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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2020

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 ended 31 May ("**FY**") 2020 ("**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 ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2020

FINANCIAL HIGHLIGHTS

	FY 2020	FY 2019	**Year-on-year change**
	RMB'000	*RMB'000*	***(%)***
Revenue	**1,080,587**	918,911	**17.6**
Loss for the year	**(758,239)**	(64,109)	**1,082.7**
Loss for the year attributable to:			
— Owners of our Company	**(742,005)**	(39,773)	**1,765.6**
— Non-controlling interests	**(16,234)**	(24,336)	**(33.3)**
Loss per share			
— Basic and diluted (RMB)	**(0.79)**	(0.06)	**1,216.7**
Non-IFRS measure: Adjusted loss for the year (unaudited)[1]	**(658,022)**	(289)	**227,589.3**
Non-IFRS measure: LBITDA (unaudited)[2]	**(673,764)**	(122,032)	**452.1**

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

Notes:

(1) Adjusted loss for the year represents loss for the year less gain on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**") plus net loss on disposal and deemed disposal of associates, listing expenses, other expenses and share-based compensation expenses for the FY. IFRS refers to the International Financial Reporting Standards ("**IFRS**").

(2) Losses before interest, taxes, depreciation, and amortisation ("**LBITDA**") represents loss for the year plus income tax expenses (credit), listing expenses, other expenses, share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment and depreciation of right-of-use assets, less other income, gains and losses for the FY. The change of finance costs and depreciation of right-of-use assets, in the reconciliation and consequently, the change in the definition of our LBITDA, was due to our application of IFRS16 on 1 June 2019.

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

	FY 2020	FY 2019
	Student enrolments	Student enrolments
	'000	*'000*
Students		
College education	**942**	1,293
K-12 education	**1,856**	572
Pre-school education	**54**	314
Total	**2,852**	2,179

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

	FY 2020	FY 2019
	RMB	*RMB*
Formal courses		
College education	**1,222**	715
K-12 education	**882**	959
Pre-school education(1)	**1**	203
Sub-total average	**1,015**	646
Entry courses	**38**	21
Total average	**401**	434

(1) There was product lines adjustment in pre-school education during Reporting Period.

Our performance overview

Overall financial performance

FY 2020 was an uncommon period for many industries in China and around the world. During the Reporting Period, we continued to invest in talents, educational resources and technological infrastructure which drives the number, scalability and quality of our products and services and has allowed our business to support a surge in the number of students trialing or using our course. The COVID-19 pandemic since the second half of FY2020 has resulted in changes in students' study plan and a decrease in the number of students participating in overseas test preparation courses due to the suspension of overseas examinations and exchange programs, while significantly increasing demand for online educational services. As the leading comprehensive online educational services provider, we always place top priority on the safety of our students and our social responsibility to the communities that we serve. In the face of this pandemic, we proactively offered free courses to a significant number of students to alleviate some of the impact caused by the suspension of offline schools and physical learning centres during the pandemic, particularly for students in Wuhan and other highly impacted cities. Whilst these initiatives cushioned the impact COVID-19 had on students and parents in China, it required us to increase our cost of revenue as we have had to further invest in underlying infrastructure and human resources to meet the surge in demand in time and students using our products and services.

During FY 2020, we followed our long-term growth strategy and made notable progress in all four business segments. Total net revenues increased by 17.6% from RMB918.9 million in FY 2019 to RMB1.1 billion in the Reporting Period. Despite revenue performance being affected in the second half of FY 2020 due to the outbreak of COVID-19, we implemented proactive measures such as providing free course offerings and services to a large number of students of all grades and all subjects across China, our total number of student enrolments increased significantly from 2.2 million in FY 2019 to 2.9 million in FY 2020.

In our college education segment, we optimised product lines and recorded RMB641.7 million in net revenue, representing a year-on-year growth of 1.6%. In the K-12 education segment, we significantly increased our investment in course content and technology, which successfully raised our brand awareness in this highly competitive market. As a direct result of our enhanced products and services, our net revenue and our student enrolments in the K-12 segment recorded a year-on-year growth of 85.4% and 224.5%, respectively. In our pre-school education segment, we changed our operational focus to the Donut English-learning APP and optimised our business structure, leading to an improvement in the gross profit margin from -0.9% in FY 2019 to 28.3% in FY 2020.

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 further improved the product structure and concentrated on higher-priced college test preparation and overseas test preparation businesses, which increased the average spending per enrolment in formal courses from RMB715 for FY 2019 to RMB1,222 over the Reporting Period. There was a significant decrease in the number of students in English language learning courses due to the optimization of product lines and delay or suspension of college and oversea exams due to the COVID-19 pandemic in the second half of FY2020. As a result, our student enrolments in the college segment recorded 0.9 million in the Reporting Period, compared to 1.3 million over the previous financial 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 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.

During the Reporting Period, we made substantial progress in our K-12 expansion plan. The plan focused on three key aspects, namely: (i) upgrading our technological infrastructure; (ii) improving our online products and content; and (iii) recruiting and training teaching personnel. The successful implementation of these new initiatives have helped us achieve impressive operational results in our K-12 segment. The total student enrolments for K-12 segment recorded year-on-year growth of 224.5%. More specifically, our student enrolments for Koolearn K-12 courses recorded year-on-year growth of 269.4%, while our student enrolments for DFUB courses grew year-on-year by 184.2%. Additionally, our growth in the K-12 education segment during the Reporting Period was attributed to the wider exposure of our K-12 course offerings to students across China. Due to the COVID-19 pandemic, we announced a donation of free spring semester courses to alleviate the impact caused by the suspension of offline schools and physical learning. Whilst the pandemic was, and continues to be, an unfortunate and devastating situation in China and around the world, our free courses have introduced a large number of new students to our brand and enabled them to experience our K-12 large classes. We also accelerated the expansion of our DFUB business during the Reporting Period and continued to optimise the operations of DFUB courses in each city. As at 31 May 2020, DFUB had entered into 172 cities across 24 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 is delivered through our Donut English-learning APP. During the Reporting Period, we adjusted the product line in our Donut live online English classroom courses and focused on the integration and optimisation of Donut APP, which resulted in a decrease in student enrolments during the Reporting Period.

Strategic update and future development

Despite COVID-19, FY 2020 has 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 accelerate the development and introduction of new products to our students or existing products in new regions and new customers.

In line with our vision of being a lifelong learning partner to our students, going forward, we aspire to broaden our geographical presence across China and bring valuable and affordable online educational products and services to more Chinese families. We will remain committed to hiring, training and retaining top talented teaching, course research, marketing, technology professionals, which is the key to our core competitiveness. We will also continue to make strategic investments in developing an innovative and efficient central backing platform to support the growth of our front-end business expansion. We have newly developed and implemented a number of new technologies to drive the enhancement of our students' learning experience, including the Electronic Cloud Classroom Platform (ECCP) system in FY 2020, which has already become a fundamental part of our operations and supported millions of K-12 students' learning during the COVID-19 period.

Furthermore, we will take a number of actions to enhance operational efficiency by continuously refining standard operating procedures and upgrading management systems. We have restructured some of our business lines and trimmed down the scope of these business lines such that we are able to focus on key product offerings and business sub-segments. For example, during FY2020, we adjusted our college business segment, following which, we now focus on domestic test preparation and overseas test preparation business lines. We continually optimized our smart grading and correcting system in our TOEFL & IELTS courses, while enhanced investment in internet products, including launching Koolearn TOEFL Pro APP with Educational Testing Service (ETS) officially authorized content. We will continue to strengthen our collaboration with overseas English test providers, such as Cambridge Assessment English. As for our pre-school business segment, we focused more on optimising our Donut English APP in FY 2020, and in particular, in increasing the quality, engagement and scope of the educational content offered on this APP in FY2020. We believe that as we concentrate our core resources around main businesses and product lines, we are able to create and maintain a healthy business operating environment.

Looking forward, our K-12 education business segment will remain our strategic focus and long-term growth driver. Owing to our early expansion into lower-tier cities through Dongfang Youbo, we currently enjoy a significant first-mover advantage and stand to benefit from the increasing demand in lower-tier cities alongside their rising levels of consumer consumption and standards of living. While DFUB is expected to expand its footprint even deeper into county-level cities, we plan to further strengthen and broaden our customer base in existing local cities. For our Koolearn K-12 courses, we plan to focus on upgrading our APP and online platforms. Through introducing new education technologies and adding more new interactive features to online classes, we will be able to offer the best-in-class learning experience. We have also continued our plan to establish teaching training centers in other geographical locations to attract more qualified teachers and tutors and provide systematic training programs. We will increase our investment in diversified high return-on-investment (ROI) marketing channels and evaluate their unit economics in real time, which will in return keep our average user acquisition cost at a relatively low level. As a result of our improvements to operational teams, marketing capabilities, as well as positive word-of-mouth promotion and brand loyalty, we will continue to acquire new users, while enhancing the retention and conversion rates of our students.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 17.6% from RMB918.9 million in FY 2019 to RMB1.1 billion in FY 2020.

College education

Revenue from our college education segment increased by 1.6% from RMB631.4 million in FY 2019 to RMB641.7 million in FY 2020, driven primarily by an increase in revenue from college test preparation and revenue from overseas test preparation, which increased by 23.7% and 1.6% year-on-year, respectively. During the Reporting Period, we restructured our college education business lines with more focused on our college test preparation and oversea test preparation product lines. In particular, we adjusted our English-language learning product line and reorganized certain English-language learning products with relatively high demand to our college test product line. If we excluded the impact of our product line restructuring, revenue from college test preparation courses would have recorded a 9.0% increase during the Reporting Period. Our courses for graduate school entrance exams, which typically accounts for more than half of the revenue recorded under the college test preparation business line, grew by 9.8% from the previous year. Due to our adjustment and upgrading of certain products during FY2020 as well as the impact from delay or cancelation of certain college and overseas exams since the second half of FY2020, student enrolments in the college education segment decreased from 1.3 million in FY 2019 to 0.9 million in FY 2020.

K-12 education

Revenue from our K-12 education segment increased by 85.4% from RMB159.2 million in FY 2019 to RMB295.1 million in FY 2020, primarily due to the expansion of DFUB courses and the strengthening of customer acquisition in our Koolearn K-12 courses. In FY 2020, while we continued to enhance course products and services, we also diversified sales and marketing channels in order to promote our Koolearn K-12 business. As DFUB courses continued to evolve and expand into more geographical cities and areas, we simultaneously launched offline promotional campaigns in cities where users were aware of our brand to further improve user awareness and retention. Student enrolments in the K-12 segment increased from 572 thousand in FY 2019 to 1,856 thousand in FY 2020.

Pre-school education

Revenue from our pre-school education segment decreased by 10.1% from RMB33.4 million in FY 2019 to RMB30.0 million in FY 2020, primarily due to optimizing and upgrading of our Donut English-learning app, where average spending per enrolment in formal courses increased from RMB105 in FY 2019 to RMB161 in FY 2020, and the termination of live English courses for Donut online classroom. These adjustments led to a decrease in both revenue and student enrolments in this segment.

Institutional customers

Revenue from our institutional customers increased by 19.8% from RMB94.9 million in FY 2019 to RMB113.7 million in FY 2020.

Cost of revenue, gross profit/loss and gross margin

Our total cost of revenue increased by 42.4% from RMB412.5 million in FY 2019 to RMB587.5 million in FY 2020, 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 23% and 147.3% over FY 2019, respectively, as we devoted significant resources to enhance the quality of our courses and services.

Our gross profit decreased by 2.6% from RMB506.4 million in FY 2019 to RMB493.1 million in FY 2020. Our gross profit margin decreased from 55.1% in FY 2019 to 45.6% in FY 2020, primarily due to the expansion in K-12 segment, and our donation of free courses during the COVID-19 pandemic in the second half of FY 2020.

College education

Cost of revenue for our college education segment decreased by 5.0% from RMB216.9 million in FY 2019 to RMB206.0 million in FY 2020, primarily due to a decrease in teaching materials costs.

Segment gross profit for our college education business increased by 5.1% from RMB414.5 million in FY 2019 to RMB435.7 million in FY 2020, and the segment profit margin increased from 65.6% in FY 2019 to 67.9% in FY 2020.

K-12 education

Cost of revenue for our K-12 education segment increased by 137.2% from RMB143.4 million in FY 2019 to RMB340.0 million in FY 2020, 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.

The segment gross loss for our K-12 education segment was RMB44.9 million in FY 2020, compared to a segment gross profit of RMB15.9 million in FY 2019, and the segment loss margin was 15.2% in FY 2020, compared to segment profit margin of 10.0% in FY 2019. This was primarily due to the offering of free spring semester courses to a significant number of students during the COVID-19 pandemic, the increase in teaching staff costs and course research staff costs, as we updated our Koolearn K-12 course offerings and committed more resources to course content and services, as well as an increase in IT support and technology costs given that all of our Koolearn K-12 courses and DFUB courses are delivered live.

Pre-school education

Cost of revenue for our pre-school education segment decreased by 36.1% from RMB33.7 million in FY 2019 to RMB21.5 million in FY 2020, primarily due to the adjustment of small class live-English learning courses by Donut online classroom which led to a decrease in course research staff costs and teaching materials costs, as we wound-down our live English learning courses and strengthened the development of our Donut English learning APP in this segment.

Segment gross profit for our pre-school education business increased by 2,921.6% from a segment gross loss of RMB0.3 million in FY 2019 to a segment gross profit of RMB8.5 million in FY 2020, and the gross profit margin increased from a segment loss margin of 0.9% in FY 2019 to a segment profit margin of 28.3% in FY 2020, primarily due to a segment margin improvement in our Donut English learning APP and an adjustment in our Donut online classroom courses.

Institutional customers

Cost of revenue for services to institutional customers increased by 7.9% from RMB18.5 million in FY 2019 to RMB20.0 million in FY 2020.

Segment gross profit for our services to institutional customers increased by 22.7% to RMB93.7 million in FY 2020 from RMB76.4 million in FY 2019, and the gross profit margin increased from 80.5% in FY 2019 to 82.4% in FY 2020.

Other income, gains and losses

Our other income, gains and losses increased by 37.1% from RMB142.7 million in FY 2019, to RMB195.7 million in FY 2020, primarily due to RMB48.9 million of interest income from term deposits.

Selling and marketing expenses

Our selling and marketing expenses increased by 96.5% from RMB443.9 million in FY 2019 to RMB872.3 million in FY 2020, primarily due to a substantial increase in marketing expenses and staff costs, in particular expenses relating to online media promotion, as we continued to invest in the promotion of our course offerings, especially our free course offerings, in our college and K-12 segments during COVID-19. The marketing expenses in the college segment increased as we diversified our marketing channels to strengthen our leading position in this market. In the K-12 segment, marketing expenses increased primarily due to our new initiatives to gain wider market recognition and to reach our target students more precisely through diversified marketing campaigns.

Research and development expenses

Our research and development expenses increased by 115.1% from RMB147.5 million in FY 2019 to RMB317.3 million in FY 2020, primarily due to an increase in staff costs as our business strategies required more qualified research and development and technological staff and engineers to support our expansion.

Administrative expenses

Our administrative expenses increased by 78.7% from RMB103.4 million in FY 2019 to RMB184.7 million in FY 2020, primarily due to an increase in staff costs and share-based compensation expenses as our business strategies required more qualified administrative staff.

Share of results of associates

Our share of profit of associates decreased by 157.7% from RMB3.1 million in FY 2019 to a loss of RMB1.8 million in FY 2020, primarily due to an increase in losses from our share of the results of Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.).

Income tax (expense) credit

From FY 2019 to FY 2020, our income tax expenses increased by 493.6% from a credit of RMB10.9 million to an expense of RMB42.8 million, primarily due to the reversal of the deferred tax assets recognised in prior periods.

Loss for the year

As a result of the foregoing, our loss for the year increased by 1,082.7% from RMB64.1 million in FY 2019 to RMB758.2 million in FY 2020.

Non-IFRS measures

To supplement our financial information presented in accordance with IFRS, we also use adjusted loss for the year and 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 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 net loss on disposal and deemed disposal of associates, listing expenses, other expenses and share-based compensation expenses for the FY. We define LBITDA as loss for the year plus income tax expenses (credit), listing expenses, other expenses, share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment and depreciation of right-of-use assets, less other income, gains and losses for the FY.

The following table reconciles our loss for the year to adjusted loss:

	FY 2020 ***RMB'000*** **(unaudited)**	FY 2019 *RMB'000* (unaudited)
Reconciliation of net loss to adjusted loss:		
Loss for the year	**(758,239)**	(64,109)
Less:		
Gain on fair value changes of financial assets at FVTPL — non-current assets	**36,473**[(1)]	21,926
Add:		
Net loss on disposal and deemed disposal of associates	**213**	—
Listing expenses	**—**	31,525
Other expenses	**15,981**	—
Share-based compensation expenses	**120,496**	54,221
Adjusted loss for the year	**(658,022)**	(289)

Note:

(1) 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.

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

	FY 2020	FY 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reconciliation of loss for the year to LBITDA		
Loss for the year	**(758,239)**	(64,109)
Add:		
Income tax expense (credit)	**42,788**	(10,871)
Listing expenses	**—**	31,525
Other expenses	**15,981**	—
Share-based compensation expenses	**120,496**	54,221
Finance costs	**10,576**	—
Impairment losses under expected credit loss model, net of reversal	**1,566**	880
Depreciation of property and equipment	**15,384**	9,050
Depreciation of right-of-use assets	**73,337**	—
Less:		
Other income, gains and losses	**195,653**	142,728
LBITDA	**(673,764)**	(122,032)

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 RMB480.3 million as at 31 May 2020 compared to RMB716.5 million as at 30 November 2019 and RMB2.5 billion as at 31 May 2019. We had term deposits of RMB1.5 billion as at 31 May 2020, compared to RMB1.8 billion as at 30 November 2019; we did not have any term deposits as at 31 May 2019. 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 and net proceeds from the Global Offering.

Cash flow

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

	FY 2020	FY 2019
	RMB'000	*RMB'000*
Net cash used in operating activities	**(521,434)**	(24,711)
Net cash (used in) generated from investing activities	**(1,433,379)**	15,880
Net cash (used in) generated from financing activities	**(135,486)**	1,702,448
Net (decrease) increase in cash and cash equivalents	**(2,090,299)**	1,693,617
Cash and cash equivalents at the beginning of the FY	**2,497,621**	709,448
Effect of exchange rate changes	**72,929**	94,556
Cash and cash equivalents at the end of the FY	**480,251**	2,497,621

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 and changes in working capital.

Our net cash used in operating activities in FY 2020 was RMB521.4 million. The difference between cash used in operating activities before tax and interest of RMB537.7 million and the loss before tax of RMB715.5 million was mainly due to: (i) the inclusion of non-cash expenses items, primarily including share-based compensation expenses of RMB120.5 million; (ii) a RMB136.2 million increase in cash as a result of movements in working capital, which in turn mainly consisted of a RMB19.2 million increase in contract liabilities and a RMB117.3 million increase in accrued expenses and other payables; and (iii) excluding the effect of net foreign exchange gain of RMB73.2 million and gain on fair value changes of financial assets at FVTPL of RMB45.7 million. The increase in contract liabilities was primarily attributable to the growth of our customer base and our increased sales. 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 used in investing activities

Our net cash used in investing activities in FY 2020 was approximately RMB1.4 billion, primarily attributable to placement of term deposits of RMB1.8 billion and purchase of property and equipment of RMB79.8 million, which was partially offset by cash generated from net disposal of financial assets at FVTPL of RMB84.4 million and withdrawal of term deposits of RMB331.1 million.

Net cash used in financing activities

Our net cash used in financing activities in FY 2020 was approximately RMB135.5 million primarily attributable to acquisition of non-controlling interest of Dongfang Youbo, which is one of our subsidiaries.

Capital expenditure

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

	FY 2020	FY 2019
	RMB'000	*RMB'000*
Purchase of property and equipment	**79,843**	20,830

Our capital expenditures were primarily for purchases of property and equipment in FY 2019 and FY 2020, respectively. Our purchases of property and equipment were RMB20.8 million and RMB79.8 million for FY 2019 and FY 2020, respectively.

Off-balance sheet commitments and arrangements

As at 31 May 2020, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As at 31 May 2020, we did not have any other foreseeable plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

Reference is made to our announcements of 16 August 2019 and 2 September 2019 (collectively, the "**Dongfang Youbo Announcements**"), in relation to our acquisition of the remaining 49% interest in Dongfang Youbo, following which Dongfang Youbo changed from a non-wholly owned subsidiary to our wholly-owned subsidiary. Save as disclosed above, 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 2020, we had 7,094 full-time employees and 6,683 part-time employees, among which we had 3,075 full-time and 6,319 part-time teaching, content development and content production staff; 2,853 full-time and 279 part-time selling and marketing staff; 943 full-time and 13 part-time research, development and technology staff; and 223 full-time and 72 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 2020, 560 employees held share-based awards. The total remuneration expenses, including share-based compensation expense, for FY 2020 were RMB1.1 billion, representing a year-on-year increase of 157.8% from RMB413.3 million in FY 2019.

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. 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 2020, none of our Group's assets were pledged.

Contingent liabilities

As at 31 May 2020, we did not have any material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Please see the announcement of 21 August 2020 on the revision of the FY 2021 annual caps for certain continuing connected transactions ("**Connected Transactions Announcement**"). Save as disclosed in this announcement and the Connected Transactions 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 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. During the Reporting Period, our Company has complied with the applicable code provisions in the Corporate Governance Code ("**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 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 Reporting Period.

SCOPE OF WORK OF OUR COMPANY'S EXTERNAL AUDITORS

The figures of our Group's consolidated results for FY 2020, contained in this announcement, have been agreed by our Company's external auditor, Deloitte Touche Tohmatsu ("**Auditor**"), to the figures set out in the audited consolidated financial statements of our Group for FY 2020. 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.

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 FY 2020 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 Reporting 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

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 FY 2020. (FY 2019: nil)

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of our Company ("**AGM**") will be held on or around 5 November 2020. The register of members of our Company will be closed from 2 November 2020 to 5 November 2020 (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 2020.

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, and as of the beginning of FY 2020, the full amount was remaining. As at 31 May 2020, our Group had used the net proceeds from the Global Offering in the following manner and according to the intended uses set out in the Prospectus:

HK$ million[(2)]	**Net proceeds from Global Offering**[(1)]	**Utilised during FY 2019**	**Utilised during FY 2020**	**Remaining amount**
Staff recruitment and training activities	533.0	—	143.5	389.5
Acquisitions and/or investments	533.0	—	—	533.0
Course development	178.0	—	18.5	159.5
Technology infrastructure	178.0	—	158.1	19.9
Marketing activities	178.0	—	158.1	19.9
Working capital and general corporate purposes	178.0	—	71.8	106.2

The remaining balance 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. Our Group will apply the remaining net proceeds in the manner set out in the Prospectus. Our Company will gradually utilise the remaining amount of the net proceeds in accordance with the intended purposes depending on actual business needs and circumstances surrounding the utilisation and as at the date of this announcement, we anticipate to use up the remaining amount of the net proceeds within five to ten years of the Listing Date.

Notes:

(1) 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. The same amounts have been carried forward to the beginning of this Reporting Period.

(2) Converted from RMB at the exchange rate of HK$1:RMB0.89385, being the midpoint rate of HKD to RMB published by the People's Bank of China on the business day before the date of this announcement. The figures presented in this table are approximations and subject to currency exchange fluctuation and rounding.

CONSOLIDATED FINANCIAL STATEMENTS FOR FY 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2020

	Notes	**FY2020**	FY2019
		RMB'000	*RMB'000*
Revenue	*3*	**1,080,587**	918,911
Cost of revenue	*3*	**(587,501)**	(412,502)
Gross profit		**493,086**	506,409
Other income, gains and losses	*4*	**195,653**	142,728
Impairment losses under expected credit loss model, net of reversal		**(1,566)**	(880)
Selling and marketing expenses		**(872,293)**	(443,930)
Research and development expenses		**(317,286)**	(147,520)
Administrative expenses		**(184,692)**	(103,373)
Listing expenses		**—**	(31,525)
Other expenses		**(15,981)**	—
Share of results of associates		**(1,796)**	3,111
Finance costs	*5*	**(10,576)**	—
Loss before tax		**(715,451)**	(74,980)
Income tax (expense) credit	*6*	**(42,788)**	10,871
Loss for the year	*7*	**(758,239)**	(64,109)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**220**	—
Total comprehensive expense for the year		**(758,019)**	(64,109)
Loss for the year attributable to:			
Owners of the Company		**(742,005)**	(39,773)
Non-controlling interests		**(16,234)**	(24,336)
		(758,239)	(64,109)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(741,785)**	(39,773)
Non-controlling interests		**(16,234)**	(24,336)
		(758,019)	(64,109)
Loss per share			
— Basic and diluted (RMB)	*8*	**(0.79)**	(0.06)

Consolidated statement of financial position as at the end of FY 2020

	Notes	At 31 May **FY2020** ***RMB'000***	FY2019 *RMB'000*
Non-current Assets			
Property and equipment		**81,676**	29,548
Right-of-use assets		**331,122**	—
Interests in associates		**82,458**	84,025
Financial assets at fair value through profit or loss	*10*	**183,328**	146,855
Deferred tax assets		**—**	27,591
Deposits for acquisition of property and equipment		**13,852**	5,757
Refundable rental deposits		**15,396**	—
		707,832	293,776
Current Assets			
Trade and other receivables	*11*	**41,993**	35,478
Prepayments		**70,838**	81,870
Financial assets at fair value through profit or loss	*10*	**277,800**	352,943
Income tax recoverable		**—**	6,905
Term deposits		**1,470,530**	—
Bank balances and cash		**480,251**	2,497,621
		2,341,412	2,974,817
Current Liabilities			
Lease liabilities		**77,263**	—
Contract liabilities	*12*	**420,103**	400,928
Refund liabilities	*13*	**36,491**	19,414
Trade payables	*14*	**34,067**	41,541
Accrued expenses and other payables		**343,752**	219,645
Income tax payables		**—**	428
		911,676	681,956
Net current assets		**1,429,736**	2,292,861
Total assets less current liabilities		**2,137,568**	2,586,637
Capital and Reserves			
Share capital		**120**	120
Reserves		**1,863,580**	2,601,466
Equity attributable to owners of the Company		**1,863,700**	2,601,586
Non-controlling interests		**—**	(31,479)
Total Equity		**1,863,700**	2,570,107
Non-current Liabilities			
Deferred tax liabilities		**25,648**	16,530
Lease liabilities		**248,220**	—
		273,868	16,530
Net assets		**1,863,700**	2,570,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL 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 Education & Technology Group Inc. ("**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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle

Except as described below, the application of the new and 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.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 June 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 June 2019.

As at 1 June 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of buildings in the PRC was determined on a portfolio basis; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.60% to 4.70%.

The carrying amount of lease liabilities as at 1 June 2019 comprises the following:

	At 1 June 2019
	RMB'000
Operating lease commitments disclosed as at 31 May 2019	175,540
Lease liabilities discounted at relevant incremental borrowing rates	161,283
Less: Recognition exemption — short-term leases	(4,886)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and lease liabilities as at 1 June 2019	156,397
Analysed as	
Current	41,121
Non-current	115,276
	156,397

The carrying amount of right-of-use assets as at 1 June 2019 comprises the following:

	Notes	At 1 June 2019
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		156,397
Reclassified from prepaid lease payments	*(a)*	9,859
Adjustments on rental deposits at 1 June 2019	*(b)*	1,977
Less: Accrued lease liabilities at 1 June 2019	*(c)*	(10)
		168,223

(a) Upon application of IFRS 16, prepaid lease payments amounting to RMB9,859,000 were reclassified from prepayments to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under trade and other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB1,977,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) Lease payments increase progressively over lease terms.

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 June 2019 was adjusted to right-of-use assets at transition.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 June 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 May 2019	**Adjustments**	**Carrying amounts under IFRS 16 at 1 June 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	—	168,223	168,223
Refundable rental deposits	—	5,799	5,799
Current Assets			
Trade and other receivables	35,478	(7,776)	27,702
Prepayments	81,870	(9,859)	72,011
Non-current Liabilities			
Lease liabilities	—	(115,276)	(115,276)
Current Liabilities			
Accrued expenses and other payables	(219,645)	10	(219,635)
Lease liabilities	—	(41,121)	(41,121)

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 May 2020, movements in working capital have been computed based on opening statement of financial position as at 1 June 2019 as disclosed above.

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 Contract and the related Amendments[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[6]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[5]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for as mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial information in the foreseeable future.

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

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

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 emergence and spread of 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 IFRS 16 if the changes were 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 directors of the Company anticipate that applying the practical expedient in the amendment may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect as the expected duration of the COVID-19 is uncertain.

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 2020

	College education	K12 education	Pre-school education	Institutional customer	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)**
Financial costs					**(10,576)**
Loss before tax					**(715,451)**

For the year ended 31 May 2019

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

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, selling and marketing expenses, research and development expenses, administrative expenses, listing 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 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 the years ended 31 May 2020 and 2019. 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 2020 (2019: Nil).

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 May	
	FY2020	FY2019
	RMB'000	*RMB'000*
Net foreign exchange gain	**73,175**	94,628
Interest income from term deposits	**48,855**	—
Interest income from bank balances	**15,821**	5,574
Interest income from rental deposits	**705**	—
Gain on fair value changes of financial assets at FVTPL	**45,705**	41,924
Government grants(i)	**3,807**	302
Additional value added tax ("**VAT**") input deduction and VAT exemption(ii)	**10,280**	62
Loss on disposal of property and equipment	**(3,032)**	(264)
Others	**337**	502
	195,653	142,728

Notes:

(i) Government grants amounted to RMB3,000,000 (2019: Nil) have been recognised for the government 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 RMB2,204,000 (2019: RMB62,000) and RMB8,076,000 (2019: Nil), 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 becomes eligible for VAT credits of 10% additional VAT input deduction from 1 April 2019 to 31 December 2021 upon meeting all applicable criteria. In addition, since January 2020, in accordance with Cai Shui [2020] No.8, VAT on certain services revenue of the Group was temporarily exempted for calendar year 2020.

5. FINANCE COSTS

	Year ended 31 May	
	FY2020	FY2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**10,576**	—

6. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 May	
	FY2020	FY2019
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**6,079**	6,015
Deferred tax	**36,709**	(16,886)
	42,788	(10,871)

7. LOSS FOR THE YEAR

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

	Year ended 31 May	
	FY2020	FY2019
	RMB'000	*RMB'000*
Staff cost, including directors' and chief executives' remuneration		
— Salaries, allowances and benefits in kind	**902,360**	324,490
— Retirement benefit scheme contributions	**42,628**	34,567
— Share-based compensation expenses	**120,496**	54,221
Total staff cost	**1,065,484**	413,278
Depreciation of property and equipment	**15,384**	9,050
Depreciation of right-of-use assets	**73,337**	—
Expense of short-term leases/operating lease expense	**22,424**	32,614
Other expenses(i)	**15,981**	—
Auditor's remuneration	**4,000**	3,475

Note:

(i) Expenses for free course offerings, amounted to RMB15,981,000, were incurred for the Group's free online classes offered to the public during the COVID-19 pandemic.

8. 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:

	FY2020	FY2019
	RMB'000	*RMB'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(742,005)**	(39,773)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**937,803,161**	653,236,574

The calculation of basic loss per share for the years ended 31 May 2020 and 2019 was based on the loss for the year attributable to the owners of the Company.

The calculation of the number of shares for the purpose of basic loss per share for the years ended 31 May 2020 and 2019 has been taken into account the weighted average number of ordinary shares outstanding with regard to the issuance of shares upon exercise of share options.

The calculation of diluted loss per share for the years ended 31 May 2020 and 2019 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.

9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2020 (2019: Nil), nor has any dividend been proposed since the end of the Reporting Period.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	FY2020	FY2019
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at FVTPL		
— Unlisted equity investments(i)	**183,328**	146,855
Current assets		
Financial assets at FVTPL		
— Wealth management products(ii)	**277,800**	352,943

Notes:

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

(ii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.2% to 4.1% (2019: 2.6% to 5.5%), and maturity period ranging from 1 day to 91 days (2019: 1 day to 184 days). The principals and returns of these wealth management products are not guaranteed, except for one newly purchased wealth management product in May 2020, amounting to RMB15,000,000, with principal guaranteed and a term of conditionally early redemption.

11. TRADE AND OTHER RECEIVABLES

	FY2020	FY2019
	RMB'000	*RMB'000*
Trade receivables	**15,137**	9,974
Less: allowance for credit losses	**(3,743)**	(2,177)
	11,394	7,797
Other receivables:		
Receivables from third-party payment platforms	**10,112**	10,150
Rental deposits[(i)]	**7,794**	8,276
Deductible input on VAT	**6,681**	—
Institutional customer business deposits	**3,944**	4,096
Interest receivables	**—**	3,418
Advances to employees	**1,614**	1,627
Others	**454**	114
	30,599	27,681
Trade and other receivables	**41,993**	35,478

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

	FY2020	FY2019
	RMB'000	*RMB'000*
1–90 days	**6,880**	3,968
91–180 days	**2,890**	3,267
181 days–1 year	**1,491**	527
1–2 years	**133**	35
	11,394	7,797

12. CONTRACT LIABILITIES

	FY2020	FY2019
	RMB'000	*RMB'000*
Contract liabilities in relation to:		
Students	**378,006**	321,810
Institutional customers	**42,097**	79,118
	420,103	400,928

13. REFUND LIABILITIES

	FY2020	FY2019
	RMB'000	*RMB'000*
Refund liabilities		
Arising from right of refund	**36,491**	19,414

14. TRADE PAYABLES

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

	FY2020	FY2019
	RMB'000	*RMB'000*
1–90 days	**24,156**	32,263
91–180 days	**6,333**	5,423
181 days–1 year	**2,014**	2,064
1 year–2 years	**241**	720
>2 years	**1,323**	1,071
	34,067	41,541

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 and our Company website at www.koolearn.hk. Our Group's annual report for FY 2020 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, 21 August 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. LIN Zheying, Mr. TONG Sui Bau and Mr. KWONG Wai Sun Wilson as independent non-executive Directors.