

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

PROFIT WARNING

This announcement is made by Koolearn Technology Holding Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of our Company (“**Shareholders**”) and potential investors that, based on a review of our Group’s unaudited consolidated management accounts currently available to the Board, our Group is expected to record a substantial net loss for the year ended 31 May 2020 (“**FY 2020**”) of between RMB700 million and RMB800 million, compared to RMB64 million of net loss for the year ended 31 May 2019 (“**FY 2019**”).

The loss was mainly attributable to: an increase in our Group’s (i) selling and marketing expenses; (ii) research and development expenses; (iii) costs of revenue, compared to FY 2019; and (iv) costs and expenses relating to grants under our employee share incentive scheme (see our announcement dated 29 January 2020). The increase in selling and marketing, research and development expenses and costs of revenue were primarily the result of a substantial increase in: (i) our Group’s hiring of teaching and administrative staff, engineering talent (which has always been a key focus of our Group, see our interim report dated 28 February 2020), and (ii) investment in maintaining and expanding our front-end and back-end technology, including newly-developed ECCP system, which we have developed and are maintaining solely inhouse, with a view to invest in the long-term development and expansion of the infrastructure underlying our K-12 business.

These increases in expenditure are part of our long-term strategy to increase student acquisition and geographical presence across China, which has been accelerated as a result of the COVID-19 pandemic. As we always place top priority on the safety of our students and our social responsibility to the communities we serve, during the second-half of FY 2020, we offered free courses to a significant number of new students of all grades and all subjects to alleviate the impact caused by the suspension of offline schools and physical learning centres, particularly for students in Wuhan and other highly impacted cities. This initiative has increased our costs of revenue and caused us

to further invest in underlying infrastructure and human resources. However, it has also provided us with a unique opportunity to introduce our course offerings and services to a greater number of students in a number of new cities (including third-tier and fourth-tier cities) and allowed us to expand into new course offerings.

The second half of FY 2020 has been a difficult and uncommon period for the education industry in China and around the world. The COVID-19 pandemic has resulted in a decrease in the number of students participating in overseas test preparation courses due to the suspension of overseas examinations and exchange programs, while it has increased the demand for online education services. These factors have brought significant challenges to, but also unique opportunities in, the online education industry. In response to these challenges, we are focusing on long-term investments, including in technological infrastructure and hiring talented staff, in order to grow our business capabilities to meet these changing times. These investments may not be immediately reflected in our financial results in the short term but we believe that our efforts will be ultimately reflected in the results of our business in the long-term.

The information contained in this announcement is only based on the preliminary assessment by our management and our Board based on the unaudited consolidated management accounts of our Group for the year ended 31 May 2020, which have not yet been audited by our Company's independent auditor. Shareholders and potential investors are advised to carefully read our annual results announcement for FY 2020, which is expected to be published by the end of August 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of our Company.

By order of the Board
Mr. YU Minhong
Chairman

Hong Kong, 29 July 2020

As of the date of this announcement, our Board comprises the following members: 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. TONG Sui Bau, Mr. KWONG Wai Sun Wilson and Mr. LIN Zheyang as independent non-executive Directors.