>customer<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|------------------------------------|---|---|-------------------------|
| Revenue  | 631,361                                | 159,213                            | 33,395                                    | 94,942                                      | 918,911                 |
| Cost of revenue  | <u>(216,904)</u>                       | <u>(143,355)</u>                   | <u>(33,696)</u>                           | <u>(18,547)</u>                             | <u>(412,502)</u>        |
| Segment gross profit (loss)                                | <u>414,457</u>                         | <u>15,858</u>                      | <u>(301)</u>                              | <u>76,395</u>                               | <u>506,409</u>          |
| Unallocated income and expenses:                           |  |                                    |   |   |                         |
| Other income, gains and losses                             |  |                                    |   |   | 142,728                 |
| Impairment losses, net of<br>reversal on trade receivables |  |                                    |   |   | (880)                   |
| Selling and marketing expenses                             |  |                                    |   |   | (443,930)               |
| Research and development expenses                          |  |                                    |   |   | (147,520)               |
| Administrative expenses                                    |  |                                    |   |   | (103,373)               |
| Listing expenses   |  |                                    |   |   | (31,525)                |
| Share of result of associates                              |  |                                    |   |   | <u>3,111</u>            |
| Loss before tax  |  |                                    |   |   | <u><u>(74,980)</u></u>  |

For FY 2018

|                                    | College<br>Education<br>RMB'000 | K12<br>Education<br>RMB'000 | Pre-school<br>Education<br>RMB'000 | Institutional<br>customer<br>RMB'000 | Total<br>RMB'000     |
|------------------------------------|---------------------------------|-----------------------------|------------------------------------|--------------------------------------|----------------------|
| Revenue                            | 462,465                         | 88,070                      | 10,921                             | 89,001                               | 650,457              |
| Cost of revenue                    | <u>(168,692)</u>                | <u>(53,506)</u>             | <u>(14,564)</u>                    | <u>(15,769)</u>                      | <u>(252,531)</u>     |
| Segment gross profit (loss)        | <u>293,773</u>                  | <u>34,564</u>               | <u>(3,643)</u>                     | <u>73,232</u>                        | <u>397,926</u>       |
| Unallocated income and expenses:   |                                 |                             |                                    |                                      |                      |
| Other income, gains and losses     |                                 |                             |                                    |                                      | 72,739               |
| Net reversal of impairment         |                                 |                             |                                    |                                      |                      |
| losses on trade receivables        |                                 |                             |                                    |                                      | 566                  |
| Selling and marketing expenses     |                                 |                             |                                    |                                      | (223,978)            |
| Research and development expenses  |                                 |                             |                                    |                                      | (100,392)            |
| Administrative expenses            |                                 |                             |                                    |                                      | (40,466)             |
| Listing expenses                   |                                 |                             |                                    |                                      | (15,453)             |
| Share of result of associates      |                                 |                             |                                    |                                      | 2,008                |
| Share of result of a joint venture |                                 |                             |                                    |                                      | <u>(271)</u>         |
| Profit before tax                  |                                 |                             |                                    |                                      | <u><u>92,679</u></u> |

Segment gross profit 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), net of reversal on trade receivables, net reversal of impairment losses on trade receivables, selling and marketing expenses, research and development expenses, administrative expenses, listing expenses, share of result of associates and share of result of a joint venture are excluded from segment result.

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 are presented.

The Company is domiciled in the PRC and all of the Group's revenue were generated from external customers in the PRC during FY 2019 and 2018. 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 FY 2019 (FY 2018: nil).



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

|   | <b>FY 2019</b><br><i>RMB'000</i> | <b>FY 2018</b><br><i>RMB'000</i> |
|---|----------------------------------|----------------------------------|
| Exchange gain, net  | <b>94,628</b>                    | 3,352                            |
| Gain on fair value changes of financial assets at FVTPL                 | <b>41,924</b>                    | —                                |
| Gain on fair value changes of long-term investments designated as FVTPL | —                                | 23,426                           |
| Interest income from wealth management products                         | —                                | 44,469                           |
| Interest income from bank balances                                      | <b>5,574</b>                     | 713                              |
| Gain on disposal of a joint venture                                     | —                                | 469                              |
| Government grants   | <b>302</b>                       | 471                              |
| Loss on disposal of property and equipment                              | <b>(264)</b>                     | (161)                            |
| Others  | <b>564</b>                       | —                                |
|   | <u><b>142,728</b></u>            | <u>72,739</u>                    |

#### 5. INCOME TAX (CREDIT) EXPENSE

|                           | <b>FY 2019</b><br><i>RMB'000</i> | <b>FY 2018</b><br><i>RMB'000</i> |
|---------------------------|----------------------------------|----------------------------------|
| Current tax:              |                                  |                                  |
| PRC enterprise income tax | <b>6,015</b>                     | 7,673                            |
| Deferred tax              | <b>(16,886)</b>                  | 2,980                            |
|                           | <u><b>(10,871)</b></u>           | <u>10,653</u>                    |

#### 6. (LOSS) PROFIT FOR THE YEAR

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

|   | <b>FY 2019</b><br><i>RMB'000</i> | <b>FY 2018</b><br><i>RMB'000</i> |
|---|----------------------------------|----------------------------------|
| Staff cost, including directors' remuneration |                                  |                                  |
| — Salaries and benefits                       | <b>324,490</b>                   | 213,202                          |
| — Retirement benefit scheme contributions     | <b>34,567</b>                    | 20,356                           |
| — Share-based compensation expenses           | <b>54,221</b>                    | —                                |
|   | <u><b>413,278</b></u>            | <u>233,558</u>                   |
| Total staff cost                              |                                  |                                  |
|   | <b>413,278</b>                   | 233,558                          |
| Depreciation of property and equipment        | <b>9,050</b>                     | 5,949                            |
| Minimum lease payments under operating leases | <b>32,614</b>                    | 18,624                           |
| Auditor's remuneration                        | <b>3,475</b>                     | 3,022                            |
|   | <u><b>345,357</b></u>            | <u>26,595</u>                    |

## 7. (LOSS) EARNINGS PER SHARE

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

|   | <b>FY 2019</b><br><i>RMB'000</i> | FY 2018<br><i>RMB'000</i> |
|---|----------------------------------|---------------------------|
| <b>(Loss) earnings:</b>   |                                  |                           |
| (Loss) profit for the year attributable to owners of the Company for the purpose of calculating diluted (loss) earnings per share | <b>(39,773)</b>                  | 91,375                    |
| <b>Less:</b>  |                                  |                           |
| Profit attributable to series A preferred shareholders  | —                                | (11,232)                  |
| Profit attributable to series B preferred shareholders  | —                                | (7,999)                   |
| (Loss) earnings for the purpose of calculating basic (loss) earnings per share  | <u><b>(39,773)</b></u>           | <u>72,144</u>             |
| <b>Number of shares:</b>  |                                  |                           |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share                         | <u><b>653,236,574</b></u>        | <u>729,474,077</u>        |

The calculation of basic earnings per share for FY 2018 was based on the profit for the year attributable to the ordinary shareholders, which has been adjusted for earnings attributable to series A preferred shareholders and series B preferred shareholders as these preferred shares are considered as participating securities for the purpose of calculating basic earnings per share. No adjustments was made for the calculation of basic loss per share for FY 2019 as the series A preferred shares and series B preferred shares have been converted into ordinary shares of the Company upon the Listing during the year.

The calculation of the number of shares for the purpose of basic and diluted (loss) earnings per share for FY 2019 and 2018 has been taken into account the weighted average number of ordinary shares outstanding with regard to the issue and repurchase of shares, and assuming that the Group reorganisation, share split and bonus issue of shares upon capitalisation of reserves have been in effective on 1 June 2017.

The computation of diluted (loss) earnings per share for FY 2019 and 2018 does not assume the conversion of series A preferred shares and/or series B preferred shares since their assumed conversion would result in a decrease in loss per share or an increase in earnings per share.

The computation of diluted loss per share for FY 2019 does not assume the exercise of the Company's share options and over-allotment option since the assumed exercise of share options and over-allotment option would result in a decrease in loss per share. For FY 2018, there were no share options issued or outstanding.

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during FY 2019, nor has any dividend been proposed since the end of the reporting period (FY 2018: nil).

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/LONG-TERM INVESTMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

|  | <b>FY 2019</b><br><b>RMB'000</b> | FY 2018<br><i>RMB'000</i> |
|--|----------------------------------|---------------------------|
| <b>Non-current assets</b>                    |                                  |                           |
| Financial assets at FVTPL                    |                                  |                           |
| — Unlisted equity investments <sup>(a)</sup> | <b>146,855</b>                   | —                         |
| Long term investments designated as FVTPL    |                                  |                           |
| — Unlisted equity investments <sup>(a)</sup> | <u>—</u>                         | <u>124,929</u>            |
|  | <u><b>146,855</b></u>            | <u>124,929</u>            |
| <b>Current assets</b>                        |                                  |                           |
| Financial assets at FVTPL                    |                                  |                           |
| — wealth management products <sup>(b)</sup>  | <b>352,943</b>                   | —                         |
| AFS investments                              |                                  |                           |
| — wealth management products <sup>(b)</sup>  | <u>—</u>                         | <u>380,000</u>            |
|  | <u><b>352,943</b></u>            | <u>380,000</u>            |

(a) Included in the equity investments are the Group's investments in preferred shares of Beijing Edutainment World Education Technology Co., Ltd. ("Edutainment World") and EEO incorporated in the PRC.

(b) Wealth management products are purchased from various banks with expected rate of return ranging from 2.6% to 5.5%, and maturity period ranging from 1 days to 184 days. The principles and returns of these wealth management products are not guaranteed.

## 10. TRADE AND OTHER RECEIVABLES

|  | <b>FY 2019</b><br><b>RMB'000</b> | <b>FY 2018</b><br><b>RMB'000</b> |
|--|----------------------------------|----------------------------------|
| Trade receivables                                | <b>9,974</b>                     | 7,459                            |
| Less: allowance for credit losses/doubtful debts | <b>(2,177)</b>                   | (1,111)                          |
|  | <u><b>7,797</b></u>              | <u>6,348</u>                     |
| Other receivables                                |                                  |                                  |
| Receivables from third-party payment platforms   | <b>10,150</b>                    | 14,341                           |
| Rental deposit                                   | <b>8,276</b>                     | 4,337                            |
| Institutional customer business deposit          | <b>4,096</b>                     | 2,963                            |
| Interest receivables                             | <b>3,418</b>                     | 3,677                            |
| Advances to employees                            | <b>1,627</b>                     | 1,721                            |
| Others   | <b>114</b>                       | 39                               |
|  | <u><b>27,681</b></u>             | <u>27,078</u>                    |
| Trade and other receivables                      | <u><b>35,478</b></u>             | <u>33,426</u>                    |

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

|                 | <b>FY 2019</b><br><b>RMB'000</b> | <b>FY 2018</b><br><b>RMB'000</b> |
|-----------------|----------------------------------|----------------------------------|
| 1–90 days       | <b>3,968</b>                     | 4,863                            |
| 91–180 days     | <b>3,267</b>                     | 71                               |
| 181 days–1 year | <b>527</b>                       | 418                              |
| 1–2 years       | <b>35</b>                        | 996                              |
|                 | <u><b>7,797</b></u>              | <u>6,348</u>                     |

## 11. CONTRACT LIABILITIES

|   | <b>FY 2019</b><br><b>RMB'000</b> | <b>FY 2018</b><br><b>RMB'000</b> |
|---|----------------------------------|----------------------------------|
| Contract liabilities in relation to students                | <b>321,810</b>                   | 275,775                          |
| Contract liabilities in relation to institutional customers | <b>79,118</b>                    | 57,646                           |
|   | <u><b>400,928</b></u>            | <u>333,421</u>                   |

## 12. REFUND LIABILITIES

|                              | <b>FY 2019</b><br><i>RMB'000</i> | FY 2018<br><i>RMB'000</i> |
|------------------------------|----------------------------------|---------------------------|
| <b>Refund liabilities</b>    |                                  |                           |
| Arising from right of refund | <u>19,414</u>                    | <u>9,272</u>              |

## 13. TRADE PAYABLES

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

|                 | <b>FY 2019</b><br><i>RMB'000</i> | FY 2018<br><i>RMB'000</i> |
|-----------------|----------------------------------|---------------------------|
| 1–90 days       | 32,263                           | 16,282                    |
| 91–180 days     | 5,423                            | 10,888                    |
| 181 days–1 year | 2,064                            | 603                       |
| 1 year–2 years  | 720                              | 782                       |
| >2 years        | <u>1,071</u>                     | <u>512</u>                |
|                 | <u>41,541</u>                    | <u>29,067</u>             |

## 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 FY 2019 will be published on the same websites of the Stock Exchange and our Company and will be dispatched to our Shareholders in due course.

## CHANGE OF DIRECTORS

### RESIGNATION OF EXECUTIVE DIRECTOR

Our Board announces that Mr. PAN Xin (潘欣) (“**Mr. Pan**”) has resigned as executive Director and his position as our Company's chief operating officer, effective from 16 August 2019, in order to devote more time to his personal and other professional commitments. Mr. Pan has confirmed that, as at the date of this announcement, he: (a) does not have any claims against our Company in respect of his resignation; (b) does not have any disagreement with our Board; and (c) there are no other matters in relation to his resignation that need to be brought to the attention of our Shareholders and the Stock Exchange.

Our Board wishes to express their gratitude to Mr. Pan for his valuable contribution to our Company during his tenure of service and wish him the best in his future endeavours.

## APPOINTMENT OF EXECUTIVE DIRECTOR

Our Board is pleased to announce that Mr. SUN Dongxu (孫東旭) (“**Mr. Sun**”), presently our Company’s co-chief executive officer, has been appointed an executive Director, effective from 16 August 2019.

Mr. Sun’s biography was included in our Prospectus and is updated and set out below:

Mr. Sun, aged 34, our Company’s co-chief executive officer (since 30 January 2019). Mr. Sun is also a co-chief executive officer of Beijing Xuncheng (since January 2019). Prior to this, Mr. Sun was the principal of Xi’an New Oriental School (from April 2016 to July 2018) and the regional president of Northwestern China of New Oriental China (from April 2016 to May 2018). Mr. Sun began his career with the New Oriental Group (which, at the time, included our Group) as a teacher in the foreign exams department of Tianjin New Oriental School (from June 2007 to June 2008). Between June 2008 and April 2016, Mr. Sun worked at Hefei New Oriental School, beginning as the assistant supervisor of the foreign examination department (from June 2008 to June 2009), and moving through various positions within the school to ultimately act as the assistant principal (from March 2012 to October 2013), and principal (from October 2013 to April 2016). Aside from our Group, Mr. Sun is the vice-president of New Oriental China (since April 2019) and was previously the assistant vice-president of New Oriental China (from April 2016 to April 2019). Mr. Sun received his bachelor’s degree in engineering, majoring in computer science and technology, from Nankai University (南開大學), China, in June 2007.

During the last three years, Mr. Sun did not, and currently does not, hold any directorships in any other listed company.

Mr. Sun has entered into a service agreement with us with a term of three years, commencing from the date of this announcement, and is subject to retirement by rotation and re-election at our Company’s annual general meetings, in accordance with our Company’s articles of association, as amended from time to time. Under the service agreement, Mr. Sun has agreed not to receive any remuneration for his role as executive Director.

Except as already disclosed in the Prospectus and Mr. Sun’s disclosure of interest notice filed with the Stock Exchange on 28 March 2019, Mr. Sun does not have any interests in the Shares or debentures of our Company or its associated corporations within the meaning of Part XV of the *Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)*.

There are no other matters in relation to Mr. Sun’s appointment to our Board that need to be brought to the attention of our Shareholders or the Stock Exchange. We wish to welcome Mr. Sun to our Board.

By order of the Board  
**Mr. YU Minhong**  
*Chairman*

Hong Kong, 16 August 2019

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