新东方在线

在线学习 当然新东方在线

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

2021
Annual Report

新东方在线

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. SUN Dongxu (孫東旭), *Chief executive officer*
Mr. YIN Qiang (尹強)

Non-executive Directors

Mr. YU Minhong (俞敏洪), *Chairman*
Ms. SUN Chang (孫暢)
Mr. WU Qiang (吳強)
Ms. LEUNG Yu Hua Catherine (梁育華)

Independent non-executive Directors

Mr. TONG Sui Bau (董瑞豹)
Mr. KWONG Wai Sun Wilson (鄺偉信)
Mr. LIN Zheying (林哲瑩)

Board committees

Audit committee

Mr. TONG Sui Bau, *Committee chairman*
Mr. WU Qiang
Mr. KWONG Wai Sun Wilson

Remuneration committee

Mr. LIN Zheying, *Committee chairman*
Ms. SUN Chang
Mr. TONG Sui Bau

Nomination committee

Mr. YU Minhong, *Committee chairman*
Mr. TONG Sui Bau
Mr. LIN Zheying

Company secretary

Mr. CHEUNG Kai Cheong Willie
(FCPA, FCCA)

Authorised representatives

Mr. YIN Qiang
Mr. CHEUNG Kai Cheong Willie

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters

Level 18, South Wing
2 Haidian East Third Road
Haidian District
Beijing, China

Principal place of business in Hong Kong

Level 40, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Legal advisers

As to Hong Kong Laws and United States Laws

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC Laws

Beijing Tian Yuan Law Firm

As to Cayman Islands Laws

Conyers Dill & Pearman

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited

Principal share registrar

Conyers Trust Company (Cayman) Limited

Principal bank

Bank of China (Hong Kong) Limited

Stock code

1797

Website

www.koolearn.hk

FINANCIAL HIGHLIGHTS

Financial performance highlights

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

Notes:

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

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

Condensed consolidated statements of comprehensive income

	RMB'000				
	FY2021	FY2020	FY2019	FY2018	FY2017
Revenue	**1,418,655**	1,080,587	918,911	650,457	446,215
Gross profit	**412,208**	493,086	506,409	397,926	303,612
Operating (loss)/profit	**(1,480,227)**	(881,185)	(188,414)	33,090	65,493
(Loss)/profit for the year	**(1,658,392)**	(758,239)	(64,109)	82,026	92,212
(Loss)/profit attributable to owners of our Company	**(1,658,392)**	(742,005)	(39,773)	91,375	93,960
Non-IFRS Measure: Adjusted net (loss)/profit (unaudited)	**(1,322,557)**	(658,022)	(289)	73,584	92,736

Condensed consolidated balance sheets

	RMB'000				
	FY2021	FY2020	FY2019	FY2018	FY2017
Assets:					
Non-current assets	**738,572**	707,832	293,776	220,834	119,162
Current assets	**2,546,746**	2,341,412	2,974,817	1,199,736	1,028,844
Total assets	**3,285,318**	3,049,244	3,268,593	1,420,570	1,148,006
Equity and liabilities:					
Equity attributable to owners of our Company	**2,008,872**	1,863,700	2,601,586	885,328	789,539
Non-controlling interests	**—**	—	(31,479)	(7,143)	2,206
Total equity	**2,008,872**	1,863,700	2,570,107	878,185	791,745
Non-current liabilities	**233,604**	273,868	16,530	11,049	5,192
Current liabilities	**1,042,842**	911,676	681,956	531,336	351,069
Total liabilities	**1,276,446**	1,185,544	698,486	542,385	356,261
Total equity and liabilities	**3,285,318**	3,049,244	3,268,593	1,420,570	1,148,006

BUSINESS OVERVIEW AND OUTLOOK

Our business

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

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

	FY2021 Student enrolments ’000	FY2020 Student enrolments ’000
Students		
College education	**573**	942
K-12 education	**3,315**	1,856
Pre-school education(1)	**4**	54
Total	**3,892**	2,852

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

	FY2021 RMB	FY2020 RMB
Formal courses		
College education	**1,303**	1,222
K-12 education	**881**	882
Pre-school education(1)	**1,000**	1
Sub-total average	**1,020**	1,015
Entry courses	**45**	38
Total average	**380**	401

Note:

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

Our performance overview

Overall financial performance

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

College education

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

K-12 education

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

Pre-school education

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

Strategic update and future development

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

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

(a) **College education:** we have laid a solid foundation in adult-student training in terms of branding, content development capability, talent building as well as systematic services in this business line. Whilst our primary focus remains on educational offerings for postgraduate domestic entrance exams, we plan to upgrade and extend our product offering matrix at different price-ranges and durations, with our superb high-end product offerings already showing great demand. For example, our pilot VIP Zhitong Che (VIP 直通車), which provides small class teaching, has received positive feedback among students. Our audience and user appeal will be further expanded as we broaden the scope of subjects offered (such as tutoring courses for masters of business administration, or MBA) and introduce more flexible courses of different durations (from one-year courses to courses lasting a few months). In addition to upgrading our existing products, we will explore new market opportunities, such as the expansion of new categories and the development of online-merge-offline (or OMO) teaching.

(b) **Overseas test-preparation:** going forward, we aim to provide a "one-stop" service for our students to better supplement our well-established course offerings in overseas test-preparation. This would range from helping them research overseas opportunities, to helping them prepare and apply for internships, to offering skills/knowledge/exposure training, to more holistically prepare our students for overseas education at more prestigious schools. This has been, and will continue to be, supported by enhanced technology (such as improving Zhixin to better optimise our intelligent scoring and correction technology for oral and written language practice), our continued partnership with TOEFL and IELTS providers and further strengthening our collaboration with overseas English test providers such as Cambridge Assessment English.

(c) **Product/business innovation:** based on our "customer-focused" strategy and our deep understanding of the needs of parents and students over the years, we strive to improve not only our product and service offerings, but also our internal system operating procedures to deliver a seamless and enjoyable user experience to our customers. We will continue to increase our efforts in exploring and delivering new content, new educational products and services through greater data intelligence and enhanced technology, such as vocational education/non-subject tutoring education. Underpinning this all will be our focus on strengthening the core of our educational offerings, the quality of our teachers and product development staff and other talented employees.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

College education

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

K-12 education

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

Pre-school education

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

Institutional customers

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

Cost of revenue, gross profit/loss and gross margin

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

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

College education

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

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

K-12 education

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

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

Pre-school education

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

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

Institutional customers

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

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

Other income, gains and losses

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

Selling and marketing expenses

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

Research and development expenses

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

Administrative expenses

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

Share of results of associates

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

Income tax (expense) credit

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

Loss for the year

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

Non-IFRS measures

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

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

Management Discussion and Analysis (Continued)

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

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

Notes:

(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 for the year.

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

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

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

Note:

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

Liquidity and capital resources

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

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

As at the end of FY2021, our gearing ratio was 38.9%, compared with 38.9% at the end of FY2020, calculated as total liabilities divided by total assets.

Cash flow

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

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

Net cash used in operating activities

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

Net cash from investing activities

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

Net cash from financing activities

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

Capital expenditure

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

	FY2021 **RMB'000**	FY2020 RMB'000
Purchase of property and equipment	**118,131**	79,843

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

Off-balance sheet commitments and arrangements

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

Future plans for material investments and capital assets

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

Material acquisitions and/or disposals of subsidiaries and affiliated companies

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

Employees and remuneration policy

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

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

Foreign exchange risk

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

Indebtedness

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

Pledge of assets

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

Contingent liabilities

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

As at the date of this report, our Board consists of nine members, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors, namely:

Name	Age	Position	Date of appointment
SUN Dongxu (孫東旭)	35	Executive Director, *Chief executive officer*	16 August 2019
YIN Qiang (尹強)	47	Executive Director, *Chief financial officer*	23 May 2018
YU Minhong (俞敏洪)	58	Non-executive Director, *Chairman*	23 May 2018
SUN Chang (孫暢)	53	Non-executive Director	7 February 2018
WU Qiang (吳強)	48	Non-executive Director	23 May 2018
LEUNG Yu Hua Catherine (梁育華)	38	Non-executive Director	13 July 2018
TONG Sui Bau (董瑞豹)	50	Independent non-executive Director	15 March 2019
KWONG Wai Sun Wilson (鄺偉信)	55	Independent non-executive Director	15 March 2019
LIN Zheying (林哲瑩)	56	Independent non-executive Director	20 January 2020

The biographies of each of our Directors are set out below:

Executive Directors

SUN Dongxu (孫東旭) ("Mr. Sun")

Mr. Sun, aged 35, is an executive Director and our Company's chief executive officer. Within our Group, Mr. Sun is a director of: Beijing Xuncheng since September 2019 (he is also Beijing Xuncheng's chief executive officer), Dexin Dongfang since August 2019 (he is also Dexin Dongfang's chief executive officer), Xuncheng HK since November 2019, Kuxue Huisi since November 2019 (he is also Kuxue Huisi's chief executive officer), Xi'an Ruiying from April 2020 to April 2021, and New Oriental Wuyou Online (HK) Education & Technology Co. Limited (新東方無憂在綫（香港）教育科技有限公司) since August 2020. 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 acting as the assistant principal, from March 2012 to October 2013, and principal, from October 2013 to April 2016. Aside from our Group, Mr. Sun has been 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.

YIN Qiang (尹強) ("Mr. Yin")

Mr. Yin, aged 47, is an executive Director and our Company's chief financial officer. He is also a director and chief financial officer of Beijing Xuncheng, since January 2016, director of Zhuhai Chongsheng since July 2019 to November 2021 and director (since April 2020) and general manager (since April 2021) of Xi'an Ruiying, and director and general manager of Hainan Haiyue Dongfang Network Technology Co., Ltd.（海南海悦東方網絡科技有限公司）since October 2020. Mr. Yin received his bachelor's degree in economics from Capital University of Economics and Business (首都經濟貿易大學), China, in July 1996 and his master's degree in business management at Peking University, China, in July 2008. Mr. Yin is also a PRC accredited accountant (since October 2001). Aside from our Group, Mr. Yin has been the vice-president of New Oriental China since April 2019. Mr. Yin was the financial controller and assistant vice-president of New Oriental China from June 2005 to May 2016, and senior accountant at PricewaterhouseCoopers from 1996 to 2001.

Non-executive Directors

YU Minhong (俞敏洪) ("Mr. Yu")

Mr. Yu, aged 58, is a non-executive Director, chairman of the Nomination Committee, and Chairman of our Board. Mr. Yu is also the chairman and a director of Beijing Xuncheng, since May 2015, and certain companies under the Retained New Oriental Group, including Leci Internet. Mr. Yu received his bachelor's degree in English from Peking University, China in July 1985. Mr. Yu is the founder and currently the executive chairman of the board of directors of New Oriental, since 2001, and was a director of Sunlands Technology Group, a company whose American depository shares are listed on the New York Stock Exchange (NYSE: STG), from August 2017 (and an independent director from March 2018) to June 2019. Since 2001, Mr. Yu has been the chairman and director of New Oriental, our Controlling Shareholder and a company whose American depository shares are listed on the New York Stock Exchange (NYSE: EDU) and shares are listed on the Stock Exchange (stock code: 9901).

SUN Chang (孫暢) ("Ms. Sun")

Ms. Sun, aged 53, is a non-executive Director and a member of the Remuneration Committee. She was our Company's co-chief executive officer until 19 January 2020. Ms. Sun is a director of Beijing Xuncheng, since May 2015 and Beijing Dexin since March 2018. Ms. Sun received her bachelor's degree in pre-school education from Beijing Normal University (北京師範大學), China, in July 1990 and her master's degree in business administration from Renmin University of China (中國人民大學), China, in July 1999. Aside from our Group, Ms. Sun was the assistant vice-president and the vice-president of New Oriental China from 2012 to 2016 and 2016 to 2020, respectively. Ms. Sun was the general manager of the investment division at China Netcom Group Corporation Limited (now China United Network Communications Group Co., Ltd. (中國聯合網絡通訊集團有限公司), or China Unicom (中國聯通)) from 2000 to 2004, and the marketing manager at Microsoft (China) Co., Ltd. (微軟（中國）有限公司) from 1997 to 2000.

WU Qiang (吳強) ("Mr. Wu")

Mr. Wu, aged 48, is a non-executive Director and member of the Audit Committee. Mr. Wu is also a director of Leci Internet, since November 2015. Mr. Wu received his master's degree in engineering from the Institute of Automation at the Chinese Academy of Sciences (中國科學自動化研究所), China, in July 1997. Aside from our Group, Mr. Wu was the vice-president of New Oriental China from 2016 to April 2019, and is currently its senior vice-president, since April 2019. He was the principal of Beijing New Oriental School (北京新東方學校) from July 2014 to April 2018. Prior to this, Mr. Wu was the vice-principal of Beijing New Oriental School from 2013 to 2014, director of research and development at New Oriental China from 2005 to 2007, vice-principal of other New Oriental schools in Qingdao and Chengdu from 2008 to 2012, and a president of Beijing Mingri Dongfang Technology Co., Ltd. (北京明日東方科技有限公司) from 2000 to 2005.

LEUNG Yu Hua Catherine (梁育華) ("Ms. Leung")

Ms. Leung, aged 38, is a non-executive Director. She is also a director of Beijing Xuncheng, since January 2019. Ms. Leung received her bachelor of science in economics (concentration in finance) from the Wharton School of the University of Pennsylvania, the United States, in June 2004. Aside from our Group, Ms. Leung has been the vice-general manager of the strategy development department at Sixjoy Hong Kong Limited since December 2013, a subsidiary of Tencent Holdings Limited, and previously served as a senior research analyst at Arete Research Services L.L.P. from November 2012 to June 2013, and was an executive director in the investment research division at Goldman Sachs (Asia) L.L.C. from August 2010 to November 2012.

Independent Non-executive Directors

TONG Sui Bau (董瑞豹) ("Mr. Tong")

Mr. Tong, aged 50, is an independent non-executive Director, chairman of the Audit Committee, and member of the Remuneration Committee and Nomination Committee. Mr. Tong received his bachelor's degree in accounting with an additional concentration in computer science from the University of Wisconsin, Madison, U.S., in May 1993. Mr. Tong was previously a member of the American Institute of Certified Professional Accountants (AICPA), from 1995 to 2009, and Chartered Financial Analyst, from 1999 to 2009. Mr. Tong has been a non-executive director of NetEase Inc. from 2009 to 2021, a company whose American depository shares are listed on the Nasdaq (Nasdaq: NTES) and whose shares are listed on the Stock Exchange (stock code: 9999). He was previously an executive director and co-chief operating officer of NetEase Inc., from 2003 to 2009, and from 2004 to 2009, respectively.

KWONG Wai Sun Wilson (鄺偉信) ("Mr. Kwong")

Mr. Kwong, aged 55, is an independent non-executive Director and member of the Audit Committee. Mr. Kwong is an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Kwong received his bachelor of arts degree from the University of Cambridge, United Kingdom, in June 1987. Mr. Kwong is an executive director of China Metal Recourses Utilisation Limited, since August 2013, a company listed on the Stock Exchange (stock code: 1636). Mr. Kwong also acts as an independent non-executive director of Shunfeng International Clean Energy Limited, since July 2014, a company listed on the Stock Exchange (stock code: 1165), C.banner International Holdings Limited, since August 2011, a company listed on the Stock Exchange (stock code: 1028), China Outfitters Holdings Limited, since June 2011, a company listed on the Stock Exchange (stock code: 1146), and China New Higher Education Group Limited, since March 2017, a company listed on the Stock Exchange (stock code: 2001). Mr. Kwong was the president of Gushan Environmental Energy Limited, a company listed on the New York Stock Exchange (NYSE: GU) (from December 2007 to October 2012). Prior to this, he was a managing director in the investment banking division and the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited from March 2004 to July 2006, and a director and the general manager of the corporate finance division of Cazenove Asia Limited, from 2002 to 2003, and from 1997 to 2003, respectively.

LIN Zheying (林哲瑩) ("Mr. Lin")

Mr. Lin, aged 56, is an independent non-executive Director, chairman of the Remuneration Committee, and member of the Nomination Committee, with effect from 20 January 2020. Prior to this appointment, Mr. Lin did not hold any positions within our Group. Mr. Lin received his bachelor's degree majoring in planning statistics from the Shanxi College of Finance and Economics (currently known as the Shanxi University of Finance and Economics), China, in July 1987, a master's degree in business administration from the Guanghua School of Management, Peking University in China, in July 2006, and a doctoral degree in business administration from ESC Rennes School of Business, France, in June 2008. Aside from our Group, Mr. Lin served as a director of Shenzhen Fengchao Technology Limited, from November 2016 to December 2017; and has been serving as a vice-chairperson of S.F. Holdings (Group) Co. Ltd., since June 2014, and an executive director of Ancient Jade Capital Management Co., Ltd., since January 2011. Aside from our Company, Mr. Lin also holds, or has held within the past three years, directorships in the following listed companies: (i) executive director and vice-chairperson of S.F. Holding Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002352), since March 2017; and (ii) independent non-executive director of Shanghai Dongzheng Automotive Finance Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2718), from August 2018 to June 2020.

Both Mr. Tong and Mr. Kwong have appropriate professional accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

We have received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and our Board considers each of them independent.

Save as disclosed in this annual report, (a) none of our Directors has: (i) held any other directorship on another public company in Hong Kong or overseas in the last three years preceding the date of this report, (ii) has any other professional qualifications, or (iii) any other relationship with any other Director, senior manager or substantial shareholder (as defined in the Listing Rules) of our Company; and (b) no other matters have occurred during FY2021 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules or that need to be brought to the attention of our Shareholders or the Stock Exchange.

Senior management

Mr. Sun is our Company's chief executive officer and Mr. Yin is our Company's chief financial officer. Mr. Sun and Mr. Yin are also our executive Directors. See "— Executive Directors" above for their biographies.

Company secretary

CHEUNG Kai Cheong Willie (張啟昌) ("Mr. Cheung")

Mr. Cheung is a manager of SWCS Corporate Services Group (Hong Kong) Limited, a provider of a wide range of corporate services, and the company secretary of our Company. Mr. Cheung has been a member of the Hong Kong Institute of Certified Public Accountants since January 2009, and a fellow member of the Association of Chartered Certified Accountants since October 2008. Mr. Cheung received his bachelor's degree in arts (with honours), majoring in accounting and finance from University of Glamorgan, the United Kingdom, in June 1996.

Save as disclosed above, there have been no further matters during FY2021 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

Our Board is pleased to present this Directors' report together with our Group's consolidated financial statements for FY2021.

Our company and our principal activities

Our Company is an investment holding company. We were incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 7 February 2018, and our Shares were listed on the Main Board of the Stock Exchange on 28 March 2019.

Our Group is an online provider of extracurricular education services in China with core expertise in online after-school tutoring and test preparation. Our education products include website and mobile applications for our three core segments: college, K-12 and pre-school. We offer our courses mainly through our four platforms: Koolearn, DFUB, Donut and Koo.

	Koolearn	***DFUB***	***Donut***	***Koo***
College education				
Chinese college test preparation	✓			
Overseas test preparation	✓			
English learning and others	✓			✓
K-12 education	✓	✓		
Pre-school education	✓		✓	

Our subsidiaries are set out in Note 40 to the consolidated financial statements.

Business review

A fair review of our Group's business (as required by Schedule 5 to the *Companies Ordinance*, Chapter 622 of the Laws of Hong Kong), including an analysis of our Group's financial performance, an indication of our Group's likely future business developments, a description of the principal risks and uncertainties facing our Group and our Group's key relationships with our stakeholders who have a significant impact on our Group and on which our Group's success depends, is set out in "Business overview and outlook", and "Management discussion and analysis." All the review, discussions and analysis mentioned above form part of this Directors' report. Events affecting our Company that have occurred between the end of FY2021 and date of this report are set out in "Events after the Reporting Period."

Financial results and summary

Our Group's results for FY2021 are set out in the "Consolidated statement of profit or loss and other comprehensive income" at page 110.

A summary of our Group's condensed consolidated statement of financial positions is set out at pages 111 to 112.

Our major customers and suppliers

During FY2021: (a) our Group's five largest customers accounted for approximately 1.5% of our total revenues, while the largest customer accounted for approximately 0.6% of our total revenues; and (b) our Group's top five suppliers accounted for approximately 5.4% of our total purchase amounts, while the largest supplier accounted for approximately 1.8% of our total purchase amounts.

None of our Directors, and, to the best of our Directors' knowledge, none of their respective associates, or any Shareholder who, to the best of our Directors' knowledge, owns 5% or more of our issued capital, has any interest in any of our five largest customers and suppliers during FY2021 and up to the date of this annual report.

Use of net proceeds from our global offering

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

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

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

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

Notes:

(1) Based on the amounts disclosed in the Prospectus and includes net proceeds from the partial exercise of the over-allotment options, as detailed in our Company's announcement of 22 April 2019, which will be used by our Company for the purposes and in the same allocation proportions set out in the Prospectus.

(2) On 30 November 2020, our use of proceeds from the Global Offering was adjusted, following which, the remaining amount initially allocated to "acquisitions and/or investments" (being approximately HK$533.4 million as at 30 November 2020) was reallocated in full to "staff recruitment and training activities." See our interim results announcement for the six months ended 30 November 2020, published on 22 January 2021.

(3) The amounts "utilised during FY2020" are based on the figures disclosed in the annual results announcement for FY2020, published on 21 August 2020. The amounts "utilised during FY2021" are based on the exchange rate of HK$1.20:RMB1. The "remaining amount" is calculated as the "net proceeds from the Global Offering" less amounts "utilised during FY2020" and "utilised during FY2021."

(4) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

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

Net proceeds from the share subscription

The Share Subscription was completed during the Reporting Period and raised approximately HK$1.781 billion in net proceeds. We propose to use the net proceeds from the Share Subscription in the manner and within the time periods set out in our circular dated 14 October 2020, and expect to use the net proceeds from the Share Subscription within three years of the completion date (being 24 December 2020).

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

HK$ million(3)	Net proceeds from the Share Subscription(1)	Utilised during FY2020(1)	Utilised during FY2021(2)	Remaining amount(2)
Sales and marketing	712.4	—	44.7	667.7
Technology infrastructure	712.4	—	10.4	702.0
Teachers and teaching staff	178.1	—	—	178.1
Working capital	178.1	—	129.4	48.7
			Total remaining amount	1,596.5

Notes:

(1) Based on the amounts disclosed in our circular dated 14 October 2020. The Share Subscription was completed during FY2021 and as such, no proceeds were used in FY2020.

(2) The amounts "utilised during FY2021" are based on the exchange rate of HK$1.20:RMB1. The "remaining amount" is calculated as the "net proceeds from the Share Subscription" less the amounts "utilised during FY2021".

(3) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

Share capital

Movements in our Company's share capital and details of issued Shares during FY2021 are set out in Note 29 to the consolidated financial statements.

On 5 November 2020, our Shareholders granted to our Directors a general mandate to repurchase up to 10% of our then-total number of issued Shares. During FY2021, we did not make any repurchases on the Stock Exchange, and neither we nor our subsidiaries purchased, sole or redeemed any of our Company's listed securities.

Debentures issued

Our Group did not issue any debentures during FY2021.

Emolument policy and directors' remuneration

In compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, we established the Remuneration Committee to formulate our Directors' remuneration policies. The remuneration is determined based on each Director's and senior manager's qualification, position, responsibility and seniority. In additional to this, our Directors and senior managers may have been granted options under our Pre-IPO ESOP and are eligible to participate as grantees of our Post-IPO ESOP.

Our Directors', senior managers' and top five highest paid individuals' remuneration are detailed at Notes 11 and 12 to the consolidated financial statements.

None of our Directors waived or agreed to waive any remuneration and there were no emoluments paid by our Group to any of our Directors as an inducement to join, or upon joining our Group, or as compensation for loss of office. Our Group did not pay any of our Directors any discretionary bonuses during FY2021.

Equity-linked agreements

Except as disclosed in this annual report, no equity-linked agreement was entered into by our Group, or existed during FY2021.

Purchase, sale or redemption of our company's listed securities

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

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

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

Final dividends

Our Board did not recommend the payment of a final dividend for FY2021 (FY2020: nil).

Property and equipment

Movements in our Group's property and equipment during FY2021 are detailed in Note 15 to the consolidated financial statements.

Bank loans and borrowings

Our Group did not incur any bank loans or other borrowings during FY2021.

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.

Reserves

As at the end of FY2021, we had distributable reserves of approximately RMB4.1 billion, further details of which are set out at Note 42 to the consolidated financial statements.

Directors and their service contracts and appointment letters

Directors and senior management

A list of Directors and senior managers and their biographical details (including changes in our Board during FY2021) are set out in "Directors and senior management" above.

The interests and short positions as at the end of FY2021 of our Directors, and our Company's chief executives and substantial shareholders (as defined in the SFO) in our Company and associated corporations (as appropriate) that falls to be disclosed under Part XV of the SFO are set out in "Other information" below.

Directors' service agreements

Each of our executive Directors entered into a service agreement with our Company for an initial term of three years from the effective date of the appointment or until the third annual general meeting of our Company since the effective date of the appointment, whichever is earlier (and subject to retirement requirements as and when required by our Articles of Association), and which will automatically renew for a term of three years thereafter. The appointment of Mr. Yin took effect on the Listing Date and the appointment of Mr. Sun took effect on 16 August 2019. No annual director fees are payable to the executive Directors under the current arrangement.

Each of our non-executive Directors and independent non-executive Directors signed a letter of appointment with our Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (which is earlier, and subject to retirement requirements as and when required by our Articles of Association), and which will automatically renew for a term of three years thereafter. Under the current arrangement, no annual director fees are payable to the non-executive Directors, while each of our independent non-executive Directors are to receive an annual director's fee of RMB120,000.

Permitted Indemnity Provision

Pursuant to Article 164 of the Articles of Association and subject to applicable Laws, every Director (including resigned directors during the period of his/her directorship at our Company) shall be indemnified out of the assets and profits of our Company against all losses or liabilities incurred or sustained by him/her as a director of our Company, except for losses or liabilities in respect of fraud or dishonesty. This permitted indemnity provision was in force during FY2021 and continued to be in force as at the date of this report.

Our controlling shareholder’s and directors’ competing business

New Oriental, our Controlling Shareholder, controls Other Businesses. However, given that our Directors consider these Other Businesses to be distinct from our businesses in terms of business focus and strategy, and in particular, and given that New Oriental has given a non-compete undertaking to our Company, the scope of which includes the Other Businesses, we do not consider these Other Businesses to compete with us in any material way. See “Relationship with our Controlling Shareholder” in the Prospectus for further details on how our business is distinguished from that of New Oriental (and its other subsidiaries), the Other Businesses and why we consider them not to compete with our Group, and the non-compete undertaking given by New Oriental to our Company.

Save as disclosed in this report and the Prospectus, neither our Controlling Shareholder nor any of our Directors had any interest in a business, apart from that of our Group, that competes or is likely to compete, directly or indirectly, with our Group’s business, which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Continuing connected transactions

We have entered into a number of continuing transactions with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of our non-exempt continuing connected transactions in accordance with Chapter 14A of the Listing Rules:

Contractual Arrangements

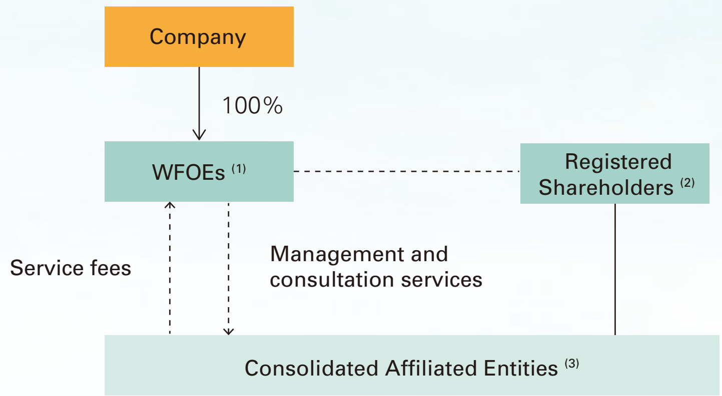
Overview

Our Group entered into a series of Contractual Arrangements with Beijing Xuncheng and Kuxue Huisi, and their Registered Shareholders, pursuant to which our Company obtained effective control over and had the right to receive all of the economic benefits derived from Beijing Xuncheng and Kuxue Huisi, and proportional control and right to receive the economic benefits derived from our then non-wholly owned subsidiary, Dongfang Youbo, through our Operating Entity’s controlling interest and proportionate shareholding in Dongfang Youbo. On 16 August 2019, we, through Beijing Xuncheng, acquired the remaining interest in Dongfang Youbo, following which, Dongfang Youbo became a wholly-owned subsidiary of our Company and assumed the same rights and obligations as Kuxue Huisi under the Contractual Arrangements.

As a result of the Contractual Arrangements, the financial results of our Consolidated Affiliated Entities are able to be consolidated into our Group’s financial information as if they were our Company’s subsidiaries. We set out a summary of our Contractual Arrangements during FY2021.

During the Reporting Period, the revenue of our Consolidated Affiliated Entities amounted to RMB1,418,951 thousand (accounting for approximately 100% of the revenue of our Group over the Reporting Period), compared with RMB1,081,081 thousand in FY2020 (accounting for approximately 100% of the revenue of our Group in FY2020).

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



Notes:

(1) Dexin Dongfang and Zhuhai Chongsheng (collectively, the WFOEs)

(2) Our Registered Shareholders are New Oriental China, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and the Tianjing Limited Partnerships.

(3) Beijing Xuncheng, our Operating Entity, and its subsidiaries.

(4) "→" denotes legal and beneficial ownership in the equity interests of the WFOEs.

(5) "—" denotes legal ownership in the equity interests of the Consolidated Affiliated Entities,

(6) "⇢" denotes control by the WFOEs under the Contractual Arrangements through: (a) powers of attorney to exercise all Registered Shareholders' rights in the Operating Entity, (b) exclusive options to acquire all or part of the equity interests in the Operating Entity, and (c) equity pledges over the equity interests in the Operating Entity.

(7) "---" denotes the control by the WFOEs over the Consolidated Affiliates Entities through the respective powers of attorney to exercise all shareholders' rights in Beijing Xuncheng, exclusive options to acquire all or part of the equity interests in the Consolidated Affiliates Entities and equity pledges over the equity interest in the Consolidated Affiliates Entities.

Summary of our Contractual Arrangements

We set out below a brief description of each of the specific agreements that comprise the Contractual Arrangements, the further details of which are set out in "Contractual Arrangements" in the Prospectus:

(a) Exclusive management Consultancy and Business Cooperation Agreement

Dexin Dongfang, on the one hand, and the Registered Shareholders and our Relevant VIE Entities, on the other hand, entered into an exclusive management consultancy and business cooperation agreement on 10 May 2018, pursuant to which Dexin Dongfang has the exclusive right to provide, or designate any third party to provide, each of our Relevant VIE Entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services. Such services include, among others, advisory services, research and consulting services, market development and planning services, human resources and internal information management, sales of proprietary products and intellectual property and know-how, and other additional services as the parties may mutually agree from time to time.

(b) Exclusive Call Option Agreement

Dexin Dongfang, on the one hand, and the Registered Shareholders and Beijing Xuncheng, on the other hand, entered into an exclusive call option agreement on 10 May 2018, pursuant to which Dexin Dongfang had an exclusive option to purchase all or part of the equity interests in Beijing Xuncheng from the Registered Shareholders for the minimum amount of consideration permitted by applicable PRC Law and under circumstances in which Dexin Dongfang or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of Beijing Xuncheng.

(c) Equity Pledge Agreement

Dexin Dongfang, on the one hand, and the Registered Shareholders and Beijing Xuncheng, on the other hand, entered into an equity pledge agreement on 10 May 2018, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of their respective equity interests in Beijing Xuncheng to Dexin Dongfang in order to guarantee the performance of the Contractual Arrangements by the Relevant VIE Entities and the Registered Shareholders. Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without prior written consent of Dexin Dongfang, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Dexin Dongfang's interest.

(d) Powers of Attorney

Each of the Registered Shareholders and Beijing Xuncheng has executed an irrevocable power of attorney on 10 May 2018, appointing Dexin Dongfang (or any person that it designates) to appoint directors and vote on behalf of that relevant Registered Shareholder on all matters of our Consolidated Affiliated Entities that require shareholders' approval.

(e) Supplemental Agreement of Zhuhai Chongsheng

Dexin Dongfang and Zhuhai Chongsheng, on the one hand, and Beijing Xuncheng and the Registered Shareholders, on the other hand, entered into a supplemental agreement on 10 October 2019, pursuant to which, Zhuhai Chongsheng would be jointed as a party to the Contractual Arrangements and gain all the rights and assume all the obligations of Dexin Dongfang under the agreements underlying the Contractual Arrangements (as appropriate).

(f) Second Supplemental Agreement

Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue Dongfang Network Technology Co., Ltd. ("**Hainan Haiyue**"), Wuhan Dongfang Youbo Network Technology Co., Ltd. ("**Wuhan Dongfang**"), Beijing Xuncheng and its subsidiaries and all of its registered shareholders entered into a second supplemental agreement on 1 February 2021, pursuant to which, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang joined as parties to the Contractual Agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and the registered shareholders (including the Exclusive Option Agreement, Exclusive Management Consultancy and Cooperation Agreement, Equity Pledge Agreement, Letters of Undertaking and Powers of Attorney) and the supplemental agreement of Zhuhai Chongsheng, and assumed the same rights and share the same obligations as Dexin Dongfang and Zhuhai Chongsheng under the Contractual Agreements and the supplemental agreement of Zhuhai Chongsheng.

Reasons for our Contractual Arrangements

We operate online and mobile education platforms in China, which constitute Relevant Business. The operation of a Relevant Business is subject to foreign investment restrictions under PRC law, namely: (a) foreign investors are restricted from holding more than 50% equity interest in a Relevant Company, and (b) the foreign investor holding any equity interest in a Relevant Company must meet certain qualification requirements. See "Contractual Arrangements — PRC Laws relating to foreign investment restrictions" in the Prospectus for more information on these restrictions.

Given the above restrictions and as advised by Tian Yuan Law Firm, our PRC legal adviser, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we operate our Relevant Business through our Consolidated Affiliated Entities. To maintain effective control over the Relevant Business operated by our Consolidated Affiliated Entities and to receive the economic benefits generated by our Relevant Business, a series of Contractual Arrangements have been entered into between our WFOEs, our Consolidated Affiliated Entities and their Registered Shareholders.

Our Directors believe that: (a) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (b) the Contractual Arrangements (and the terms of the VIE agreements underlying the Contractual Arrangements) have been entered into in the ordinary and usual course of business and on normal commercial terms or better for our Company and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Qualification requirements

As mentioned above, in addition to the 50% foreign ownership restriction, a foreign investor who invests in a value-added telecommunications business in China must satisfy Qualification Requirements.

See "Contractual Arrangements — PRC Laws relating to foreign investment restrictions — Qualification requirements" in the Prospectus for the current position of Qualification Requirements in respect of value-added telecommunications business in China.

Our PRC legal adviser advised us that, as at the date of this report: (a) the MIIT guidance memorandum issued by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as Ministry of Information Industry) (stating that an applicant is required to provide, among others, satisfactory proof of the Qualification Requirements and business development plan, and that applicants should submit written statements about the main foreign investors' experience and qualifications or that of their parents or subsidiaries in providing value-added telecommunications services; see page 183 of the Prospectus) had no legal or regulatory effect under the PRC Laws; and (b) no applicable PRC Laws had provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance on or interpretation of the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in any of our Consolidated Affiliated Entities when the relevant PRC Laws allow foreign investors to invest and to hold any equity interests in enterprises that engage in the Relevant

Business. We are in the process of expanding our overseas value-added telecommunications business through our overseas subsidiaries. We have taken various measures to meet the Qualification Requirements, for example:

(a) Xuncheng HK has registered a domain name overseas and will expand its business operations in Hong Kong and overseas as and when appropriate;

(b) we have made our APP, Donut, available for download and use on international iTunes and Android based systems such as Google Play stores through Xuncheng HK; and

(c) we established our overseas website www.koolearn.hk, which is primarily for the purpose of introducing our business to users and investor relations.

Subject to the discretion of the competency authority in determining whether our Group has fulfilled the Qualification Requirements, our PRC legal adviser is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirements.

Risks relating to our Contractual Arrangements

We believe that the following risks, among others, may be associated with the use of our Contractual Arrangements:

(a) the PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC Laws, which may subject us to severe penalties and our business may be materially and adversely affected, in particular, the significant impact brought by the Opinion (see "Events after the Reporting Period" in this report for more information on the Opinion and the associated risks for our Group);

(b) substantial uncertainties exist in relation to the interpretation and implementation of the *Foreign Investment Law of the PRC* (中華人民共和國外商投資法) and how it may impact the viability of our current corporate structure, corporate governance and business operations;

(c) we rely on the Contractual Arrangements with our Consolidated Affiliated Entities and the Registered Shareholders for our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest;

(d) we may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if any of our Consolidated Affiliated Entities declares bankruptcy or become subject to a dissolution or liquidation proceeding;

(e) the largest ultimate shareholder of Beijing Xuncheng, Mr. Yu, may have conflicts of interest with us, which may materially and adversely affect our business;

(f) if we exercise the option to acquire equity ownership of our Operating Entity, the ownership transfer may subject us to certain limitations and substantial costs; and

(g) our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

See "Risk factors — Risks relating to our Contractual Arrangements" in the Prospectus for further discussion on these risks.

Listing Rules implications and waiver

For the purposes of Chapter 14A of the Listing Rules, our Consolidated Affiliated Entities are treated as our Company's wholly-owned subsidiaries, and their directors, chief executives and substantial shareholders (as defined in the Listing Rules, which include the Registered Shareholders) and their respective associates are treated as "connected persons." As such, our Contractual Arrangements constitute continuing connected transactions for our Company.

Given that the highest applicable percentage ration under the Listing Rules is expected to be higher than 5% and more than HK$10 million, and this transaction constitutes a non-exempt continuing connected transaction, we have applied to the Stock Exchange, and the Stock Exchange has granted to us, a waiver from strict compliance with, in respect of the Contractual Arrangements, the Applicable Requirements, subject to the following conditions:

(a) no change to our Contractual Arrangements without our independent non-executive Directors' approval;

(b) no change to the agreements underlying our Contractual Arrangements without independent Shareholders' approval;

(c) our Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities;

(d) our Contractual Arrangements may be renewed and/or reproduced without strict compliance with the Applicable Requirements (including obtaining our Shareholders' approval): (i) upon the expiry of the existing arrangements; or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprises or operating company (including branch company), engaging in the same business as that of our Group where such renewal and/or reproduction is justified by business expediency and on substantially the same terms and conditions as the existing Contractual Arrangements; and

(e) we will disclose details relating to our Contractual Arrangements on an on-going basis.

Other continuing connected transactions

As discussed in the Prospectus, the following transactions also constitute non-exempt continuing connected transactions of our Group for FY2021:

New Oriental Framework Agreement

On 13 March 2019, our Company (for itself and on behalf of the other members of our Group) and New Oriental (for itself and on behalf of the other members of the Retained New Oriental Group) entered into the New Oriental Framework Agreement, pursuant to which, our Group and the Retained New Oriental Group would provide each other, among others, the following non-exempt continuing connected transactions for our Company: (i) sub-licensing of TPO examinational materials, (ii) provision of educational materials; (iii) promotional services; and (iv) provision of online and offline educational resources. In August 2020, we updated the annual caps for the "promotional services" and "provision of educational materials" transactions under this framework agreement (see our announcement of 21 August 2020).

The annual cap and actual transaction amounts for the above non-exempted continuing connected transactions for FY2021 were:

No.	Transaction	Annual cap for FY2021 (RMB million)	Annual transaction amount for FY2021 (RMB million)
1.	Sub-licensing of TPO examination materials from our Group to the Retained New Oriental Group	17.8	15.1
2.	Provision of educational materials from the Retained New Oriental Group to our Group	33.0	9.6
3.	Promotional services between the Retained New Oriental Group and our Group		
	— promotional services received by our Group from the Retained New Oriental Group	45.5	6.4
	— promotion services offering by our Group to the Retained New Oriental Group	1.8	0.8
4.	Provision of educational resources:		
	— from our Group to the Retained New Oriental Group (online resources)	4.8	—
	— from the Retained New Oriental Group to our Group (offline resources)	27.0	0.5

On 14 May 2021, our Company (for itself and on behalf of the other members of our Group) and New Oriental (for itself and on behalf of the other members of the Retained New Oriental Group) entered into the 2021 New Oriental Framework Agreement, pursuant to which, our Group and the Retained New Oriental Group would provide each other, among others, the following non-exempt continuing connected transactions for our Company: (i) advertising, marketing and promotional services, including traffic re-direction, cross-marketing and promotional services, and advertisement services and consulting; (ii) sub-licensing of TPO examination materials; (iii) provision of educational materials; (iv) provision of online and offline educational resources; (v) provision of cloud education platform technology; and (vi) licensing of intellectual property (including copyrighted teaching materials and academic materials produced by the teaching staff of the Group).

The 2021 New Oriental Framework Agreement is for a period of one year from 1 June 2021 to 31 May 2022, and the terms of which were entered into on normal commercial terms. Further details of the 2021 New Oriental Framework Agreement are set out in the announcement of the Company dated 14 May 2021.

New Oriental is our Controlling Shareholder and a substantial shareholder (under the Listing Rules) and is a connected person of our Company at the issuer level, and its subsidiaries are associates and, as such, also connected persons of our Company.

Tencent Framework Agreement

On 13 March 2019, our Company (for itself and on behalf of other members of our Group) and Shenzhen Tencent Computer entered into the Tencent Framework Agreement, pursuant to which, among others, Tencent would provide to our Group, the following non-exempt continuing connected transactions for our Company: (i) cloud and technical services, and (ii) payment services. The Tencent Framework Agreement is for a period of three years from the Listing Date to the date immediately before the third anniversary of the Listing Date (being 27 March 2022, both dates inclusive), and the terms of which were entered into on normal commercial terms.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transactions for FY2021 were:

No.	Transaction	Annual cap for FY2021 (RMB million)	Annual transaction amount for FY2021 (RMB million)
1.	Cloud and technical services from Tencent to our Group	15.3	12.2
2.	Payment services from Tencent to our Group	7.9	5.1

Shenzhen Tencent Computer is a subsidiary of Tencent, both of which were core connected persons of our Company during the Reporting Period. Following the end of FY2021, Shenzhen Tencent Computer and Tencent will be interested in less than 10% of our subsidiary, and as such, will no longer be connected persons of our Company and the transactions under the Tencent Framework Agreement will no longer constitute connected transactions of our Company.

Tigerstep Framework Agreement

On 13 March 2019, our Company (for itself and on behalf of the other members of our Group) and Tigerstep (for itself and on behalf of its subsidiaries) entered into the Tigerstep Framework Agreement, pursuant to which Tigerstep (and its subsidiaries) would lease certain property locations to our Group to be used as, among other purposes, office space, recording studios and administration premises. In August 2020, we updated the annual caps for this framework agreement (see our announcement of 21 August 2020).

The annual cap and actual transaction amounts for the above non-exempted continuing connected transaction for FY2021 were:

No.	Transaction	Annual cap for FY2021 (RMB million)	Annual transaction amount for FY2021 (RMB million)
1.	Property leasing from Tigerstep (and its subsidiaries) to our Group	20.1	15.9

On 14 May 2021, our Company (for itself and on behalf of the other members of our Group) and Tigerstep (for itself and on behalf of its subsidiaries) entered into the 2021 Tigerstep Framework Agreement, pursuant to which, our Group and Tigerstep (and its subsidiaries) would lease to each other certain property locations to be used as,

among other purposes, office space, recording studios and administrative premises. The 2021 Tigerstep Framework Agreement is for a period of two years from 1 June 2021 to 31 May 2023, and the terms of which were entered into on normal commercial terms. Further details of the 2021 Tigerstep Framework Agreement are set out in the announcement of the Company dated 14 May 2021.

Tigerstep and its subsidiaries are associates of Mr. Yu, one of our Directors, and as such, are connected persons of our Company.

Confirmations in respect of our continuing connected transactions

Confirmations from our independent non-executive Directors

Our independent non-executive Directors have reviewed our CCT Agreements and confirmed that:

With respect to our Contractual Arrangements:

(a) the transactions carried out during FY2021 have been entered into in accordance with the relevant provisions of our CCT Agreements; and

(b) no dividends or other distributions have been made by our Relevant VIE Entities to the holders of its equity interests that are not otherwise subsequently assigned or transferred to our Group during FY2021;

With respect to all CCT Agreements:

(c) the transactions underlying the CCT Agreements are in the ordinary and usual course of the Group's business, and terms of the CCT agreements and their underlying transactions are on normal commercial terms or better, fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Save as disclosed in this section, we did not enter into any other transaction during FY2021, including the related party transactions disclosed under Note 39 to the financial statements in this annual report, that would fall to be disclosed under Chapter 14A of the Listing Rules. We have complied with the requirements in Chapter 14A of the Listing Rules during FY2021.

Confirmations from our Company's independent auditors

Our independent external auditor has confirmed in a letter to our Board that, with respect to the continuing connected transactions of our Company (including our Contractual Arrangements):

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by our board of directors;

(b) for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of our Company;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by our Company.

Contracts with our Controlling Shareholder or management contracts

Save as disclosed in this annual report, no other contracts of significance or contract or significance for the provision of services had been entered into among our Group and our Controlling Shareholder during FY2021.

No contract, concerning the management and administration of the whole or any substantial part of our Company's business was entered into or existed during FY2021.

Save as disclosed in this annual report, and in particular the " — Continuing connected transactions" above, none of our Directors (or any entity connected with our Directors) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which our Company was a party and which subsisted during FY2021.

Pre-emptive rights

There are no provisions for pre-emptive rights under our Articles of Association or Cayman Islands Laws that would oblige our Company to offer new Shares on a pro-rata basis to existing Shareholders.

Tax relief and exemption

Our Directors are not aware of any tax relief and exemption available to our Shareholders by reason of them holding our Company's securities.

Auditor

Our Group's consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at our upcoming annual general meeting of Shareholders. There was no change in our Company's independent external auditors during FY2021.

Events after the Reporting Period

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

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

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

(a) K-12 business is one of our business segments and sources of revenue. Under the "double reduction" policy set out in the Opinion, institutions providing after-school tutoring services on academic subjects in China's compulsory education system will need to register as non-profit. As such, a portion of our business that concerns after-school tutoring on academic subjects in China's compulsory education system will be affected by the Opinion and this may have implications on the overall business and financial performance of our Group;

(b) the Opinion prohibits foreign investment in academic after-school tutoring institutions, including through contractual arrangements, which may require our Group to, without limitation, unwind our existing contractual arrangements structure to the extent required under the Opinion, restructure our relevant ownership structure or operations, relinquish our interests in certain businesses, and this may adversely affect our overall business operations or financial performance; and

(c) the "double reduction" policy may impose strict requirements on issuing licences and approving online academic after-school tutoring institutions, which may impact our Group and our operations. This may adversely affect the type/number of students to whom we may offer our services, or who may subscribe to our services, as well as the type/scope of products/services that we may offer.

See the section headed "Risk Factors", and in particular, "Risk Factors — Risks Relating to our Corporate Structure" in the Prospectus for more information on the risks associated with investing in our Group.

Aside from these announcements and this report, our Group did not have any significant event occur after the Reporting Period.

Environmental policies and performance

We are committed to fulfilling our social responsibility, promoting employee benefits and development, protecting the environment and giving back to our community and achieving sustainable growth. Further details of our environmental and social performance as set out in the "Environmental, social and governance report" included in this annual report.

Public float

Based on the information publicly available to our Company, and to the best knowledge of our Directors, as at the date of this report, our Company maintained the prescribed percentage of public float under the Listing Rules.

Compliance with relevant laws and regulations

Save as otherwise disclosed in this annual report and our Prospectus, to the best of our knowledge, we have complied with all relevant Laws that have a material and significant impact on our Group.

Closure of register of members

Our Company's AGM will be held on 3 November 2021. Our register of members will be closed from 29 October 2021 to 3 November 2021 (both days inclusive) in order to determine the identity of our Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 October 2021.

By the order of our Board
YU Minhong
Chairman

Hong Kong
16 September 2021

Disclosure of interests

Directors and chief executives

As at the end of FY2021, the interests and short positions of our Company's directors and chief executives (being those as at the end of FY2021) in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code are set out below. All interests disclosed represent long positions in Shares. Our Directors and company's chief executives do not hold any short positions in Shares.

Interest in our Shares

Name of Director or chief executive	Nature of interest	Relevant entity	Number of ordinary Shares	Approximate percentage of shareholding in our Company(1)
Mr. Sun(2)	Beneficial owner		11,843,000	1.18%
Mr. Yu(3)	Beneficial owner		16,695,285	1.67%
	Beneficiary of a trust	Tigerstep	23,610,832	2.36%
Ms. Sun(4)	Interest in a controlled corporation	First Bravo	6,174,140	0.62%
Mr. Yin(5)	Beneficial owner		2,900,000	0.29%
	Interest in a controlled corporation	Perfect Go	1,500,000	0.15%
Mr. Wu(6)	Beneficial owner		1,350,000	0.13%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,000,570,602 Shares, as at 31 May 2021.

(2) These interests comprise: 8,000,000 Shares and 500,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun under the Pre-IPO ESOP and the Post-IPO ESOP, respectively.

(3) These interests comprise: (i) 16,695,285 Shares that may be issued pursuant to an exercise of options granted to Mr. Yu under the Pre-IPO ESOP; and (ii) 23,610,832 Shares held through Tigerstep. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

(4) First Bravo is wholly-owned by Ms. Sun. Under the SFO, Ms. Sun is deemed to be interested in all of First Bravo's interests in our Company. After the Reporting Period, on 2 June 2021, First Bravo decreased its interest in our Company to 151,000 Shares, representing 0.02% of our Company's total issued share capital as at 31 May 2021.

(5) These interests comprise: (i) 2,100,000 Shares and 800,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yin under the Pre-IPO ESOP and Post-IPO ESOP, respectively; and (ii) 1,500,000 Shares held through Perfect Go, which is wholly-owned by Mr. Yin, and as such, under the SFO, Mr. Yin is deemed to be interested in all of Perfect Go's interests in our Company. After the Reporting Period, on 3 June 2021, Perfect Go decreased its interest in our Company to 1,000,000 Shares, representing 0.10% of our Company's total issued share capital as at 31 May 2021.

(6) These interests represent the 1,350,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Wu under the Pre-IPO ESOP.

Interest in our Controlling Shareholder

Name of Director or chief executive	Nature of interest	Total number of shares	Percentage of shareholding in New Oriental[1]
Mr. Yu[1]	Interest in a controlled corporation; beneficiary of a trust	197,502,720	11.5%

Note:

(1) According to the best knowledge of our Directors and publicly available information of New Oriental accessed as at the end of the Reporting Period (being the Schedule 13G/A filed with the SEC on 11 February 2021), this interest represents: (i) 17,800,000 former common shares of New Oriental held by Tigerstep, and (ii) 1,950,272 former ADSs (representing the same number of underlying former common shares of New Oriental), which consist of 1,938,554 former ADSs held by Tigerstep Developments Limited and 11,718 former ADSs held by Mr. Yu. On 10 March 2021, New Oriental completed a share subdivision, upon which each former common share became ten new common shares and each former ADS became ten new ADSs (representing ten new common shares). The figures in the table represent new common shares. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

Interest in our associated corporations (other than New Oriental)

Name of director	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Approximate percentage of shareholding in the associated corporation
Mr. Yu	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Beijing Xuncheng[1]	122,351,229	77.49%
	Beneficial owner	Century Friendship[1]	9,900,000	99%
	Interest in a controlled corporation	New Oriental China[1]	50,000,000	100%
	Interest of controlled limited partnership	New Venture[2]	5,000	50%

Notes:

(1) Century Friendship and New Oriental China are controlled through a series of contractual arrangements by, and are therefore treated as subsidiaries of New Oriental. Mr. Yu holds an 99% equity interest in Century Friendship, which in turn, holds the enquire equity interests in New Oriental China. New Oriental China holds a 77.49% equity interest in, and has entered into our Contractual Arrangements with (as defined and detailed in the section headed "Contractual Arrangements" in the Prospectus), Beijing Xuncheng. Under the SFO, Mr. Yu is deemed to be interested in all of Century Friendship's interests in New Oriental China, and all of New Oriental China's interests in Beijing Xuncheng.

(2) New Venture is held by our Company as to more than 20%, and is held by New Oriental China as to 50%. Mr. Yu controls New Oriental China and, under the SFO, is deemed to be interested in all of New Oriental China's interests in New Venture.

Substantial shareholders

As at the end of FY2021, as far as our Directors are aware, the following persons (other than our Directors and the chief executive of our Company) had interests or short positions in our Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO. All of the interests below represent long positions in shares. As far as our Directors are aware, none of the persons listed below held any short positions in Shares.

Name of Shareholder	Nature of interest	Number of ordinary Shares	Approximate percentage of shareholding in our Company[(1)]
New Oriental	Beneficial interest	557,160,500	55.68%
Image Frame[(2)]	Beneficial interest	90,416,181	9.04%
Tencent	Interest in a controlled corporation	90,416,181	9.04%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,000,570,602 Shares, as at 31 May 2021.

(2) Image Frame is a subsidiary of Tencent. Under the SFO, Tencent is deemed to be interested in all of Image Frame's interests in our Company.

Share Option Schemes

Our Company has adopted two share incentive plans, the Share Option Schemes. See "Statutory and general information" as Appendix IV to the Prospectus for further details of our Share Option Schemes.

The purpose of our Share Option Schemes is to provide respective eligible participants with an opportunity to acquire proprietary interest in our Company and to encourage the eligible participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole. The Share Option Schemes are further intended to provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to their respective eligible participants.

The eligible participants of each of the Share Option Schemes include, among others, any director, employee or contractor or affiliate of our Group (including nominees and/or trustees of any employee benefit trust(s) established for them) who our Board considers, in its sole discretion, to have contributed or will contribute to our Group.

Pre-IPO ESOP

Maximum number of Shares

The overall limit in the number of options under the Pre-IPO ESOP represents 47,836,985 underlying Shares, subject to possible adjustments under the Pre-IPO ESOP, all of which were granted to eligible participants by the end of FY2019. During the Reporting Period, 1,668,000 options under the Pre-IPO ESOP had been exercised, no options had cancelled, 680,500 options had lapsed, and as at the end of FY2021, options to subscribe for an aggregate of 36,902,985 underlying Shares remained outstanding, representing approximately 3.69% of our total issued share capital as at the end of FY2021.

No further options were granted following the Listing and no further options may be granted under the Pre-IPO ESOP.

Limit for each participant

There is no specified limit on the maximum number of underlying Shares for which any particular grantee may subscribe under the Pre-IPO ESOP.

Remaining life of the Pre-IPO ESOP and option period

The Pre-IPO ESOP is valid for six years from the Listing Date (being from 28 March 2019 to 27 March 2025), which is also the maximum option period, following which any outstanding options shall expire and may not be exercised. The remaining life of the scheme is approximately three and a half years.

Each grantee gave an undertaking at the date of accepting their respective grant to hold the vested options for Minimum Period. On 16 August 2019, our Board resolved to waive this Minimum Period for the grantees.

Consideration and subscription price

Each grantee paid a consideration of RMB1.00 for the grant of options under the Pre-IPO ESOP. The subscription price under the Pre-IPO ESOP is HK$8.88 per Share.

Details of option grants

As at the end of FY2021, (a) our Directors held unexercised options under the Pre-IPO ESOP to subscribe for a total of 28,145,285 Shares, representing 2.81% of the issued share capital of our Company, and (b) other 70 grantees held unexercised options under the Pre-IPO ESOP to subscribe for a total of 8,757,700 Shares, representing approximately 0.88% of the issued share capital of our Company, details of which are as follows:

					Number of options				
Name or category of grantee	**Date of grant**	**Vesting period**	**Maximum period during which options are exercisable**	**Exercise price**	**Outstanding as at 1 June 2020**	**Exercised during the FY2021**	**Cancelled during the FY2021**	**Lapsed during the FY2021**	**Outstanding as at end of FY2021**
Mr. Yu	6 March 2019	Three years from Listing Date	From immediately after the end of the vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	16,695,285	Nil	Nil	Nil	16,695,285
Mr. Sun	6 March 2019	Three years from Listing Date	From immediately after the end of the vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	8,000,000	Nil	Nil	Nil	8,000,000
Mr. Yin	6 March 2019	Three years from Listing Date	From immediately after the end of the vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	2,100,000	Nil	Nil	Nil	2,100,000
Mr. Wu	6 March 2019	Three years from Listing Date	From immediately after the end of the vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	1,350,000	Nil	Nil	Nil	1,350,000
Other grantees (in aggregate)	6 March 2019	Three years from Listing Date	From immediately after the end of the vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	11,106,200	1,668,000	Nil	680,500	8,757,700
Total					39,251,485	1,668,000	Nil	680,500	36,902,985

Further details of movements in the Pre-IPO ESOP is set out in Note 31 to the consolidated financial statements.

Post-IPO ESOP

Maximum number of Shares

The maximum number of Shares that may be allotted and issued:

(a) upon exercise of all outstanding options granted and yet to be exercised under All Share Option Schemes must not exceed the Scheme Limit. No options may be granted if such options results in the Scheme Limit being exceeded;

(b) upon exercise of all options granted under All Share Option Schemes must not exceed 10% (being 91,395,910 Shares) of the total number of Shares in issue on the Listing Date (being 913,959,102 Shares); and

(c) the limit in (b) above may be refreshed at any time with our Shareholders' approval, provided that the total number of Shares that may be issued upon exercise of all options granted under All Share Option Schemes do not exceed 10% of our Company's total issued share capital at the date of approval. Options previously granted (including those outstanding, cancelled, lapsed or exercised under All Share Option Schemes) will not be counted in the 10% refresher limit.

Limit for each participant

Unless specifically approved by our Shareholders, each eligible participant under the Post-IPO ESOP may only be granted options (including both exercised and outstanding options) within any 12-month period that represent underlying Shares that aggregate to 1% of our Company's total issued share capital at that particular time.

Further details of movements in the Post-IPO ESOP is set out in Note 31 to the consolidated financial statements.

Remaining life of the Post-IPO ESOP and option period

The Post-IPO ESOP is valid for ten years from the Grant Date (being from 29 January 2020 to 28 January 2030), which is also the maximum option period, following which any outstanding options shall expire and may not be exercised. Under the Post-IPO ESOP rules, there is no minimum period for which an option must be held before it can be exercised.

Consideration and subscription price

Each grantee shall pay a consideration of RMB1.00 for the grant of options under the Post-IPO ESOP. The subscription price per Share under the Post-IPO ESOP shall be determined by our Board in its absolute discretion and notified to the participant, but shall be no less than the higher of:

(a) the closing price of our Shares as stated in the Daily Quotations Sheet on the grant date;

(b) the average closing price of our Shares as stated in the Daily Quotations Sheet for the five business days immediately preceding the grant date; and

(c) the nominal value of each Share on the grant date.

Details of option grants

As at the end of FY2021, (a) our Directors held unexercised options under the Post-IPO ESOP to subscribe for a total of 1,300,000 Shares, representing approximately 0.13% of the issued share capital of our Company, and (b) the other 433 grantees held unexercised options under the Post-IPO ESOP to subscribe for a total of 49,089,815 Shares, representing approximately 4.91% of the issued share capital of our Company, the details of which are set out below:

					Number of options						
Name or category of grantee	**Date of grant**	**Vesting period**	**Exercisable Period**	**Exercise price**	**Outstanding as at 1 June 2020**	**Granted during FY2021**	**Exercised during FY2021**	**Cancelled during FY2021**	**Lapsed during FY2021**	**Outstanding as at end of FY2021**	**Closing price of the Shares immediately before the date of grant**
Mr. Sun	29 January 2020	(1) One-third of the options to vest on the date immediately before the first anniversary of the date of grant ("**First Vesting Date**"); (2) One-third of the options to vest on the date immediately before the first anniversary of the First Vesting Date ("**Second Vesting Date**"); and (3) One-third of the options to vest on the date immediately before the first anniversary of the Second Vesting Date ("**Third Vesting Date**").	Ten years from the date of grant	$25.35 per Share	500,000	Nil	Nil	Nil	Nil	500,000	$25.35
Mr. Yin	29 January 2020			$25.35 per Share	800,000	Nil	Nil	Nil	Nil	800,000	$25.35
Other grantees (in aggregate)	29 January 2020			$25.35 per Share	36,899,000	Nil	6,000	30,000	8,621,185	28,241,815	$25.35
	25 August 2020			$34.00 per Share	Nil	25,000,000	Nil	Nil	4,152,000	20,848,000	$33.35
Total					38,199,000	25,000,000	6,000	30,000	12,773,185	50,389,815	

CORPORATE GOVERNANCE REPORT

Corporate governance practices

We are committed to maintaining and promoting stringent corporate governance standards. Our Company's corporate governance principles are to promote effective internal control measures and to enhance the transparency and accountability of our Board to all our Shareholders.

During FY2021, we applied the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules as the basis of our corporate governance practices and we have complied with all the code provisions set out therein. Our Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

Our Directors' compliance with the Model Code

We adopted the Model Code contained in Appendix 10 to the Listing Rules as our Company's code of conduct regarding our Directors' dealing in our Company's securities. Having made specific enquiry of all our Directors, all Directors confirmed that they have complied with the provisions of the Model Code throughout FY2021.

Our Board

As at the date of this report, our Board consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

See "Corporate Information" pages 2 to 3 for details of our Board and board committee members. See "Directors and senior management" at pages 19 to 22 for the biographical information of our Directors.

During FY2021, our Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and representing at least one-third of our Board, with at least one of whom possessing the appropriate professional qualifications or accounting or related financial management expertise (being Mr. TONG Sui Bau and Mr. KWONG Wai Sun Wilson). Mr. Tong is an independent non-executive Director who possesses the appropriate qualifications to act as chairman of our Audit Committee.

None of our Board members are related to one another.

Responsibilities and delegation

Our Board assumes responsibility for the leadership and control of our Company, and is responsible for directing and supervising our Company's affairs in the best interests of our Company and our Shareholders.

Mr. Yu is the Chairman of our Board and Mr. Sun is our chief executive officer. Our Chairman provides leadership and is responsible for the effective functioning and leadership of, and providing advice to, our Board. Our chief executive officer focuses on our Company's overall strategic planning, overall management and business direction.

Our Board directly, and indirectly through our Board Committees, leads and provides to management strategies and overseeing the implementation of these strategies, as well as supervising our Company's internal control and risk management systems, and assumes ultimate responsibility for preparing the accounts. Our Board makes the final decision on policy matters, strategies and budgets, internal control and risk management, material transactions, financial information, directorship appointment, and other significant operational matters of our Company. Our Board may delegate certain of its responsibilities, including implementing its decisions, directing and coordinating the daily operations of our Company and management to our chief executive officers, other senior managers and management. These delegated functions and responsibilities are periodically reviewed by our Board.

Each of our Directors bring a wide variety of business and industry experience, knowledge and professionalism to our Board for its efficient and effective functioning. Our Directors have full and timely access to all information of our Company, and may upon request, seek independent professional advice in appropriate circumstances at our Company's expense for discharging their duties to our Company. Our Directors will disclose to our Company details of other offices held by them.

Appointment and re-election of Directors

According to our Articles of Associations, at each annual general meeting of our Company, one-third of our Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A Director appointed by our Board or by ordinary resolutions of our Company, either to fill a casual vacancy or as an addition to our Board, will hold office only until our Company's next general meeting. All retiring Directors will be eligible for re-election.

Each Director (including our non-executive Directors and independent non-executive Directors) is engaged for a term of three years and are subject to retirement and re-election in accordance with our Articles of Association.

Continuous professional development of Directors

Our Company and each of our Directors understand the importance of our Directors participating in appropriate continuous professional development to allow them to keep on top of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to our Board remains informed and relevant. Our Directors are encouraged to attend relevant training at our Company's expense.

During FY2021, each of our Directors received professional training, which include, among others: (a) participating in continuous professional training seminar(s), conference(s), course(s) and/or meeting(s); (b) reading materials provided by external parties, or prepared by our Company, and provided from time to time to Directors, regarding legal and regulatory changes and matters relevant to directors' duties and responsibilities and our Group's business; and/or (c) news, journals, magazines or other reading materials that touch on legal and regulatory changes and matters relevant to our Directors discharging their directors' duties and responsibilities or that concern our Group's business.

Attendance records of Directors

During FY2021 and as at the date of this report, our Directors attended the following meetings:

Director	Board meetings	Audit committee	Remuneration committee	Nomination committee	General meetings
Mr. Sun	4/4	—	—	—	2/2
Mr. Yin	4/4	—	—	—	2/2
Mr. Yu	4/4	—	—	1/1	2/2
Ms. Sun	4/4	—	1/1	—	2/2
Mr. Wu	4/4	3/3	—	—	2/2
Ms. Leung	4/4	—	—	—	2/2
Mr. Lin	4/4	—	1/1	1/1	2/2
Mr. Tong	4/4	3/3	1/1	1/1	2/2
Mr. Kwong	4/4	3/3	—	—	2/2

The Board will meet at least four times a year, at approximately quarterly intervals, and the chairman of the Board will hold at least one meeting a year with the independent non-executive Directors without the executive Directors present. Schedules for regular Board meetings are normally agreed with Directors in advance to facilitate their attendance. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors are given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying meeting papers will be sent to all Directors in a timely manner and at least three days in advance of every regular Board meeting.

Board committees

We have established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific written terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee comprises of three non-executive Directors (including two independent non-executive Directors), namely, Mr. Tong (committee chairman), Mr. Wu and Mr. Kwong.

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, review and approve connected transactions and provide advice and comments to the Board.

None of the members of the Audit Committee is a former partner of the Company's existing external Auditor.

The Audit Committee has performed the following major tasks during FY2021:

(a) discussing and making recommendation on the re-appointment of the Auditor;

(b) reviewing and monitoring the independence and objectivity of the Auditor and the effectiveness of the audit process for our Group's annual audit for FY2021;

(c) reviewing the annual results of our Group for FY2021;

(d) reviewing our Company's financial controls, risk management and internal control systems;

(e) discussing the effectiveness of the risk management and internal control systems of our Company with the management;

(f) reviewing the effectiveness and resources of our Company's internal auditors and ensuring its co-ordination with the Auditor;

(g) reviewing our Company's and its subsidiaries' operating, financial and accounting policies and practice;

(h) reviewing any management letter and material queries from the Auditor and the management's response, and ensuring timely response to the issues raised by the Auditor's management letter was provided by our Board;

(i) reviewing arrangements employees of our Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(j) reviewing the continuing connected transactions of the Group carried out during FY2021.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises of three non-executive Directors (including two independent non-executive Directors), namely, Mr. Lin (committee chairman), Ms. Sun and Mr. Tong.

The primary duties of the Remuneration Committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior managers.

During FY2021, the Remuneration Committee reviewed and made recommendations on the remuneration packages of our Directors and our Company's senior managers.

We set out below the remuneration of our Company's senior managers (including our executive Directors) by band for FY2021:

Annual remuneration	Number of individuals
HK$6,000,001 to HK$10,000,000	1
HK$10,000,001 to HK$20,000,000	1

Further details of the remuneration for FY2021 are set out in Note 11 to the consolidated financial statements.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee comprises of three non-executive Directors (including two independent non-executive Directors), namely, Mr. Yu (committee chairman), Mr. Lin and Mr. Tong.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

The Nomination Committee has performed the following major tasks during FY2021:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(c) assessing the independence of all the independent non-executive Directors;

(d) making recommendations to the Board on the selection of individuals nominated for directorships; and

(e) making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors of our Company.

We have adopted a Board diversity policy to enhance greater diversity of members on our Board. See " — Board diversity policy" at page 54.

We have also adopted a director nomination policy to guide our Nomination Committee in identifying and recommending candidates for directorship positions and to make recommendations to our Board on the succession planning of directors. See " — Director nomination policy" at page 54.

Corporate governance functions

Our Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code.

Our Board shall review our Company's corporate governance policies and practices, our Directors' and senior managers' training and continuous professional development, our Company's policies and practices on compliance with legal and regulatory requirements, our Company's compliance with the Corporate Governance Code, and the disclosure in this Corporate Governance Report. Our Board has performed the above duties during FY2021.

Risk management and internal controls

Our Board acknowledges that it is overall responsible for our Company's risk management and internal control systems and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Nevertheless, our Board is committed to minimising and managing these risks. Our Audit Committee, internal audit department and senior management together monitor the implementation of our internal control and risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Risk management and internal control systems and policies

Our Group has adopted a "three line of defense model" in designing its risk management and internal control systems:

(a) The first line of defense — Business and operations: our Group's management and operational departments, collectively, form the "first line of defense." They are responsible for implementing risk management and internal control policies in their day-to-day operations and identifying and managing the risks arising from their areas of work.

(b) The second line of defense — Risk management and internal control function: our internal audit department forms the "second line of defense." The internal audit department is responsible for formulating internal control and risk management policies and managing the implementation of these policies. It supervises the work of participants who form the "first line of defense" and reports any major issues to our Audit Committee and, where necessary, our Board. The internal audit department maintains a high degree of independence to ensure the effectiveness and fairness of its work.

(c) The third line of defense — Internal review and continuous improvement: the "third line of defense" mainly consists of the Audit Committee, which is responsible for reviewing the effectiveness and adequacy of our Company's risk management and internal control policies and systems on a regular basis and ensuring such policies and systems are improved and updated over time. The Audit Committee reports its work and findings and any major issues to our Board.

During FY2021, our Audit Committee held 2 meetings, and as at the date of this report, our Audit Committee also conducted 2 reviews of our risk management and internal controls systems and policies and has reported its findings to our Board. Our Board is satisfied that our Company's risk management and internal control systems and policies are effective and adequate.

Our Group has established a whistle-blowing procedure. The internal audit department is responsible for receiving any alleged anti-fraud, anti-bribery or other whistle-blowing incidents. It then performs a preliminary assessment to determine whether the case warrants further investigation. If the case is determined to have sufficient basis for further investigation, it will be reported to our Audit Committee. Our Audit Committee is responsible for investigating all cases referred to it and will report its findings and recommendations to our Board and our Company's management where necessary. For confirmed cases of breach, our Board or our Company's management may take disciplinary action according to our Audit Committee's recommendation and the relevant policies, and where the case involves a violation of relevant Laws, the case will be reported to the relevant regulatory authority.

Our Group has also adopted an information disclosure policy which sets out comprehensive guidelines on handling and disseminating inside information. Our Board is entrusted with the responsibility of monitoring and implementing the procedural requirements set out in the information disclosure policy.

Significant risks of the Company

During FY2021, our Company identified several significant risks through its risk management system and has formulated and implemented measures for managing these risks accordingly.

1. *Market competition and innovation risk*

   The private education sector in China is highly fragmented, competitive and evolving rapidly. We face significant competition from other online education companies and we also compete with traditional offline education companies; new businesses and some traditional education companies are also entering the online education market. To enhance and maintain our competitive advantage, we need to continuously innovate and improve our online course offerings and services.

   Our Company's management monitors and analyses the market trends and our Company's competitors, researches students' demands and translates these findings into improved product features or new product offerings.

2. *Product and service quality risk*

Our revenue is primarily driven by the number of students enrolled in and the amount of course fees they are prepared to pay for our online courses on our Koolearn, Koo, DFUB and Donut platforms. The key to our ability to attract students is that we consistently deliver high quality teaching and education content. If we fail to maintain the quality of our products and services as we innovate and expand, we risk losing our attractiveness to students and, in turn, our revenue.

We have established an internal review system to review the performance of our teaching staff and channel the feedback to our teachers on a regular basis. We have also placed a strong emphasis on our technological capabilities and user experience across our platforms and we strive to continuously upgrade and improve our systems and platforms according to feedback and reviews.

3. *Regulatory and compliance risk*

The internet industry and the education industry, including foreign ownership and licensing and filing requirements for companies in these two industries, are heavily regulated in China. Furthermore, the Laws relating to online education businesses and companies, where the two industries cross paths, are relatively new and evolving, and their interpretation and enforcement remain subject to significant uncertainty. As a result, in certain circumstances, it may be difficult to determine what actions or omission may be deemed to be in violation of applicable Laws, which may pose a significant risk when conducting our online education businesses. In particular, the Opinion was recently published in July 2021, which has potential implications on our Group, including our business operations and corporate structure. Please see "Directors' Report — Events After the Reporting Period" for more information on the Opinion and its associated risks on our Group.

We have set up a specialised working group to closely watch and analyse relevant developments in the legal and regulatory landscape of China's online education industry and to continuously review our compliance status. We have also employed external compliance consultants to monitor the compliance of our daily operations.

4. *Information security risk*

In the course of conducting our online education business, we have collected, and are in possession of, a large amount of user data. Any leakage or unauthorised use of our user data, whether the result of cyber-attacks, system failures or other causes, could significantly damage our brand and reputation, and in turn, our student enrolment and revenue, as well as expose us to potential legal liability under relevant personal data Laws.

We have adopted internal rules on the handling of user data as well as emergency measures. We conduct internal reviews on our cyber security systems and measures regularly and keep these up-to-date.

5. *Crisis management and reputation risk*

"New Oriental" is a household brand in the private education industry in China. We continuously develop and promote our business under the "New Oriental" name to benefit from its market recognition. Market recognition, on the other hand, also means increased public scrutiny, especially after our Listing on the Stock Exchange.

We have set up a specialised public relations department and formulated internal rules on crisis management to manage our brand, communicate to our customers and stakeholders and to ensure we are capable of responding to public relations crisis in a professional and prompt manner.

Directors' responsibilities in respect of the financial statements

Our Directors acknowledge their responsibility for preparing our Company's consolidated financial statements for FY2021. Our Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern.

Deloitte's reporting responsibilities for the financial statements is summarised in the "Independent auditor's report" prepared by them and set out at pages 106 to 109.

Director nomination policy

Our Company has adopted Director Nomination Policy that sets out the considerations and procedures for selecting and nominating directors on our Board, and for succession planning of our Company's directors. In assessing a candidate's suitability and the potential contribution to our Board, our Nomination Committee would consider a number of aspects, including the candidate's reputation for integrity, his/her professional qualifications and skills, accomplishments and experience and Board diversity considerations (see Diversity Policy below). Our Nomination Committee will identify, consider and recommend suitable individuals to act as directors on our Board, and make recommendations to our Board on the appointment or re-appointment of directors and their succession planning.

Notwithstanding, the ultimate responsibility for selecting and appointing directors rests with our entire Board.

Board diversity policy

Our Company has adopted Diversity Policy that sets out our approach to achieving diversity of members on our Board. We embrace the benefits of having a diverse Board and view diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive edge and enhancing our ability to attract, retain and motivate employees. In identifying and selecting suitable candidates to serve on our Board as Directors, our Nomination Committee would consider a number of aspects, including gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Nomination Committee will discuss periodically and when necessary, agree on measurable objectives for achieving diversity, including gender diversity, among our Board members as recommendations proposed to our Board for adoption. At present, our Board has not set any measurable objectives.

The Nomination Committee will review our Diversity Policy as appropriate from time to time to ensure its effectiveness.

Dividend policy

Our Company has adopted Dividend Policy, which aims to increase or maintain the value of dividends per Share, to provide reasonable return in investment to investors, and to allow Shareholders to assess its dividend pay-out trend and intention.

Pursuant to our Dividend Policy, a dividend may only be declared and paid out of our Company's profits and reserves that are lawfully available for distribution (including share premium), and may not be declared and paid out if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Our Board has absolute discretion as to whether to pay a dividend, and alternatively, Shareholders may by way of ordinary resolution declare dividends provided that no dividend declared is in excess of the amount recommended by our Board.

The form, frequency, and amount of dividends declared and paid will depend on, among others, our Company's: (a) future operations and business prospects; (b) cash flow, general financial condition, and capital adequacy ratio; and (c) the availability of dividends received from subsidiaries, considering applicable statutory and regulatory restrictions (if any) and other factors that our Board considers relevant. At present, our Company does not have a fixed dividend payout ratio.

Our Board will continue to review and amend our Dividend Policy as appropriate from time to time.

Auditor's remuneration

We have appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as our Company's external auditor for FY2021. Our Auditor's reporting responsibilities for the financial statements is summarised in the "Independent auditor's report" prepared by them and set out at pages 106 to 109.

We set out below details of fees paid or payable to Deloitte for Deloitte providing audit and non-audit services to us during FY2021:

Services provided by Deloitte	Fees paid or payable (RMB '000)
Audit services	3,250
Non-audit services	1,310
Total	4,560

Company Secretary

Our company secretary is Mr. Cheung, a manager of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Cheung's primary contact persons at our Company are the head of investor relations (Ms. Helen SONG) and our executive Director and chief financial officer (Mr. Yin). During FY2021, Mr. Cheung has undertaken no less than 15 ours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Shareholders' rights

Pursuant to Article 58 of the Articles of Association, our Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Articles of Association. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

Communication with Shareholders and investors

Shareholders may send enquiries to the following:

Address:	Level 18, South Wing 2 Haidian East Third Road Haidian District Beijing, China
Attention:	Head of Investor Relations **The Board of Directors/Ms. Helen SONG**
Email:	songjie@koolearn.com

For shareholding matters, or transfer of Shares, change of name or address, replacement of Share certificates, please write to our Hong Kong share registrar below:

Address:	*For change of name or address, replacement of Share certificates, or other enquiries* Level 17M, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong *For Share transfers* Shops 1712–1716, Level 17, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Attention:	Computershare Hong Kong Investor Services Limited
Telephone:	+852 2862 8555
Email:	hkinfo@computershare.com.hk

To requisition a general meeting:

Address:	Level 40, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Attention:	Koolearn Technology Holding Limited **The Board of Directors/Mr. CHEUNG Kai Cheong Willie**
Other:	The requisition must be duly signed by Shareholders who hold at least one-tenth of our Company's paid up capital that carries voting rights at our Company's general meetings. The requisition must include notice or statement, or enquiry (as the case may be), and Shareholders are to provide their full name, contact details and identification in order to give effect to the requisition. Shareholders' information may be disclosed as required by law.

We believe that effective communication with Shareholders is essential to maintaining our relationship with investors and enhancing investors' understanding of our business performance and direction. We endeavour to maintain an on-going dialogue with Shareholders, and in particular, through annual general meetings and extraordinary general meetings.

During FY2021 and up to the date of this annual report, we have not made any changes to our Articles of Association. The current version of our Articles of Association is available for viewing on our website (www.koolearn.hk) and the Stock Exchange's website (www.hkexnews.hk).

Environmental, Social and Governance Report

Information about the Environmental, Social and Governance ("ESG") Report

ESG reporting scope:

This report covers Koolearn Technology Holding Limited (the "**Company**") and its subsidiaries (together, the "**Group**"). This report has the same reporting scope as the report for FY2020. For easy reference and reading, "Company", "we", "us", or "our" shall also refer to the Group in this report.

Reporting period:

This report is released annually, covering the period from 1 June 2020 to 31 May 2021. Certain content may be beyond the aforesaid reporting period for illustrative purposes.

Basis for preparation:

This report was prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "**Listing Rules**") and with reference to standard requirements including the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative.

Reporting principles:

Materiality: The materiality of our ESG issues is determined by the Board. The process of stakeholder communication and identification of material issues and the materiality matrix are all disclosed in this report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and sources of conversion factors are all explained in the definitions of the report.

Balance: This report shall provide an unbiased picture of the environmental, social and governance performance of the Group during the reporting period. It should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment of report readers.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

Description of data:

Unless otherwise stated, the amounts in this report are denominated in Renminbi ("**RMB**").

Form of publication:

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ESG Strategy and Governance

- ### ESG Management System

The Group attaches great importance to ESG related work and the potential impact of ESG risks on the Company, improves ESG related issues every year through ESG risk identification, macro policies and hot topics, and the results of stakeholder communication, and evaluates the importance of issues through stakeholder research, expert evaluation and other methods, so as to clarify the ESG priorities of the Company.

The board of directors of the Group is responsible for the management and decision-making of ESG disclosure and ESG-related matters, as well as the implementation of policies. It includes assessing ESG-related risks and opportunities, ensuring the effectiveness of ESG and setting up an internal control system, formulating ESG-related management strategies and goals, reviewing material ESG issues, monitoring the implementation of ESG-related work, reviewing and approving information disclosures in the ESG reports, as well as proposing the objectives and suggestions for ESG work in the next year. The report is published upon review by the Board.

The Group has established an ESG working group led by our Investor Relations Department, members of which include the senior management and the person-in-charge of ESG issues in each department. The ESG working group is responsible for performing and facilitating ESG works, including the establishment and updating of the ESG indicator system, the evaluation and determination of the Group's exposure to environmental, social and governance risks, the formulation and implementation of corresponding measures, etc. In addition, the ESG working group regularly reports to the board of directors, and the board of directors assumes ESG risk responsibilities and implements active and effective management based on the content of the report.

For more details of the Group's corporate governance, please refer to the Corporate Governance Report of our 2021 Annual Report.

The board of directors	Responsible for reviewing ESG reports, identifying ESG risks, and reviewing ESG strategies.
The management	Responsible for reviewing related matters raised by the ESG working group and reporting to the board of directors.
Business departments	Form an ESG working group, and designate a department as the docking person for ESG work, participate in daily training and learning, and provide relevant materials.

- ### Stakeholder Communication

The Group considers stakeholder communication to be an important method for improving ESG works. The Group has respected the opinions of stakeholders and maintained constant communication with stakeholders. Diversified communication channels have been established for the purposes of understanding stakeholders' expectations and demands and providing timely responses to stakeholder feedback. We have prepared a stakeholder communication chart from the perspective of sustainable development to provide a basis for the identification of material issues of the Group.

Stakeholders	Expectations and demands	Communication channels
Government and regulatory authorities	• Compliance with laws • Payment for tax pursuant to laws • Support to economic development • Cultivation of teaching talents • Protection of intellectual property rights • Anti-corruption • Green development	• Regular communication • Regular report and information disclosure
Shareholders	• Compliant operation • Return on investment • Corporate governance • Risk control • Corporate development strategies	• Regular report and information disclosure • Investor meeting • Results press conference • Results roadshow • Official website • Teleconference
Customers	• Information security and privacy protection • Well-qualified teacher team • High-quality courses and services • Protection of customers' rights and interests	• Communication during daily service provision • Customer satisfaction survey • Official website • Customer service hotline and platform
Suppliers and business partners	• Fair and open procurement • Win-win cooperation	• Public tender • Satisfaction survey • Supplier meeting • Routine communication
Employees	• Protection of employees' rights and interests • Salaries and benefits • Career development and training	• Regular meeting • Staff training • Employee care event • Web portal, WeChat official account, etc.
Community and media	• High-quality educational resources • Promotion of universal education • Public welfare in the community	• Public media • New media platform • Press conference • Public welfare and charitable event
Environment	• Energy conservation • Reduction of emissions	• Green office • Environmental information disclosure • Environmental promotion event

- ## Identification of material issues

In accordance with the *ESG Reporting Guide* and international standards, focusing on relevant ESG issues, starting from the two dimensions of "importance to the company" and "importance to stakeholders" and through the assessment of important ESG issues related to our business, the Group selects 21 issues of concern by stakeholders and forms a matrix of material issues (see the figure below) as the basis for ESG concern and disclosure of the Group.

In the definition and screening stage

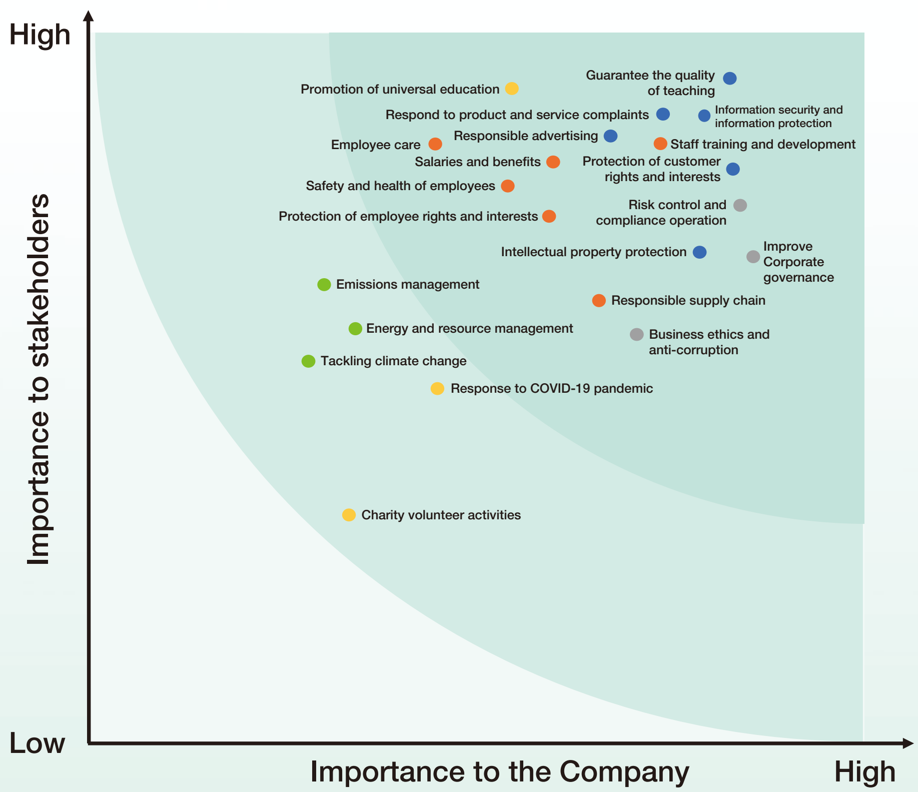
Combining industry policies and hot spots, company strategies, etc., experts analyze and screen out sustainable development issues for stakeholder research.

In the questionnaire survey stage

Through online questionnaires, questionnaires were sent to various stakeholders, and a total of 134 valid questionnaires were collected.

In the analysis and evaluation phase

Combining the feedback from the questionnaire, prioritize sustainable development issues, and synthesize the opinions of experts and related personnel to obtain a matrix of material issues.



Matrix of material issues of Koolearn Technology Holding Limited

1. Building Harmonious Ecology

1.1 Emission management

The Group mainly focuses on the online education industry and does not involve large-scale production and pollutant emissions. In strict compliance with *the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (revised in 2020)* and *the Directory of National Hazardous Wastes (Version 2021)* (《國家危險廢物名錄》(2021年版)) and other national laws, regulations and policy requirements, the Group measures the environmental performance in the course of business operations in an all-round way, controls and reduces resource use from the source, so as to reduce the generation of emissions and the emission of greenhouse gas, and vigorously promote green and sustainable development.

During the reporting period, the Group was not involved in any major incidents of violation of laws and regulations in connection with environmental and ecological issues.

Management of greenhouse gas emissions	Our greenhouse gas emissions mainly arise from the daily use of electricity by offices, outsourced heat used for office heating and indirect greenhouse gas emissions from business travel. The Group does not own or control any direct emission sources such as vehicles, generators and gas cookers, and neither does it use fuels such as coal, gasoline, diesel, natural gas, etc. Hence, there is no direct greenhouse gas emissions. We have taken multiple measures to reduce indirect greenhouse gas emissions during our operations: ➢ We reduce the use of freon refrigeration equipment and replace air-cooled and water-cooled air conditioners. ➢ We proactively promoted working from home by utilizing video conferences and teleconferences, which resulted in fewer business by employees and thereby reduced greenhouse gas emissions generated from business travel. ➢ We encourage employees to take public transport.
Management of wastewater discharge	Our wastewater discharge only involves domestic sewage produced from day-to-day office operation, which we are not authorised to directly deal with and which fall under the centralised management of municipal governments. Moreover, we enhance the management of water resources in offices to minimise waste and actively implement water-saving measures to reduce the generation and discharge of sewage.

Management of hazardous wastes	The hazardous wastes generated in the course of our operations mainly includes all kinds of obsolete electronic equipment arising from the day-to-day operation of offices, including servers, computer mainframes, monitors and laptops as well as toner cartridges and ink cartridges used for printers. We take the following measures to manage hazardous waste generated during our operations: ➢ Waste electronic equipment such as waste lamps, batteries, toner cartridges, etc., should be stored in designated places, and obvious signs should be set up in the storage places. In addition, purchase rechargeable batteries that can be recycled to reduce the generation of hazardous waste. ➢ We develop a fixed asset recycling system, and actively recycle used computer monitors, memory sticks, and hard disks that do not involve confidential information.
Management of non-hazardous wastes	The non-hazardous waste generated is mainly office waste paper and general household waste generated in the daily office operations. We hand over packaging materials, waste cartons, waste paper, etc., to the property management company for centralised processing, and strictly implement garbage classification management. We encourage the reduction of non-hazardous waste through electronic office and the reuse of paper.

Key performance table — Emissions:

Indicators	Unit	FY2021	FY2020	FY2019
Office sewage discharge	(m^3)	**11,006.38**[1]	1,735.70	1,348.95
Scope 2: Greenhouse gas emission from indirect sources	(tCO_2e)	**2,490.41**[2]	1,293.56	1,440.55
Total greenhouse gas emission	(tCO_2e)	**2,490.41**[3]	1,293.56	1,440.55
Greenhouse gas emission per capita	(tCO^2e/person)	**0.22**	0.09	0.23
Generation of electronic waste	(kg)	**3,797**	3,533	6,906
Disposal of obsolete microcomputer (mainframe)	(quantity)	**139**	125	265
Disposal of obsolete monitors	(quantity)	**60**	128	348
Disposal of obsolete laptops	(quantity)	**102**	57	84
Disposal of obsolete servers	(quantity)	**0**	0	78
Disposal of obsolete printers	(quantity)	**2**	14	6
Disposal of obsolete toner and ink cartridges	(quantity)	**1,338**	1,180	450
Disposal of other obsolete electronic equipment	(quantity)	**93**	40	146
Generation of electronic waste per capita	(kg/person)	**0.33**	0.26	1.11
Use of office paper	(tonne)	**33.2**	14.12	21.06
Use of office paper per capita	(kg/person)	**2.89**	1.03	3.38

1 The volume of sewage discharge is calculated according to the amount of water used. The sewage discharge coefficient is based on *GB50318-2017 National Standard for Urban Drainage Works Planning Specification of the People's Republic of China* and relevant documents of the National Bureau of Statistics of the People's Republic of China. Before FY2021, the water used in the office area of Koolearn is included in the statistics of the property fee and will be directly processed by the Company from FY2021. In addition, in FY2021, office areas and campuses have been added by the company, so sewage emissions have increased significantly.

2 For grid emission factor used for scope 2 calculation, refer to the China regional grid emission factor (2019) newly released by the Department of Climate Change Response of the Ministry of Ecology and Environment of the People's Republic of China. Before FY2021, the electricity consumption of the Koolearn office area is included in the statistics of the property fee, and will be directly handled by the Company from FY2021. In addition, greenhouse gases generated by use of electricity increased as the Company added office areas and campuses in FY2021.

3 Greenhouse gas measurement is based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and Fifth Assessment Report 2013 of Intergovernmental Panel on Climate Change (IPCC), etc. Our greenhouse gas emissions are mainly derived from the electricity used in daily offices, the purchased heat used for heating of office area, and the indirect greenhouse gas emissions generated during business travel.

Indicators and targets:

Scope 3: Business trip and commuting emission reduction target	Starting from FY2021, we gradually increase the utilization rate of the online meeting system and reduce employee trip due to meetings.
Hazardous waste reduction target	Taking FY2021 as the base year, by FY2022, all batteries used in the live studio equipment will be replaced with rechargeable batteries.
Non-hazardous waste reduction target	Taking FY2021 as the base year, by FY2025, the replacement rate of printer cartridges will reach 80%.

1.2 Conservation of resources

In strict compliance with *the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China* and other national laws, regulations and policies, the Group strictly formulated the "Office Environment Management Standards", advocated water and power conservation, improved resource utilization efficiency, and actively implemented the work of energy conservation and emission reduction. The resources involved in the use of the Group are mainly electricity used in daily office operations, purchased heat used in office space heating, and water resources from municipal water supply sources.

During the reporting period, the Group was not involved in any material incidents of violation of laws during use of energy and water resources.

Energy conservation	➢	We replace and use the high-efficiency energy-saving lamps and eliminate ordinary incandescent bulbs; reasonably adjust and control the switching time of lighting in public areas to reduce ineffective power consumption.
	➢	We use the air conditioner reasonably; do not turn on the air conditioner under normal weather in spring and autumn; and follow the State Council's regulations on setting the air conditioner temperature in public places, not lower than 26 degrees in summer, not higher than 20 degrees in winter. We formulate the air conditioner opening standards in summer and winter, as well as upper and lower limits of cooling/heating temperature, and it is strictly forbidden to turn on the conditioner when there is no one indoors. In addition, the self-built air conditioner and the property building air conditioner are distinguished to reduce unnecessary power consumption.
	➢	We reduce the power consumption and standby energy consumption of electronic office equipment, reasonably turn on and use electrical equipment such as computers, printers, copiers, scanners, and fax machines, and turn off the power when off work to prevent standby of electronic office equipment.
	➢	Renting data centers strictly implement the *Guiding Opinions of the Three Departments on Strengthening the Construction of Green Data Centers* (《三部門關於加強綠色數據中心建設的指導意見》) of the Ministry of Industry and Information Technology, adopt energy-saving refrigeration equipment and other technical methods to save energy, and build green data centers.
Water conservation	➢	We put up water conservation slogans in office area, toilets, pantries, etc. to enhance the water saving awareness of employees.
	➢	We strengthen the daily inspection, maintenance and management of water equipment, and deal with water leakage in a timely manner to prevent the waste of water resources caused by equipment damage.
Paper saving	➢	We actively promote paperless office and build online management systems and platforms to reduce paper used during the review and approval process.
	➢	We advocate saving paper. In addition to confidential documents and materials related to customer information, we promote double-sided use of paper, and requires employees to separate reusable paper from white paper.

Key performance table — Use of resources:

Indicators	Unit	FY2021	FY2020	FY2019
Total electricity consumption	('0,000 kWh)	**339.72**[1]	161.46	185.97
Consumption of outsourced heat	(million kJ)	**1,575**	1,419.22	1,093.56
Comprehensive energy consumption	(tce)	**471.27**[2]	246.90	265.90
Comprehensive energy consumption per capita	(kgce/person)	**41.05**	17.92	42.65
Total water consumption	(tonne)	**12,949**[3]	2,042	1,587
Water consumption per capita	(tonne/person)	**1.13**	0.15	0.25

1 Before FY2021, the electricity consumption of the Koolearn office area is included in the statistics of the property fee, and was directly handled by the Company from FY2021. In addition, in FY2021, office areas and campuses have been added by the company, so electricity consumption has increased.

2 The conversion method of Energy Statistics of the National Bureau of Statistics of the People's Republic of China shall be adopted for the comprehensive energy consumption. In FY2021, the comprehensive energy consumption data has increased significantly, due to the increase in electricity consumption.

3 Before FY2021, the water used in the office area of Koolearn is included in the statistics of the property fee and was directly handled by the Company from FY2021. In addition, in FY2021, office areas and campuses have been added by the Company, so the total water consumption has increased.

Indicators and targets:

Electricity reduction target	We intensify the innovation and promotion of energy-saving technologies, and use LED energy-saving lamps in all office areas to reduce corporate energy consumption.

1.3 Environmental protection concept advocacy

In the daily operation process, the Group promotes the concept of green environmental protection to employees through various channels such as DingTalk Group, official account, and email. We added slogans in the stairwell to encourage employees to reduce the use of elevators and go up and down by the stairs; we post signs for turning off equipment in the meeting room to encourage employees to save electricity; we add color signs corresponding to different color switches on each row of lighting in the office area, to help employees shut down unnecessary equipment reasonably.

1.4 Tackling climate change

Responding to climate change has become a global consensus. The Chinese government has put forward the climate action goal of "striving to reach the peak of carbon dioxide emissions by 2030 and striving to achieve carbon neutrality by 2060". The Group attaches great importance to climate change, strengthen energy-saving renovation, attaches importance to the management of suppliers' environmental risks, and improves the ability to respond to climate change.

Type of risk		Response strategy
Transformation risk	Policy and legal risks	➢ We actively obtain policy trends and incorporate them into the company's long-term planning in a timely manner.
	Technology risk	➢ We reasonably plan the use and replacement time of high-energy-consuming equipment; we study and optimize equipment energy-saving renovation plans to further reduce equipment energy consumption.
	Market risk	➢ We incorporate energy consumption factors into product optimization plans to reduce product energy consumption; we obtain timely information on prices from suppliers and companies, and actively optimize products to reduce cost pressure.
	Reputation risk	➢ We actively abide by the relevant policies and requirements of sustainable development to protect the company's reputation; and obtain timely external evaluations to solve and respond. ➢ We attach importance to supplier sustainability management and strengthen supplier sustainability related training.
Physical risk	Acute risk	➢ Based on the frequency and scale of extreme weather in the region, we strengthened building safety assessment and inspection, and formulated relevant emergency plans.
	Chronic risk	➢ We timely monitor the time spent on cooling equipment and evaluate the cost impact of increased energy consumption.

2. Improving Professional Services

2.1 Provision of high-quality services

The Group is a leading online education service provider in China. 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. The Group strives to provide first-rate education services to all students in strict compliance with *the Law for Promoting Private Education of the People's Republic of China, the Opinion on Supervising After-school Tutoring Institutions of the General Office of the State Council* and other laws and regulations. By strengthening the management of the teaching platform, optimizing the quality of teaching, and creating a positive marketing environment, we provide high-quality services to users.

- **Management of the teaching platform**

  Focusing on user experience, the Group have formulated the Comprehensive System & Procedures for Koolearn Platform Quality Management, under which we specify clear rules and policies and implement systems to enable the stable operation of the online platform and ensure the course videos play smoothly, so that users are able to have a high-quality learning experience.

Ensure the stability of the platform	➢ We adopt ISO9001 quality system standards as the quality assurance basis for our platform development. All-inclusive quality management standards covering the entire process and involving all staff are adopted during platform development. ➢ The product platform is embedded in the management and surveillance backstage, enabling comprehensive monitoring of the server, operational system, middleware and applications from the operation level and application level. Operation and maintenance staff and developers are able to access a wide range of monitoring services, which effectively reduces the risk of failures and speeds up our handling of incidents. ➢ The platform adopts a sophisticated multi-layer service-oriented distributed architecture, which ensures that the platform maintains strong stability and load capacity during peak access times as the access level, service level and data level may be quickly expanded.
Guarantee the quality of recording	➢ We reserve a live streaming room for each teacher before the class. Thematic video courses are recorded in a professional studio equipped with professional photography equipment and specialists. Teachers will conduct rehearsals before the official recording, based on which the video team will adjust the recording environment and parameters. In the official recording, professional camera operators will monitor the whole process to ensure the quality. ➢ During the course recording process, technicians and educational administration staff supervise the whole process to ensure the smoothness, allowing students. ➢ After the course is recorded, we manage the cue events and review the course content. For content whose quality is not up to standard, we require re-recording or supplementary recording. After the edited video is tested and reviewed by the product staff, it enters the online process.

- **Control of teaching quality**
  The Group insists on taking teaching products and teaching quality as the core, centering on the cyclic rhythm of "preparing lessons-grinding classes-recording courses", constantly polishing the quality of teaching content, insisting on providing the highest quality teaching content, and strictly controlling the quality of teaching materials and teaching plans; We have established strict teacher selection and recruitment standards, and created diversified training channels to ensure high-quality teacher resources and teaching quality; we have formulated the Code of Conduct for Tutor Centres to further clarify the services standards before, during and after class, and improve the quality of course services.

Teaching products	**Selection of course topics:** Our selection of course topics is based on the overall product planning and market demand. The topics are determined upon discussion, elimination and narrowing down. **Course planning:** The syllabus and curriculum are formulated by the teaching department. Teachers prepare lessons, design teaching processes and produce courseware according to the curriculum framework, course features and subject rationale. The curriculum framework is subject to inspection and verification by the educational administration team. **Teaching materials and teaching plans:** The compilation of teaching materials follows the *Regulations on Book Quality Management*, after multiple rounds of polishing and verification, and strive for rigour. We have developed multiple sets of teaching and research materials systems for students of different levels, stages, and goals. We formulate the registration standards for proofreading errors and implement multiple rounds of cross-checking. It is strictly prohibited to exceed the standard to teach content. We standardize the wording of teaching materials, and cooperate with qualified publishing companies to standardize the printed pictures and words, and strictly control the quality of teaching materials.

Teaching staff	**Optimizing the teacher management system:** We formulated the *Teacher Guidance Manual* to optimize the teacher salary system, teacher performance promotion rules, teacher behavior standards, and use of live broadcast rooms. **Teacher selection and recruitment:** We establish strict teacher selection and recruitment standards, and create multi-faceted training channels to ensure high-quality teacher resources and teaching quality. At the same time, we strictly review the information of in-service teachers to ensure that subject teachers are qualified as teachers. The Company has a complete teacher assessment system, and regularly conducts teaching quality assessments for all teaching teachers, and we conduct teacher job evaluation through the display and evaluation of teaching levels. **Trainings for teachers:** These trainings include pedagogical R&D training and time-sensitive trainings. Upon receiving training conducted by the pedagogical R&D team of the subject and through continuous improve classes grinding and recording, teachers produce content with their own personalised features. One to two sessions of time-sensitive training are arranged every week to nurture a teacher team with integrated qualities and comprehensive development. The training content includes current changes in the development of the education and training industry, personal development direction and planning of teachers, etc. **Review of course quality:** We assess the teaching level and student management of teachers by reviewing the course video playback and provide guidance and feedback accordingly. The teaching ability and teaching administration of teachers are effectively improved to create a comfortable and efficient classroom experience for students.

Case: Koolearn won the "2020 User Trusted Education Brand" of NetEase Education Golden Wings Award

As the first batch of professional online education platform in China, Koolearn has been committed to using teaching products and technological tools to break the limitations of time, space and scenes of learning, and ultimately empower users for lifelong learning. With high-quality brands, strong teachers, high-quality teaching and research, and the combination of cutting-edge technology and education, we have gradually established a good user reputation. On 1 December 2020, at the 12th NetEase Education Golden Wing Award ceremony, we won the "2020 User Trusted Education Brand" award, which shows the trust and recognition of our users and industry experts. In the future, we will continue to adhere to the original intention of education, constantly update, iterate, improve and optimize teaching and research products, focus on the training and empowerment of high-quality teachers, and continuously improve the online learning experience of students, and bring high-quality educational resources to students in more regions.

- **Responsible marketing**

  The Group strictly complies with *the Advertisement Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests,* and *the Trademark Law of the People's Republic of China* and other laws and regulations, uniformly design various promotional materials, reasonably regulate advertising and publicity, and eliminate false publicity. At the same time, we formulated the *Quality Monitoring of Marketing Services* to strictly regulate admissions behavior, penalize violations, and create a fair, healthy and positive sales environment.

Uniform product pricing	We set up product pricing procedures in accordance with relevant national standards, implement national unified pricing, and uniformly formulate various preferential policies and discount standards to ensure a uniform, open and transparent product pricing.
Ensure reasonable publicity	We strictly self-examine the content compliance matters to ensure that promotional materials strictly comply with *the Advertisement Law of the People's Republic of China*, without sensitive information, and strictly abide by the red line of compliance. **Promotional materials control:** In order to ensure the consistency of product information transmission across the country, all kinds of product brochures, display racks of brochure, and online and offline activities to provide customer services are uniformly designed and produced by the Company. **Advertising management:** We strictly abide by *the Advertisement Law of the People's Republic of China* and *the Advertising Management System of New Oriental Education & Technology Group Inc.*, and establish an advertising approval and content verification system to ensure that the content, form, specification, and cycle of advertising meet the requirements. Advertisements need to go through layers of review before they are launched, and after its release, we organize regular inspections every day. **Compliance promotion and training:** The Company organizes all relevant employees to participate in the training and examination of relevant laws and regulations to ensure that employees understand the relevant policies and systems for responsible marketing.
Control the quality of marketing services	We formulated *Marketing Service Quality Control-Koolearn Integrated Marketing Center's Behavior Management Specification V2.0 of sales consultant* to punish illegal sales behaviors and create a fair, healthy, and positive sales environment.

- **Customer communication and complaint handling**
  The Group adheres to the core value of honesty and responsibility, deeply understands customer needs, communicates with students through multiple channels, and continuously optimizes and upgrades products and services based on feedback. We have continuously improved our complaint response and handling capabilities, formulated and issued *the Customer Complaint Management System of Koolearn*, established a complaint handling mechanism, strengthened the service awareness of operations and teaching teams, and improved customer satisfaction.

Customer communication channels

Online	**Questionnaires:** We understand the needs of students in the preparation stage before class. We pay attention to the satisfaction level and feedback of parents and students in the conclusion stage of the course, which aim to improve the courses and services in the next level. **Course consultant:** We help to develop suitable study plans and course plans according to the students' own situation. **Phone survey:** We utilise one-to-one phone surveys to shorten the distance between teachers and parents and students, understand the satisfaction level of customers towards their experience and help student solve problems. **WeChat official account:** We establish a variety of communication channels for students and parents, and publish information related to study consultation, activity promotion, production introduction, etc. through our WeChat official account.
Offline	**Parent meetings:** Face-to-face meetings with parents are conducted to discuss the basic information of teachers, analyse tests and learning performances as well as common questions and solutions. **Offline meetings:** We meet with parents and students on a one-to-one or one-to-many basis for discussion of learning performance, formulation of study plans, analysis of test papers, interactions, etc.

Customer complaint handling

Establishing of a complaint mechanism	➢ We have established a "Voice of Customers" handling mechanism to analyze user complaints and other related issues, and feedback the results to relevant departments in a timely manner to optimize products and services. ➢ We set up a problem solving and complaint center to regularly summarize problems and solutions, and put forward solving suggestions for problems.
Smooth complaint channels	➢ Service hotlines ➢ Complaint emails ➢ Website messages and official public account message ➢ Online feedback on the course page ➢ Third-party complaint platforms such as the Industrial and Commercial Bureau/12315 Platform/Education Committee/Black Cat Complaint
Responding to customer complaints	➢ For those who can respond or handle on the spot, the complaint handler is required to respond or handle directly on the spot. ➢ For those who cannot respond or handle on the spot, the complaint handler is required to feedback the investigation and handling results of the complaint to the complainant within 24 working hours. ➢ For complaints caused by a third party (such as document delivery, etc.), the complaint handler will immediately communicate with the third party and handle expeditiously. ➢ If the complainant's request does not comply with laws, regulations, rules and policies, the company shall timely verify with the legal department of the company, and explain with the client. ➢ Detailed records of complaints that have been processed are available for inquiry.

2.2 Protect customer privacy and information security

The Group pays significant attention to information security and improves our data security through multiple protective measures to safeguard the security of confidential information of customers. In strict compliance with *the Law on the Protection of Consumer Rights and Interests of the People's Republic of China, the Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks, the Provisions on Protecting the Personal Information of Telecommunications and Internet Users* and other laws and regulations, we duly carry out information security related works, put in place accountability for information security and establish a sound management system, and pass the ISO27001 information security management system certification and the three-level evaluation of network security level protection. We have formulated internal policies, such as *the Regulations on Data Security Management, Measures for Management and Protection of Information Security and Privacy Protection Policy of Koolearn*, which requires the receivers and users of data to comply with national laws and regulations, and the requirements on data security and confidentiality of the Company. We have taken reasonable and feasible security measures to protect personal information provided by users and prevent data from unauthorised access, public disclosure, use, modification, damage or loss.

Ensuring the safe operation of the network	➢ We establish firewalls, network security isolation and secure routing protocol to prevent malicious code injection, prevention and control tool scanning and hacker tools. ➢ A dual-computer backup mechanism is established for the website information service system, which ensures that the standby system can replace the main system in time and provide services when the main system can not operate normally due to failure or attack. ➢ The website provides centralised authority management, which sets access authority, corresponding password and passcode for different application systems, terminals and operators. The authority of the operator is set in strict accordance with the post responsibilities, and the authority of the operator is checked regularly by the website system administrator. ➢ Intranet VPN is used in the core system for encrypted access. We have strict approval processes for activation and deactivation of authorisation, control the export of data, and we encrypt key information.

Protect user privacy	**Data security management:** ➢ When writing customer information into the database, the application system should perform field-level encryption on sensitive data (especially contact information). ➢ Sensitive data is transmitted after encryption. Measures are taken to protect systems that store sensitive data in the aspects of network, application and data, especially those involving personal information and data of customers or employees. ➢ Databases storing sensitive data are included in the database security audit and monitoring system. Access and operation of the databases is subject to security audit and monitoring. **Information security management:** ➢ A sound information security and confidentiality management system is established to realise an accountability policy for information security and confidentiality and enhance the security awareness of teachers who shall spontaneously abide by the relevant rules of the Company and not divulge or disseminate customer information. ➢ All information on the website shall be reviewed and approved by the leader in charge before release. The staff shall strictly abide by the relevant laws, regulations and relevant regulations of the state when collecting information. It is strictly prohibited to disseminate information explicitly prohibited by relevant laws and regulations such as *the Measures for the Management of Internet Information* through the Company's website and short message platform. ➢ The data is classified according to importance and sensitivity, and the user's personal information is guaranteed to have the highest level of security. Strict access control and monitoring mechanisms are set up, and special access control measures are set up for cloud-based data storage. ➢ Security and privacy protection training courses were held to strengthen employees' awareness of the importance of protecting users' personal information.

2.3 Strengthen product innovation research and development

The Group pays great attention to product innovation, continues to optimize the innovation incentive mechanism, encourages employees to continuously introduce more products and services, strives to create a corporate atmosphere that encourages innovation, and jointly promotes the upgrading of our products and technical services.

- **Innovation system**

  We add innovation modules to performance setting and result evaluation, and give material and non-material rewards to employees for their innovation achievements; by adjusting the organizational structure, we increase internal integration, and encourage cross-departmental cooperation and innovation; at the same time, we set up innovation and cooperation incentives, organize internal innovation competitions such as "1024 Programmer Festival", and hold activities with the government, the central mainstream media and colleges and universities to encourage college students to innovate and develop in an all-round way in their study and life.

- **Innovative achievements**

Educational Administration working platform	As an internal working platform, it covers three modules: communication efficiency tools, management tools, and scene tools to help teachers provide better services to students. The entire system covers the overall course cycle such as taking over the class, setting up courses and starting of classes, connecting the upstream and downstream systems of production and research, and jointly providing online system services for online courses.
Smart-T	As a communication tool between the business service team and the customer, it carries support for the operational capabilities of multiple business teams in full communication scenarios. It includes intelligent multi-scenarios, multi-label screening of user groups for group transmission; full-scene data indicator board, showing the class states of attendance and finishing; intelligent for one-click group building, one-click adding friends, one-click changing group announcements and other functions.
Live classroom	There are currently four main live broadcast classroom scenes: sitting live broadcast with three-part-separated screen, group interactive live classroom, standing live broadcast with half-length screen, and full-body green screen live broadcast. As a core teaching platform, it helps the lecture team to teach better and the tutor team to provide better services, so that students can understand and master classroom knowledge.
Study room	It mainly includes five functions: video for all members, mic on stage, sharing window, self-study mode and independent tutoring. Through the study room, the learning efficiency of students is improved.

- **Intellectual property protection**

  The Group paid attention to the protection of intellectual property rights, strictly abided by *the Trademark Law of the People's Republic of China, Implementing Regulations of the Trademark Law the People's Republic of China, Rules for the Implementation of the Trademark Law of the People's Republic of China, Copyright Law of the People's Republic of China, Regulations for the Implementation of the Copyright Law of the People's Republic of China, Patent Law of the People's Republic of China, Implementing Regulations of the Patent Law of the People's Republic of China, Opinions on Strengthening the Protection of Intellectual Property* issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council and other national laws, regulations and policies, formulated and implemented *the Confidentiality Classification and System, Trademark Management Measures, Patent Management Measures, Copyright Management Measures, Intellectual Property Management System, Intellectual Property Reward and Punishment System* and *Intellectual Property Confidentiality Agreement* and other systems, and fully protected the intellectual property rights of all partners.

  We established an internal control system for intellectual property rights, and signed *the Agency Agreement on Network Infringement Governance and Rights Protection Service* with a third-party brand management agency. In order to monitor and manage the network infringement information owned by the Group, we established the procedures for discovering and executing the infringement of intellectual property rights to promptly detect and monitor the infringement of intellectual property rights and protect the intellectual property rights of the company.

  In order to strengthen the use and management of genuine fonts and genuine pictures, we purchased copyright galleries and fonts. We fixed inspectors for each product, and conduct security checks on every picture drawn, each content and font used. If it is found that there is a risk of infringement or may violate relevant laws, it shall be replaced or withdrawn immediately.

Key performance table — Product and service responsibilities:

Indicators		Unit	FY2021	FY2020	FY2019
Number of customer complaints		(case)	**725**	617	435
Percentage of customer complaints being handled		(%)	**100**	100	100
Service satisfaction		(%)	**99**	95	96
Number of members of the R&D team		(person)	**737**	956	437
R&D expense		(RMB million)	**444**	317	148
Percentage of R&D expense over operating income		(%)	**31**	29[1]	16
Number of patent application		(case)	**1**	1	2
Number of institutions in partnership with Koolearn Education Cloud		(quantity)	**449**	567	568
Percentage of teachers by educational background	Bachelor's degree	(%)	**85**	74	—
	Master's degree and above	(%)	**15**	26	—
Percentage of teachers by nationality	China	(%)	**100**	99	—
	Other countries	(%)	**0**	1	—

1 The statistical caliber of the proportion of R&D expenses to operating income in FY2020 has been adjusted, excluding the teaching and research expenses in the research and development expenses, and only including the technology research and development expenses.

3. Excellent Employees

3.1 Protecting employees' rights and benefits

The Group is insisting on the "human-based" philosophy, maintaining and protecting every employee's legal rights and benefits, in strict compliance with *the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic China, the Implementing Rules of the Labour Contract Law of the People's Republic of China* among other laws and regulations, as well as internal regulations of the Group in respect of employment and employee's rights and benefits, to full protect employees' health and safety, and create good cultural environment for employees.

- **No forced labour or child labour**

  We sign the employment contract with employees through friendly negotiation in the principles of equality, autonomy and willingness, there is no detainment of worker's certificate, salary or other property, and there is no forced labour or other illegal act. In addition, we have developed *the Leave and Attendance Management System*, to provide lawfully for working hours, and strictly review overtime work, ensure employees' right to rest, not encouraging for overtime work. Within the reporting period, there is no child labour or forced labour or other act within the Group in breach of national or local laws, regulations and rules.

  We strictly follow the State Council's *Provisions on Prohibition of Child Labour, the Labour Law of the People's Republic of China* among other laws and regulations, strictly review the employees' information during recruitment, employment, induction and other process, requiring the applicants to show their valid personal identity certificates, ensuring no child labour, and meanwhile prohibiting the employment of underage or child labour.

- **Equal employment and diversification**

  We employ excellent talents under *the Recruitment Management System*, in strict compliance with *the Labour Law of the People's Republic of China*. In addition, we unify and standardize the employee recruitment process, without discrimination against ethnic group, race, gender, religion. In the job offer info and channel, there is no wording of discrimination, and in the actual interview and recruiting process, we fully respect the candidates, and enroll fairly, equally.

  Our recruitment process encourages the diversity of applicants, encourages the participants from different disciples and working background, or different nationalities. Meanwhile, in the talents training process, we will offer more diversified training programs and lessons, encourage cross-background exchange between employees, to ignite multilevel creativity.

- **Protection for employees' rights and benefits**

  We will further improve our performance examining and compensation distributing system, maintain social insurance policies in full for entire employees, improve their living conditions and protect their proper rights and benefits.

Remuneration system	➢ Develop *the Salary and Benefits Management System, the Leave and Attendance Management System* and other corporate regulations, establish a complete system of compensation and benefits for employees, to standardize for worker's pay, working hours and benefits. ➢ Set up a remuneration structure covering basic salary, subsidy and year end bonus etc., set up multilevel employees' salary hierarchy, perform a broadband system for every level of salary, and determine employees' salary according to their competence and experience, and regularly adjust the salary.
Working hours management	➢ Flexible working hour system: set up an irregular working system and a comprehensive working hour system according to the needs of employees. Employees can ask for pay or leave as the return on overtime work. ➢ Paid annual leave, marriage leave, bereavement leave, sick leave, personal leave, maternity leave, medical leave for employees at law; special holidays, such as Spring Festival holidays, for non-local employees.
Employees' benefits	➢ We make contributions to social insurances and housing provident fund for employees that have entered into labour contracts with us in accordance with laws and provide supplementary medical insurance to ensure their labour rights and benefits. Employees can also buy insurance policies for their children at a discount. ➢ Traffic subsidy, food subsidy and telephone subsidy.

Key performance table — Employment:

Indicators		Unit	FY2021	FY2020	FY2019
Total number of employees		(person)	**11,481**	13,777	6,235
Number of employees by type of employment	Full-time	(person)	**6,437**	7,094	1,690
	Part-time	(person)	**5,044**	6,683	4,545
Number of employees by age group	Below 30	(person)	**9,442**	11,910	4,882
	30–50	(person)	**2,030**	1,848	1,320
	Above 50	(person)	**9**	19	33
Number of employees by gender	Male	(person)	**3,670**	4,390	2,868
	Female	(person)	**7,811**	9,387	3,367
Number of employees by province	Beijing	(person)	**3,811**	4,490	6,192
	Tianjin	(person)	**253**	2,330	43
	Shandong	(person)	**526**	494	
	Hubei	(person)	**598**	1,666	
	Shaanxi	(person)	**838**	2,095	
	Henan	(person)	**788**	1,102	
	Other	(person)	**4,667**	1,600	
Number and percentage of employees by title	Staff	(person)	**10,172**	12,437	5,787
	Supervisor and manager	(person)	**1,230**	1,263	422
	Controller and above	(person)	**79**	77	26

- **Staff health and safety**

  We are paying high attention to staff health management and assurance, providing healthy and secure working conditions for them, taking care of their mental health, and prioritizing their health and safety.

  The Group works with governments in epidemic prevention and safety. During the high risk period of the pandemic, we postponed the resumption of work, and adopted the remote online office mode after resumption of work. In heavy rain and extreme weather, we'll adopt a flexible attendance office mechanism. In addition, employees will be vaccinated in a unified manner to reduce the risk of infection.

Staff occupational health	➢ Annual physical examination mechanism, to buy commercial medical insurance for employees, and mitigate the financial burden of sick employees. ➢ In addition to lawful annual leave and other holidays, we offer employees with extra 3-day paid sick leave every year, to fully ensure their physical health.
Staff security	➢ Set up a safety working group in every department, with accountability system. ➢ In group level, set up the emergency response coordination group and the safety work supervision group, led by the group CEO, to take charge of serious accident and emergency coordination, accountable for safety management and supervision. ➢ HR and Administration Department is the safety work governing and supervisory body of the Group, responsible for conducting safety management publicity and training, directing and supervising other departments to carry out safety management and establish the safety management emergency plan, and assist in accident handling. ➢ Brand team members keep communicating with local government and office area property management company, work with local infrastructure safety inspection, maintenance and related rehearsal. ➢ Regularly check fire safety and housing safety, timely identify and eradicate hidden risk. ➢ Regularly organize safety training, like earthquake, fire safety drills, safety equipment operation, first aid methods and practical operation etc., help employees to get familiar with safety management system, grasp first aid knowledge, learn to prevent, self-help, rescue, escape and emergency evasion among other methods and approaches. ➢ Propose flexible working hours or off-peak commuting, in rainstorm or other extreme weather conditions.

Key performance table — Health and safety:

Indicators	Unit	FY2021	FY2020	FY2019
Number of people suffered from work-related fatalities	(person)	**0**	0	0
Number of days lost due to work-related injury	(day)	**23**[1]	23	0

3.2 Staff development support

We are persisting in growing with employees, taking care of staff developmental demands, paying great attention to staff career planning, and making great efforts in talents growth system construction, to provide a broad platform for staff to realize their own values.

- **Diverse staff training**

  We have established *the Training Management System*, and *Administrative Measures for New Employee Training* among other regulations, set up a fully inclusive, specific, planned, comprehensive, diverse and tracking hierarchic training system, to provide pre-job, on-job, transfer and promotion training in a full process for both management team and staff.

Management training	Provide management team with training on managerial ability, personal culturing, leadership art, CEIBS programs and others through overseas assignments, visits, study tours, book borrowing, etc. such as training for junior, intermediate, and senior managers, striving to enhance the sustainable development of various business units, and facilitate the establishment of an excellent leadership team of the Group.
Teachers training	Provide teacher qualification training, teaching skills training, content development training, demonstration lesson training and required lessons training for new teachers; and provide various specially designed training programs for senior teachers, converting their roles from teaching to new teachers training and development.

1 In FY2020, an employee suffered from bone fracture in fall during a staff outward bound activity, and he had two surgical operations in FY2020 and FY2021 respectively, which were already certified as work-related injury, and filed a social insurance claim.

General force training	Provide entire staff with regular practicable training, conduct professional skills & knowledge, general skills and knowledge and practicing qualification training by internal and external lectures, such as office software training, vocational training, communication skills training, time management training etc., so that employees will have a fast understanding of the Group's products and business operations, increase their working efficiency; on the other hand, we support and encourage personal further study, and organize professional qualification and other training by means of qualification, examination, industrial meeting, seminar and others.
Trainings for new employees	Establish the tutor training system, to provide orientation, vocational and job position for new employees through interview training, outdoor expansion, online training, cultural sand table, cultural development and others.

Case: "Spotlight training（聚光燈培訓）" plan

We build the "Spotlight training" plan for managers, trying to improving their competence from the perception of management system to the implementation. The program is phased in five stages, namely: in-group integration, theoretical lecture, practical implementation, in-group discussion and rehearsal and harvesting. After the program, we will provide every manager with "management practice kit", helping them to improve work and teamwork efficiency further.

Case: "Ice-breaking（破冰迎春 師出有名）" teachers training

Good teachers form our core competence. In order to improve teachers' skills, we hosted the "Ice-breaking" teachers training conference. This event was initiated by Mr. Yu Minhong, and 60 Koolearn representative teachers were attending offline, connecting to Beijing and Xi'an teachers by live video. We're infusing master-apprenticeship, user tracking and other forms in teachers training, to encourage more excellent teachers to break their self stereotype, and create an excellent group of online teachers.

- **Smooth career path**

  We're committed to offering a smooth career path for employees, giving staff the clear examination and promotion plans, and encouraging employees' growth in the principles of legality, fairness, competition, incentive, cost and transparency.

Dual channel career development system	We set up dual channel career development system — management and discipline. The management category is mainly responsible for administrative management, while the discipline category is mainly responsible for performing specialised technology. To help staff seek their own career path, we set up shift mechanism, to help them develop while increasing their comprehensive abilities.
Performance examination system	Examine staff performance annually, to check their fulfillment of objectives, with different examining key points for different positions, like teachers and technicians.

Key performance table — Development and training:

Indicators		Unit	FY2021	FY2020	FY2019
Percentage of trained employees		(%)	**98**	94	82
Percentage of employees trained by gender	Male	(%)	**96**	92	84
	Female	(%)	**99**	94	80
Percentage of employees trained by rank	Staff	(%)	**100**	93	81
	Supervisor and manager	(%)	**64**	96	87
	Controller or above	(%)	**100**	86	77
Total number of employee training sessions		(session)	**1,049**	1,101	90
Total number of trained employees		(person-time)	**52,629**	146,422	7,240
Average training hours per employee		(hour/person)	**23**	37	4
Average training hours of employees by gender	Male	(hour/person)	**29**	35	4
	Female	(hour/person)	**29**	38	4
Average training hours of employees by rank	Staff	(hour/person)	**25**	39	3
	Supervisor and manager	(hour/person)	**8**	15	13
	Controller or above	(hour/person)	**12**	27	16

3.3 Creating a happy workplace

We have actively erected cultural and sportive platform for diversified staff activities, to create positive working environment; fully respect employees' rights and benefits, protect their right to know, participate and supervise the corporate management, and establish communication channels for employees; develop the *Interim Measures for the Management of Employee Care and Mutual Aid Fund* to actively help employees and their families suffering from major illnesses, and support employees in difficult family conditions.

Staff communication	➢	Set up staff feedback mailbox, staff satisfaction questionnaire, staff chatroom etc., to collect staff's opinions on group management and policies, promote mutual communication, timely solve staff difficulties.
	➢	Hold yearly seminar, debriefing meetings, manager communication meetings, semi-annual evaluation meetings, etc., to build communication channels for leaders and employees.
	➢	Publish the electronic internal journal, share company and department trends, memorabilia, etc., so that employees can keep abreast of company trends.
Staff care	➢	Provide benefits for newlyweds, newborns, and employee birthdays.
	➢	Care for female employees and provide lactation rooms, refrigerators and other convenient facilities for breastfeeding employees.
	➢	Provide employees with life benefits from time to time, such as: "Taxi discount", "House rental discount" and so on, to make staff more secure and assured to live and work.
	➢	Hold investment lecture, improve employees' financial knowledge, explain the concept of asset allocation, introduce the financial derivatives, so that everyone can have a proper concept of personal asset allocation.
Holidays celebration	➢	Prepare holiday gifts for employees on traditional Chinese festivals such as Spring Festival, Dragon Boat Festival and Mid-Autumn Festival.
	➢	Evaluate and select the best performers on Teacher's Day, and celebrate Children's Day, Mid-Autumn Festival and Women's Day.

Cultural & sportive activities	➢	Regularly organize internal employees to hold murder mystery game, afternoon tea and other teaming events.
	➢	Carry out fitness welfare upgrading, and cooperate with surrounding gyms to provide employees with a multi-scene fitness environment. Encourage employees to keep fit.
	➢	Carry out sports activities such as badminton competitions and swimming competitions to encourage employees to take good rest after work.

Case: "Golden autumn of teachers" event

In the eve of Teacher's Day, we held the "Golden autumn of teachers（師情畫意 • XIN動金秋）" event, connected the business teams of different cities by live video, to summarize the current business results, and praise the well performing teams and persons.

4. Work Hand in Hand for Win-win Situation

4.1 Suppliers management

The Group is committed to driving suppliers' sustainable development. We have developed and operated *the Implementing Rules of Suppliers Management*, and in practice we are optimizing the suppliers management procedures, and now we have set up the supplier entry and examination standards, so that we can further promote supplier environment and social responsibility, while ensuring the product quality, and actively carry out suppliers communications and capacity improvements.

Suppliers screening and management	➢ Entry: Establish an inspection team to conduct pre-examination, on-site inspection and review of the qualifications and operating capabilities of new suppliers, and strictly guarantee the quality of suppliers. ➢ Supplier management: Establish a supplier database and dynamically update the supplier list based on the results of regular supplier evaluations; establish a supplier blacklist, based on the evaluation results; stop cooperating with suppliers with major problems for three years.
Suppliers evaluation and review	➢ Carry out daily and regular evaluations of suppliers, on supply and service quality, financial management, safety and environmental protection, etc., and order the failed suppliers to remedy by a deadline.
Green procurement	➢ Sign social responsibility commitments with active suppliers to ensure they follow the environmental protection system and various national laws.
Suppliers communication and capability building	➢ Regularly hold supplier meetings based on specific conditions to clarify our procurement policies, future business development plans, commend outstanding suppliers, and promote long-term cooperation. ➢ Regularly carry out technical and management exchanges to help suppliers improve their overall competence.

Key performance table — Supply chain management:

Indicators		Unit	FY2021	FY2020	FY2019
Total number of suppliers		(quantity)	**135**	81	41
Number of suppliers by geographical region	Beijing	(quantity)	**127**	54	35
	Other regions	(quantity)	**8**	27	6
Number of suppliers where the practices are being implemented		(quantity)	**135**	81	41
The annual evaluation rate of best practices performed to suppliers		(%)	**100**	100	100

4.2 Agents management

The Group is authorizing agents with marketing, publicity and other behaviours, to create a benign, healthy market order. We have developed *the Channels Operation Regulations*, to standardize the selling behaviours and maximize the lawful rights and benefits of agents.

Standardize market order	➢ **Cross-region sales:** It is not allowed for certain business agents to sell in unauthorised regions. ➢ **Brand management:** All agents are required to sell or publicize in the uniform name of "Koolearn" or "Koolearn online class", without alteration or reprocessing of the trademark or words. ➢ **Sales promotion:** The selling price shall be the same with what is published on the official website, and no lower price competition is allowed. ➢ **Business ethics:** Agents and partners shall not open video class, or deceive customers.
Enhance regulating power	➢ There are complaint box and appeal box in the Company, so that when there is any agent selling price lower than the official selling price, among other noncompliance, the agent will be punished accordingly. ➢ The regional director will regularly travel to offline service centers and review the marketing, service, product selling price and other aspects according *to the Channels Operation Regulations*. Form *the Agent Inspection Analysis Report* and solutions after the quality inspection. ➢ Select and invite the outstanding agents, to share their successful experience with other agents online, and hold examinations for regional agents, to promote cooperation hand in hand for win-win situation.

5. Robust and Compliant Operations

5.1 Integrity management

The Group is strictly following *the Criminal Law of the People's Republic of China, the Company Law of the People's Republic of China, the Law against Unfair Competition of the People's Republic of China, and the SAIC Interim Provisions on the Prohibition of Commercial Bribery Activities*, among other laws and regulations. We have been improving the transparency and supervision system, and have developed *the Anti-fraud and Anti-corruption Management System, the Implementing Rules of Complaints*, and smoothed the path to complaint, and we have conducted Anti-Corruption and Integrity education and training in multi level. In FY2021, the Group is not engaged in any litigation case concerning corruption.

Improve systems	➢ The Group has established an anti-fraud and anti-corruption internal control mechanism, which includes establishing whistleblowing and complaint channels to prevent and detect fraud and corruption, implementing control measures to reduce the chance of any instance of fraud or corruption, and taking appropriate and effective remedies to redress the harm caused by any fraudulent or corrupt practices. ➢ The board of directors of the Company urges to create a transparent and clean culture within the Group, establish a healthy internal control system to prevent fraud and corruption; the management team should set up, improve and effectively carry out the anti-fraud and anti-corruption procedures and controls such as risk assessment and prevention, and make self-evaluation; the auditing committee of the Company is the leading organ and accountable body in the anti-fraud and anti-corruption efforts, while the Audit and Supervision Department is responsible for daily supervision.
Smooth the supervision and complaint paths	The Group has many channels of complaint: ➢ Hotline (010-62609088), facsimile, mail, email (wubijubao@koolearn-inc.com), face to face complaint, proxy complaint. ➢ Report to Audit and Supervision Department. ➢ Complaint forwarded by other departments. Our paths to complaints are published on our internal periodicals, journals and websites etc., easy for complaining.
Enforce training	➢ Training the directors, managers and staff on anti-fraud and anti-corruption for many times in various forms, to further increase their awareness of transparency and self-discipline.

Key performance table — Anti-corruption:

Indicators	Unit	FY2021
Number of anti-corruption and integrity training sessions for employees	(times)	**9**
Number of anti-corruption and integrity training sessions for directors	(times)	**1**
Total number of participants in anti-corruption and integrity training sessions	(times)	**10**
Number of employees participating in anti-corruption and integrity training sessions	(times/person)	**34,467**
Number of directors participating in anti-corruption and integrity training sessions	(times/person)	**4**
Total number of anti-corruption and integrity training sessions	(times)	**34,471**
Total number of training hours	(hours)	**17,236**
Number of hours per trainee	(hours/person)	**1.5**

5.2 Risk control

Under *the Company Law of the People's Republic of China, the Basic Standard for Enterprise Internal Control*, among other laws, regulations and regulatory requirements, The Group has established a comprehensive risk management mechanism, developed *the Risk Management System, Internal Control System*, to ensure the interests of the company and its shareholders, and promote and sustainable healthy development of the Group. We are making efforts in creating a risk-aware corporate culture, and by all means broadcast the corporate risk control culture, and hold risk control training to all functional departments and subsidiaries.

The Group is actively constructing a full range of risk control system from internal environment, risk assessment, to controls, information communication and internal supervision. The board of directors of the Company as the supreme deciding body of the overall risk control of the Company, will be responsible for overall risk management, decision making to effective control risks, while the Audit and Supervision Department will be responsible for annual report of risk control and internal control to the audit committee and the board of directors of the Company, to review the effectiveness of the risk control and internal control within the Group.

6. Cooperation for Building the Harmonious Society

6.1 Education generalization

The Group continues to devote itself to public welfare undertakings, adheres to education-orientation, and constantly explores public welfare innovation models scientifically to break geographical and time constraints, which has also accelerated the further spreading of high-quality educational resources. We continue to organize all employees to participate in various public welfare activities, and demonstrate the education background and public welfare responsibility of educators through our own actions. In FY2021, we won the Southern Public Welfare Communication Award — Innovation Award rely on our long-term investment and performance in educational public welfare.

In this financial year, our public welfare events include:

- In June 2020, we worked with China Youth Development Foundation and New Oriental Charity Foundation to create a Mogul Class for Kids, inviting Yu Minhong, Wang Xuming, Hui Ruoqi, Jiang Qingfu, Zheng Yongchun, Li Chuanyou to record the course, and offer free of Children's Day Learning Gift Pack for primary school students nationwide, covering Chinese, Mathematics, and English.

- In June 2020, in order to help the poverty alleviation in Liangshan, we cooperate with Xichang College to build a "Love Bookstore" with Shaxiluo Village, Meigu County, Liangshan Prefecture, Sichuan Province, and donated more than 2,000 high-quality books such as in-class tutoring materials and English picture books.

- In October 2020, in order to assist Yushu prefecture of Qinghai to foster education, we donated 2,024 packages of Koolearn online lessons, 1,000 packages of books, in a total value of RMB10,127,000, to primary and middle school students in Yushu prefecture.

- In November 2020, in face of active learners, we launched the "Dream Action", according to which, if any learner's family has poverty situation or disabled individuals or suffering a severe disease, he or she can apply for a charity stipend after showing the valid certificate issued by the authority, to reduce his or her learning cost at Koolearn's class.

- In January 2021, we worked with the Central Social Service Department of the Chinese Democratic League and the New Oriental Charity Foundation to launch the "Dream Charity Class" initiative, and donated a total of 300,000 online courses for primary to high schools to Yunnan, Sichuan, Guizhou, Gansu and other educational underdeveloped areas.

- In April 2021, we donated 300 packages of online courses worth RMB1.08 million to Danzhai County, Guizhou Province, covering grades 1 to 6 in primary schools.

Meanwhile, we're trying to engage enthusiastic users through more creative events. For example, we launched Koolearn 100-day Action, where any user noted 1 good habit for consecutive 100 days would win virtual "persistence coins", and when the coins reached a certain amount, a donation would be made to rural primary school library. Within a week, more than 100,000 users participated, and finally, in the name of 100,000 persisting users, we donated a library to Taiyang village primary school in Duchang county, Jiangxi province, so that rural students could be encouraged in the path of learning.

In the future, Koolearn will continue to donate for the education charity cause in remote areas and countryside, making all efforts in social responsibility as a educative corporation, so that more and more high quality educative resources could reach more children, enlightening their path to the future.

Case: "Dream Charity Class（夢想公益課）" initiative

Since creation, Koolearn is focusing on education charity and public welfare, keeping donating to mountainous areas short of educational resources by all means, like online courses donation, teachers training, love library building, books donation etc. On 11 January 2021, we worked with the Central Social Service Department of the Chinese Democratic League and the Koolearn Charity Foundation to launch the "Dream Charity Class" initiative, and donated custom online courses for primary to high schools to Yunnan, Sichuan, Guizhou, Gansu and other underdeveloped areas, so that more kids from remote areas could enjoy high quality educative resource. The public welfare courses donated this time were recorded by Koolearn teachers on worksite, not only ensuring the high quality, but also matching the local educational characteristics. After receiving the courses, local students could learn online or replay at home at any time, so that every student could have a accompanying teacher online.

Case: "Dream Action — 2020 Charity Schooling Plan（燃夢行動 — 2020公益助學計劃）"

The "Dream Action" story started from a letter from a student's parent. In the letter, student Xuanxuan (pseudo name) was suffering from a rare disease called "Mucopolysaccharidosis", so she could not walk and had to go to school on mom's back. In summer vacation, Xuanxuan subscribed Koolearn online courses, so that without going out, she could learn with the help of teachers online, she began to love online class, hoping that she could continue the courses in autumn. But her mom didn't subscribe before the deadline of discount, and in order to save money, her mom wrote to our email address in the hope that her daughter could have the chance to subscribe autumn class at a lower price. After receiving the letter, the Group discussed and decided to exempt all the e-learning costs of Xuanxuan, and furthermore, we decided to launch the "Dream Action — 2020 Charity Schooling Plan" for all learners.

This plan is oriented to all poverty-stricken families, disabled families and critical illness stricken families, offering charity stipends, to reduce their Koolearn online class costs. We hope that such charity action could help more students to enjoy equal high quality educational resources, ignite their dream and hope, and keep their dream active forever.

Key performance table — Community Investment:

Indicators	Unit	FY2021	FY2020	FY2019
Number of public welfare campaigns	(session)	**1,715**	279	294
Number of staff participating in public welfare campaigns	(times/person)	**7,968**	4,147	1,620
Hours spent by staff in participating in public welfare campaigns	(hours)	**1,715**	3,042	384

ESG Index

No.	Indicator Description	Section
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	1.1
A1 Emissions	A1.1 The types of emissions and respective emissions data.	1.1
A1 Emissions	A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	1.1
A1 Emissions	A1.3 Total hazardous waste produced (in weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	1.1
A1 Emissions	A1.4 Total non-hazardous waste produced (in weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	1.1

No.	Indicator Description	Section
A1 Emissions	A1.5 Description of emissions target(s) set and steps taken to achieve them.	1.1
A1 Emissions	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	1.1
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	1.1
A2 Use of Resources	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	1.2
A2 Use of Resources	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	1.2
A2 Use of Resources	A2.3 Description of energy use efficiency and target(s) set and steps taken to achieve them.	1.2
A2 Use of Resources	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	1.2
A2 Use of Resources	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable The Group mainly provides online education services which involve no finished products and packaging material

No.	Indicator Description	Section
A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	1.2
A3 The Environment and Natural Resources	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	1.2
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	1.4
A4 Climate Change	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	1.4
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1
B1 Employment	B1.1 Total workforce by gender, employment type (ie full-time or part-time), age group and geographical region.	3.1

No.	Indicator Description	Section
B1 Employment	B1.2 Employee turnover rate by gender, age group and geographical region.	Requirement not applicable
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the provision of a safe working environment and the protection of employees from occupational hazards.	3.1
B2 Health and Safety	B2.1 Number and rate of work-related fatalities in each of the past three years (including the reporting year).	3.1
B2 Health and Safety	B2.2 Lost days due to work injury.	3.1
B2 Health and Safety	B2.3 Description of occupational health and safety measures adopted and how they are implemented and monitored.	3.1
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work and descriptions of training activities. Note: Training refers to vocational training. It may include internal and external courses paid for by the employer.	3.2
B3 Development and Training	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2
B3 Development and Training	B3.2 The average training hours completed per employee by gender and employee category.	3.2

No.	Indicator Description	Section
B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of child and forced labour.	3.1
B4 Labour Standards	B4.1 Description of measures in place to review employment practices in the avoidance of child and forced labour.	3.1
B4 Labour Standards	B4.2 Description of steps taken to eliminate such practices when discovered.	3.1
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	4.1
B5 Supply Chain Management	B5.1 Number of suppliers by geographical region.	4.1
B5 Supply Chain Management	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented and how they are implemented and monitored.	4.1
B5 Supply Chain Management	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.1
B5 Supply Chain Management	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.1

No.	Indicator Description	Section
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	 2.2 2.1
B6 Product Responsibility	B6.1 Percentage of the total products sold or shipped subject to recalls for safety and health reasons.	Not applicable The Group mainly provides online education services which involve no recall products for safety and health reasons
B6 Product Responsibility	B6.2 Number of products and service related to complaints received and how they were dealt with.	2.3
B6 Product Responsibility	B6.3 Description of practices relating to observing and protecting intellectual property rights.	2.3
B6 Product Responsibility	B6.4 Description of quality assurance processes and recall procedures.	2.1 Recall procedures are not applicable as the Group mainly provides online education services which involve no recall products

No.	Indicator Description	Section
B6 Product Responsibility	B6.5 Description of consumer data protection and privacy policies and how they are implemented and monitored.	2.2
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.1
B7 Anti-corruption	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.1
B7 Anti-corruption	B7.2 Description of preventive measures and whistleblowing procedures and how they were implemented and monitored.	5.1
B7 Anti-corruption	B7.3 Description of anti-corruption training provided to directors and staff.	5.1
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1
B8 Community Investment	B8.2 Resources contributed (e.g. money or time) to the focus area.	6.1

Deloitte. 德勤

To the Shareholders of Koolearn Technology Holding Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Koolearn Technology Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 110 to 116, which comprise the consolidated statement of financial position as at 31 May 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 May 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of long-term assets related to K12 Education	
We have identified the impairment assessment of long-term assets within the K12 Education segment, which include property and equipment of RMB77,059,000 and right-of-use assets of RMB164,249,000 as at 31 May 2021, as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and the inherent subjectivity within the estimation of the value-in-use for identified cash generating units ("CGUs") to which those assets belong and fair value less costs of disposal for individual assets in allocating the impairment loss. As stated in Note 17 to the consolidated financial statements, the Group has considered the changes in regulatory environment in relation to the K12 Education that existed at 31 May 2021 as well as the current year performance of the K12 Education segment as part of the impairment assessment of the long-term assets. The Group determined the recoverable amount as the higher of fair value less costs of disposal and value-in-use. The determination of the value-in-use of the CGUs and fair value less costs of disposal for individual assets involves significant management judgment and estimations, which including but not limited to, the estimate of future cash flows generated from continuing use of the assets, the estimated selling price and costs of disposal of individual assets. Based on the management assessment, impairment of RMB62,588,000 and RMB16,678,000 are made on property and equipment and right-of-use assets, respectively, for the year ended 31 May 2021.	Our procedures in relation to the impairment assessment of long-term assets included: • Obtaining an understanding of the process and internal controls over the impairment assessment including the Group's identification of cash-generating units, assessment of indicators of impairment and the preparation of the value-in-use calculations for identified CGUs and fair value less costs of disposal for individual assets; • Evaluating design and implementation and testing the operating effectiveness of internal controls over the impairment assessment; • Evaluating the reasonableness of the key inputs and assumptions used in the value-in-use calculations against historical performance, regulation in the industry, industry indicators and publically available information; • Evaluating the reasonableness of the judgements and estimations used by management in determining the fair value less costs of disposal for individual assets against the publically available information and the terms in the lease contract; and • Testing the mathematical accuracy of the Group's value-in-use calculation and fair value less costs of disposal calculation.

Key audit matters	How our audit addressed the key audit matters
Fair value measurement of investment in unlisted equity securities at fair value through profit or loss	
We have identified the measurement of fair value of investment in unlisted equity securities classified as financial assets at fair value through profit or loss and categorised as level 3 under the fair value hierarchy as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and the significant judgements and estimates made by management for the fair value measurement of such financial assets at fair value through profit or loss. As stated in Note 19 to the consolidated financial statements, as at 31 May 2021, the unlisted equity securities classified as financial assets at fair value through profit or loss and categorised as Level 3 measurement amounted to RMB207,497,000. Details of the key estimation uncertainty and the valuation techniques and unobservable inputs of unlisted equity securities are set out in Notes 4 and 38 to the consolidated financial statements, respectively.	Our procedures in relation to fair value measurement of investment in unlisted equity securities at fair value through profit or loss which are categorised as Level 3 included: • Obtaining and understanding the Group's process regarding the determination of fair value of the unlisted equity securities at fair value through profit or loss which are categorised at Level 3; • Evaluating design and implementation and testing the operating effectiveness of internal controls over the preparation of the valuation; • Assessing the qualification and experience of the independent valuer who performs the valuation; • Evaluating the valuation methodologies and techniques used in determining the fair value of the investment, with the assistance of our internal valuation specialist; • Assessed the consistency by which management has applied significant unobservable valuation assumptions; and • Evaluating the key inputs used in determining the fair value of the investment including the revenue growth rate, the weighted average cost of capital and the expected volatility.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is To Kim Lai, Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**1,418,655**	1,080,587
Cost of revenue		**(1,006,447)**	(587,501)
Gross profit		**412,208**	493,086
Other income, gains and losses	7	**(86,886)**	195,653
Impairment for property and equipment	17	**(62,588)**	—
Impairment for right-of-use assets	17	**(16,678)**	—
Impairment losses under expected credit loss model, net of reversal	20	**(5,702)**	(1,566)
Selling and marketing expenses		**(1,188,967)**	(872,293)
Research and development expenses		**(444,387)**	(317,286)
Administrative expenses		**(259,081)**	(184,692)
Other expenses	10	**—**	(15,981)
Share of results of associates	18	**7,788**	(1,796)
Finance costs	8	**(15,099)**	(10,576)
Loss before tax		**(1,659,392)**	(715,451)
Income tax credit (expense)	9	**1,000**	(42,788)
Loss for the year	10	**(1,658,392)**	(758,239)
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		**(1,658,392)**	(758,019)
Loss for the year attributable to:			
Owners of the Company		**(1,658,392)**	(742,005)
Non-controlling interests		**—**	(16,234)
		(1,658,392)	(758,239)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,658,392)**	(741,785)
Non-controlling interests		**—**	(16,234)
		(1,658,392)	(758,019)
Loss per share			
— Basic and diluted (RMB)	13	**(1.72)**	(0.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 May 2021

	Notes	At 31 May **2021** **RMB'000**	 2020 RMB'000
Non-current Assets			
Property and equipment	15	**113,552**	81,676
Right-of-use assets	16	**302,622**	331,122
Interests in associates	18	**90,246**	82,458
Financial assets at fair value through profit or loss	19	**207,497**	183,328
Deposits for acquisition of property and equipment		**4,188**	13,852
Refundable rental deposits		**20,467**	15,396
		738,572	707,832
Current Assets			
Trade and other receivables	20	**30,881**	41,993
Prepayments	22	**55,417**	70,838
Financial assets at fair value through profit or loss	19	**624,235**	277,800
Term deposits	23	**316,649**	1,470,530
Bank balances and cash	23	**1,519,564**	480,251
		2,546,746	2,341,412
Current Liabilities			
Lease liabilities	28	**104,316**	77,263
Contract liabilities	24	**397,461**	420,103
Refund liabilities	25	**93,293**	36,491
Trade payables	26	**42,909**	34,067
Accrued expenses and other payables	27	**404,863**	343,752
		1,042,842	911,676
Net current assets		**1,503,904**	1,429,736
Total assets less current liabilities		**2,242,476**	2,137,568

Consolidated Statement of Financial Position (Continued)
At 31 May 2021

	Notes	At 31 May 2021 RMB'000	At 31 May 2020 RMB'000
Capital and Reserves			
Share capital	29	**129**	120
Reserves		**2,008,743**	1,863,580
Total Equity		**2,008,872**	1,863,700
Non-current Liabilities			
Deferred tax liabilities	30	**24,092**	25,648
Lease liabilities	28	**209,512**	248,220
		233,604	273,868
Net assets		**2,008,872**	1,863,700

The consolidated financial statements on pages 110 to 116 were approved and authorised for issue by the board of directors of the Company (the "**Directors**") on 27 August 2021 and are signed on its behalf by:

Sun Dongxu
Director

Yin Qiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve[i]	Translation reserve	Share option reserve	Other reserve	Retained profits/ (accumulated losses)	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 June 2019	120	2,456,221	23,978	—	51,513	946	68,808	2,601,586	(31,479)	2,570,107
Loss for the year	—	—	—	—	—	—	(742,005)	(742,005)	(16,234)	(758,239)
Other comprehensive income for the year	—	—	—	220	—	—	—	220	—	220
Loss and total comprehensive income (expense) for the year	—	—	—	220	—	—	(742,005)	(741,785)	(16,234)	(758,019)
Recognition of equity-settled share-based payments (Note 31)	—	—	—	—	120,496	—	—	120,496	—	120,496
Acquisition of non-controlling interests (Note 40B)	—	—	—	—	—	(141,713)	—	(141,713)	47,713	(94,000)
Exercise of share options (Note 29)	—	35,442	—	—	(10,326)	—	—	25,116	—	25,116
Changes in equity for the year	—	35,442	—	—	110,170	(141,713)	—	3,899	47,713	51,612
At 31 May 2020	120	2,491,663	23,978	220	161,683	(140,767)	(673,197)	1,863,700	—	1,863,700
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,658,392)**	**(1,658,392)**	**–**	**(1,658,392)**
Recognition of equity-settled share-based payments (Note 31)	**–**	**–**	**–**	**–**	**280,738**	**–**	**–**	**280,738**	**–**	**280,738**
Issue of shares[ii] (Note 29)	**8**	**1,510,816**	**–**	**–**	**–**	**–**	**–**	**1,510,824**	**–**	**1,510,824**
Transaction costs attributable to issue of shares[iii]	**–**	**(835)**	**–**	**–**	**–**	**–**	**–**	**(835)**	**–**	**(835)**
Exercise of share options (Note 29)	**1**	**18,405**	**–**	**–**	**(5,569)**	**–**	**–**	**12,837**	**–**	**12,837**
Changes in equity for the year	**9**	**1,528,386**	**–**	**–**	**275,169**	**–**	**–**	**1,803,564**	**–**	**1,803,564**
At 31 May 2021	**129**	**4,020,049**	**23,978**	**220**	**436,852**	**(140,767)**	**(2,331,589)**	**2,008,872**	**–**	**2,008,872**

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 May 2021

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

(ii) On 8 September 2020, the Company entered into a subscription agreement with New Oriental Education & Technology Group Inc ("**New Oriental Group**") and Tigerstep Developments Limited ("**Tigerstep**"), a company wholly-owned by Mr. Yu Minhong, the Chairman of the Directors, for the subscription of an aggregate of 59,432,000 ordinary shares of the Company (par value of US$0.00002 each) at the subscription price of HK$30.00 or US$3.87 per subscription share (approximately RMB25.42 per subscription share) (the "**Share Subscription**"). The Share Subscription was completed on 24 December 2020.

(iii) Transaction costs attributable to issue of shares mainly included lawyers' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares upon Share Subscription. Upon the completion of Share Subscription, these costs amounting to RMB835,000 were treated as a deduction against the share premium arising from the issuance.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(1,659,392)**	(715,451)
Adjustments for:		
Depreciation of property and equipment	**45,830**	15,384
Depreciation of right-of-use assets	**103,659**	73,337
Loss on disposal of property and equipment	**747**	3,032
Impairment losses under expected credit loss model, net of reversal	**5,702**	1,566
Impairment for property and equipment	**62,588**	—
Impairment for right-of-use assets	**16,678**	—
Share-based compensation expenses	**280,738**	120,496
Interest income from bank balances	**(7,469)**	(15,821)
Interest income from term deposits	**(5,425)**	(48,855)
Interest income from rental deposits	**(873)**	(705)
Finance costs	**15,099**	10,576
Gain on early termination of lease contracts	**(5,434)**	(537)
Net foreign exchange loss (gain)	**162,242**	(73,175)
Gain on fair value changes of financial assets at fair value through profit or loss	**(40,417)**	(45,705)
Share of results of associates	**(7,788)**	1,796
Net loss on disposal and deemed disposal of associates	**—**	213
Operating cash flows before movements in working capital	**(1,033,515)**	(673,849)
Decrease (increase) in trade and other receivables	**8,716**	(11,052)
Decrease in prepayments	**15,421**	1,173
(Decrease) increase in contract liabilities	**(22,642)**	19,175
Increase in refund liabilities	**56,802**	17,077
Increase (decrease) in trade payables	**8,842**	(7,474)
Increase in accrued expenses and other payables	**47,757**	117,297
Cash used in operating activities	**(918,619)**	(537,653)
Income tax (paid) refunded	**(556)**	398
Interest received	**5,500**	15,821
NET CASH USED IN OPERATING ACTIVITIES	**(913,675)**	(521,434)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 May 2021

	Note	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		**3,550,513**	1,125,375
Purchases of financial assets at fair value through profit or loss		**(3,880,700)**	(1,041,000)
Proceeds on disposal of property and equipment		**108**	64
Interest received from term deposits		**48,524**	8,064
Purchase of property and equipment		**(118,131)**	(79,843)
Payments for right-of-use assets		**(214)**	(9,955)
(Payments for) proceeds from early termination of lease contracts		**(1,926)**	2,291
Payments for rental deposits		**(6,560)**	(14,086)
Refund of rental deposits		**689**	2,008
Placement of term deposits		**(675,043)**	(1,757,450)
Withdrawal of term deposits		**1,741,854**	331,129
Proceeds on disposal of an associate		**—**	24
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**659,114**	(1,433,379)
FINANCING ACTIVITIES			
Proceeds from issuance of shares upon exercise of share options		**12,409**	24,994
Proceeds from issue of shares		**1,510,824**	—
Transaction costs attributable to issue of shares		**(835)**	(933)
Repayments of lease liabilities		**(110,251)**	(65,547)
Acquisition of non-controlling interest of a subsidiary	40B	**—**	(94,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,412,147**	(135,486)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,157,586**	(2,090,299)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**480,251**	2,497,621
Effect of exchange rate changes		**(118,273)**	72,929
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		**1,519,564**	480,251

1 General Information and Basis of Preparation of Consolidated Financial Statements

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

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

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

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

Basis of preparation of the consolidated financial statements

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

On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the "Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of 6 years and middle school education of 3 years, together as the "Compulsory Stage Education")" (the "Opinion"). The key provisions of the Opinion include, but not limited to: (i) institutions providing after-school tutoring (the "AST") services on academic subjects in relation to the Compulsory Stage Education ("Academic AST Institutions") are required to be registered as non-profit organization, (ii) Academic AST Institutions providing online tutoring services are required to make application to renew their operating permit in order to maintain the internet content provider license (the "ICP License"); (iii) foreign investors shall not control or hold interest in Academic AST Institutions by means of direct investment, merger and acquisition, franchise or contractual arrangements; (iv) certain restrictions on timing and fee of academic AST services. Please refer to the announcement issued by the Company on 26 July 2021 for more details.

1 General Information and Basis of Preparation of Consolidated Financial Statements (Continued)

Basis of preparation of the consolidated financial statements (Continued)

Recently issued government industry policies in relation to after-school tutoring services (Continued)

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

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

Contractual Arrangements

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

- expose, or has rights, to variable returns from its involvement with the investees and has ability to affect those returns through its power over the Consolidated Affiliated Entities;

- exercise equity holders' controlling voting rights of the Consolidated Affiliated Entities;

- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang;

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC Laws. Dexin Dongfang may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dexin Dongfang; and

1 General Information and Basis of Preparation of Consolidated Financial Statements (Continued)

Basis of preparation of the consolidated financial statements (Continued)

Recently issued government industry policies in relation to after-school tutoring services (Continued)

Contractual Arrangements (Continued)

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

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

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

Going Concern Assessment

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

2 Application of Amendments to International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

2 Application of Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Amendment to IFRS 16 *Covid-19-Related Rent Concessions* (Continued)

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective for annual periods beginning on or after a date to be determined

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

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate , it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 *Financial instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The Group measures the progress towards complete satisfaction of a performance obligation based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

The Group primarily offers pre-recorded or live online education courses to individual students. The Group also provides pre-recorded online education packages to institutional customers.

Pre-recorded online course services provided to students (revenue recognised over time)

For pre-recorded online course services, the Group earns revenue by providing the pre-recorded online course services to customers (individual students) during the service period for a fixed fee, customers can access the pre-recorded online courses at any time during the service period. The service period is determined from the date of the purchase till the due date of the course as specified in the course order; for other courses without a due date the service period is specified in the course order.

During the service period, the Group also provides a range of other complementary services to enhance the customers' satisfaction of the service provided, which may include lecture notes, homework correction, online study groups, online mock exams, and online question and answer section. The Directors have assessed that these complementary services provided are not distinct and are combined with the pre-recorded online course as single performance obligation. This is because customers cannot benefit from these complementary services on its own.

The Directors have determined that the performance obligation of providing pre-recorded online courses is satisfied over time as customers simultaneously receive and consume the benefits of the prerecorded online courses throughout the service period.

Output method is used when determining progress towards complete satisfaction of the performance obligation of the pre-recorded online courses and revenue is recognised on a straight line basis during the service period.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Refund liabilities (Continued)

Pre-recorded online course services provided to students (revenue recognised over time) (Continued)

Under the Group's standard contract terms for pre-recorded online course services, customers have a right to full refund within 7 days from the date the course is provided. The Group estimates the refund liabilities by considered the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

Live online course services provided to students (revenue recognised over time)

For live online course services, the Group earns revenue by providing the live online courses to customers (individual students) according to a predetermined live schedule during the service period for a fixed fee. The service period is determined from the date of the purchase till the due date of the course as specified in the course order.

During the service period, the Group also provides a range of other complementary services to enhance the customers' satisfaction of the service provided, which may include lecture notes, homework correction, online study groups, online mock exams, and online question and answer section. The Directors have assessed these complementary services provided are not distinct and are combined with the live online courses as one performance obligation. This is because customers cannot benefit from these complementary services on its own.

During the service period, the Group also provides playback function on some of the live online courses to enhance customers' experience of the service provided. The Directors have assessed that the playback function of the live online courses is a separate performance obligation as customers can benefit from the playback function on its own and the playback function is separately identifiable from other obligations in the contract.

The Directors estimate the stand-alone selling price of each of the performance obligations based on the expected cost of satisfying each of the performance obligations to the Group and add an estimated margin for each of the performance obligation, as the stand-alone selling price is not observable directly.

The Directors have determined that the performance obligation of both the live online courses and the playback function is satisfied over time as customers simultaneously receive and consume the benefits of both performance obligations.

Output method is used when determining progress towards complete satisfaction of both performance obligations. For live online courses, it is recognised proportionally when each scheduled live is performed. For the playback function, it is recognised on a straight line basis during the service period.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Refund liabilities (Continued)

Live online course services provided to students (revenue recognised over time) (Continued)

Under the Group's standard contract terms for live online course services, customers have a right to full refund before the start of the second scheduled live broadcasting. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

Pre-recorded online education package services to institutional customers (revenue recognised over time)

For pre-recorded online education package services, the Group provides customised pre-recorded online education packages to customers (institutional customers) during the service period for a fixed fee.

During the service period, the Group also provides annual updates on the packages to make the content of the packages update. The Directors have assessed that the annual updates provided are not distinct and are combined with the pre-recorded online education packages as a single performance obligation. This is because the customers cannot benefit from the annual updates on its own.

The Directors have determining that the performance obligation of the pre-recorded online education packages is satisfied over time as customers simultaneously receive and consume the benefits of the pre-recorded online education packages throughout the effective course period.

Output method is used when determine progress towards complete satisfaction of the performance obligation of the pre-recorded online education packages and revenue is recognised on a straight line basis during the effective course period.

Sales of pre-recorded online education packages to institutional customers are not refundable once the package is purchased by the customer.

Revenue from sales of online testing package (revenue recognised at a point in time)

The Group purchases online testing package from third party and then sells this package to customers. The Group recognises revenue from sales of online testing package at a point in time when the password of the online testing package is passed to customers. The Group purchases a fixed number of the online testing package before the online testing package is sold to customers, and therefore the Group controls the online testing package before it is sold. The Group considers that the Group is acting as a principal in the transaction and recognises revenue from sales of online testing package on a gross basis.

Sales of online testing package are not refundable once it is purchased by the customer.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases for buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in items of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Retirement benefit costs (Continued)

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits (accumulated losses).

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property and equipment

Property and equipment other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property and equipment and right-of use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property and equipment and right-of use assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from contracts with customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, term deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. Except for credit-impaired debtors with significant balances, which are assessed for impairment individually, the remaining trade receivables are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event; and

(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings when available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade payables and accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities (see Note 1) in the PRC due to regulatory restrictions on foreign ownership of companies engaged in the online education business carried out by the Group. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the Consolidated Affiliated Entities during the years ended 31 May 2021 and 2020.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

Contractual Arrangements (Continued)

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Dexin Dongfang, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC Laws and are legally enforceable as at 31 May 2021. For details of the impact of the Opinion please refer to Note 1.

The Use of Going Concern Basis

The Directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in preparing the consolidated financial statements, however critical judgements are made in performing the going concern assessment in view of adverse impact on the AST services on academic subjects in relation to the Compulsory Stage Education students, which represent a material potion of the Group's business, for details of the impact of the Opinion please refer to Note 1.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of property and equipment and right-of-use assets

Property and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount.

Impairment indicators were identified for property and equipment and right-of-use assets within the K12 Education segment. The Group estimates the recoverable amount of the cash-generating units to which these assets belong and the fair value less costs of disposal of each individual asset. Changing the assumptions and estimates, including the growth rate in the cash flow projections, disposal value of individual assets, and the estimated penalty on early termination of lease contract could materially affect the estimated impairment of individual asset.

As at 31 May 2021, the carrying amounts (before impairment) of property and equipment and right-of-use assets within the K12 Education segment were RMB77,059,000 and RMB164,249,000, respectively, and impairment losses of RMB62,588,000 and RMB16,678,000 , in respect of property and equipment and right-of-use assets have been recognised, respectively, during the year ended 31 May 2021. No impairment loss on long-term assets were recognised in prior year. Details of the impairment of property and equipment and right-of-use assets are disclosed in Note 17.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of financial assets at FVTPL

Investments in unlisted equity securities are classified as financial assets at FVTPL. The fair value of these unlisted equity securities are determined using the valuation techniques. Valuation techniques are certified by independent and recognised international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. For the discounted cash flow model, it mainly involves estimates on revenue growth rate, gross margin, and weighted average cost of capital ("WACC"); and for the option pricing model backsolve approach, it mainly involves the expected volatility. As at 31 May 2021, the carrying amounts of the investments in unlisted equity securities classified as financial assets at FVTPL are RMB207,497,000 (2020: RMB183,328,000). Should any of the estimates be revised, it may lead to a material change to the fair value of the financial assets at FVTPL.

5 Revenue

Disaggregation of revenue from contracts with customers

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	**1,374,286**	1,017,520
At a point in time	**44,369**	63,067
Total	**1,418,655**	1,080,587
Type of customer		
Students	**1,343,850**	966,840
Institutional customers	**74,805**	113,747
Total	**1,418,655**	1,080,587
Type of service		
Pre-recorded online course services provided to students	**362,745**	548,619
Pre-recorded online education package services to institutional customers	**74,805**	113,734
Live online course services provided to students	**936,736**	355,167
Sales of online testing packages	**15,464**	16,883
Others	**28,905**	46,184
Total	**1,418,655**	1,080,587

5 Revenue (Continued)

Disaggregation of revenue from contracts with customers (Continued)

During the years ended 31 May 2021 and 2020, all revenues of the Group were generated from online education services and other related services, and all revenues of the Group were generated from external customers in the PRC.

There were no adjustments or eliminations between the revenues from contracts with customers and the amount disclosed in the segment information.

6 Segment Information

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resources 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 the Compulsory Stage Education and the High School Education.

3. Pre-school Education — online education service targeted to pre-school children.

4. Institutional Customers — online education service provided to institutional customers.

6 Segment Information (Continued)

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

For the year ended 31 May 2021

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

6 Segment Information (Continued)

For the year ended 31 May 2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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, other income, gains and losses, impairment for property and equipment, impairment for right-of-use assets, impairment losses under expected credit loss model, net of reversal, selling and marketing expenses, research and development expenses, administrative expenses, other expenses, share of results of associates and finance costs are excluded from segment results.

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

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

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

7 Other Income, Gains and Losses

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

Notes:

(i) Government grants amounted to RMB1,489,000 (2020: RMB684,000) and RMB1,000,000 (2020: Nil), have been recognised for the subsidies relating to the job stabilization and enterprise research and development expenditure during the year ended 31 May 2021. For the year ended 31 May 2020, government grants amounted to RMB3,000,000 (2021: Nil) have been recognised for the subsidies relating to the Listing. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the year in which they were recognised.

(ii) Additional VAT input deduction and VAT exemption, amounted to RMB7,268,000 (2020: RMB2,204,000) and RMB7,101,000 (2020: RMB8,076,000), were recognised in profit or loss due to the VAT reform and VAT exemption caused by COVID-19 pandemic, respectively. In accordance with VAT Reformation Article No. 39, the Group is eligible for additional VAT credits by 10% of the current-period creditable VAT input from 1 April 2019 to 31 December 2021 upon meeting all applicable criteria. In addition, in accordance with Cai Shui [2020] No. 8 and Cai Shui [2021] No. 7, income derived by the Group from providing specific services shall be exempted from VAT from 1 January 2020 to 31 March 2021.

8 Finance Costs

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	**15,099**	10,576

9 Income Tax (Credit) Expense

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax	**556**	6,079
Deferred tax (Note 30)	**(1,556)**	36,709
	(1,000)	42,788

The Company and Dong Fund Co., Ltd. were incorporated in the Cayman Islands. Both are tax exempted under the tax laws of the Cayman Islands, as no business is carried out in the Cayman Islands. There were no material change of tax status of the Group from 31 May 2020. Applicable tax rates of the Group's major subsidiaries are as follows.

Under the law of the PRC on enterprise income tax (the "EIT Law") and implementation regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the year ended 31 May 2021 (2020: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. In 2017, Beijing Xuncheng obtained the "high and new technology enterprise" (the "HNTE") status and enjoy the preferential tax rate of 15% from calendar year 2017 to 2019. Under the EIT Law effective on 1 January 2008, the HNTE status is valid for three years and qualifying entities can reapply for an additional three years provided their business operations continue to qualify for the new HNTE status. In 2020, Beijing Xuncheng renewed the certificate and continues to enjoy the preferential tax rate from calendar year 2020 to 2022. In 2018, Kuxue Huisi obtained the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2018 to 2020. Kuxue Huisi did not renew the certificate and will not enjoy the preferential tax rate from calendar year 2021. In 2020, Dexin Dongfang obtained the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. During the subsequent years, the tax authority will make reassessment on the Group's HNTE status or other tax concessions.

According to the EIT Law, qualified research and development expenses can be deducted at 175% of such expenses for income tax deduction purpose upon approval from the relevant tax authority for the year ending 31 December 2021 (2020: 175%).

The Group's subsidiaries operating in Hainan and Zhuhai are eligible for local tax concessions. According to the local tax policies, Hainan Haiyue Dongfang Network Technology Co., Ltd. and Zhuhai Chongsheng Heli Network Technology Co., Ltd., subsidiaries of the Group, meet the relevant criteria and can enjoy a preferential tax rate of 15% (2020: 15%).

9 Income Tax (Credit) Expense (Continued)

The income tax credit (expense) for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 May	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(1,659,392)**	(715,451)
Tax at applicable income tax rate of 15% (2020: 15%)	**(248,909)**	(107,318)
Tax effect of share of results of associates	**(3,132)**	129
Tax effect of expenses not deductible for tax purpose	**551**	3,562
Tax effect of 175% deduction rate on certain research and development expenses (2020: 175%)	**(32,547)**	(23,094)
Tax effect of tax losses and deductible temporary differences not recognised	**312,676**	207,855
Effect of different tax rates of PRC subsidiaries	**(54,102)**	(21,315)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24,463**	(17,031)
Income tax (credit) expense for the year	**(1,000)**	42,788

10 Loss for the Year

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

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

Note:

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

(ii) During the year ended 31 May 2021, auditor's remuneration includes RMB3,250,000 (2020: RMB3,000,000) in relation to annual audit and RMB1,000,000 (2020: RMB1,000,000) in relation to interim review.

11 Directors' and Chief Executives' Emoluments

The emoluments paid or payable to directors and chief executives during the years ended 31 May 2021 and 2020 were as follows:

For the year ended 31 May 2021

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses[i] RMB'000	Equity-settled share option expenses RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Sun Dongxu	796	800	8,495	49	—	10,140
Mr. Yin Qiang	515	710	6,433	49	—	7,707
Subtotal	1,311	1,510	14,928	98	—	17,847
Non-Executive Directors						
Mr. Yu Minhong[(iv)&(v)]	—	—	11,172	—	—	11,172
Ms. Sun Chang	—	—	—	—	—	—
Mr. Wu Qiang[(v)]	—	—	903	—	—	903
Ms. Leung Yu Hua Catherine[(vii)]	—	—	—	—	—	—
Subtotal	—	—	12,075	—	—	12,075
Independent Non-Executive Directors						
Mr. Lin Zheying	—	—	—	—	120	120
Mr. Tong Sui Bau	—	—	—	—	120	120
Mr. Kwong Wai Sun Wilson	—	—	—	—	120	120
Subtotal	—	—	—	—	360	360
Total	1,311	1,510	27,003	98	360	30,282

11 Directors' and Chief Executives' Emoluments (Continued)

For the year ended 31 May 2020

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses(i) RMB'000	Equity-settled share option expenses RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Yin Qiang	471	—	5,063	40	—	5,574
Mr. Pan Xin(ii)	192	—	—	12	—	204
Mr. Sun Dongxu(iii)	783	468	12,604	40	—	13,895
Subtotal	1,446	468	17,667	92	—	19,673
Non-Executive Directors						
Mr. Yu Minhong(iv)&(v)	—	—	23,567	—	—	23,567
Ms. Sun Chang(vi)	652	450	—	30	—	1,132
Mr. Wu Qiang(v)	—	—	1,906	—	—	1,906
Ms. Leung Yu Hua Catherine(vii)	—	—	—	—	—	—
Subtotal	652	450	25,473	30	—	26,605
Independent Non-Executive Directors						
Mr. Tong Sui Bau	—	—	—	—	120	120
Mr. Kwong Wai Sun Wilson	—	—	—	—	120	120
Mr. Lin Zheying(viii)	—	—	—	—	30	30
Mr. Chi Yufeng(ix)	—	—	—	—	90	90
Subtotal	—	—	—	—	360	360
Total	2,098	918	43,140	122	360	46,638

11 Directors' and Chief Executives' Emoluments (Continued)

Notes:

(i) Performance related bonuses for executive directors and the chief executive were determined based on certain financial and non-financial measures including: revenue, operating profit, employee turnover rate etc.

(ii) Mr. Pan Xin resigned in January 2020.

(iii) Mr. Sun Dongxu was appointed as the chief executive officer of the Company in January 2020.

(iv) Mr. Yu Minhong serves as the chairman of the board of directors of the Company during the years ended 31 May 2021 and 2020. He serves as the non-executive director of the Company during the years ended 31 May 2021 and 2020.

(v) Excluding the equity-settled share option expenses, the directors' emoluments were paid by New Oriental Group during the years ended 31 May 2021 and 2020.

(vi) Ms. Sun Chang was re-designated from executive director to non-executive director in January 2020. The emoluments paid to her was for her services as an executive director.

(vii) The emoluments of Ms. Leung Yu Hua Catherine was paid by Tencent Group (as defined in Note 39) during the years ended 31 May 2021 and 2020.

(viii) Mr. Lin Zheying was appointed as the independent non-executive director in January 2020.

(ix) Mr. Chi Yufeng resigned in January 2020.

The emoluments of the executive directors and the chief executive shown above were mainly for their management services rendered to the Company and the Group and were determined by the shareholders of the Group having regard to the performance of individuals and market trends.

The non-executive directors' emoluments shown above were for their services as directors of the Company. The independent non-executive directors' emoluments were for their services as independent directors of the Company.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the years ended 31 May 2021 and 2020.

During the year ended 31 May 2020, 1,300,000 (2021: Nil) share options under the share option scheme of the Company were granted to certain directors of the Company in respect of their services provided to the Group. Details of the share option scheme are set out in Note 31.

12 Five Highest Paid Employees

The five highest paid employees of the Group during the year ended 31 May 2020 include three directors (2021: Nil), details of whose remuneration are set out in Note 11. Details of the remuneration for the year ended 31 May 2021 of the remaining five highest paid employees (2020: two) who are neither a director nor a chief executive of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and benefits in kind	**2,750**	1,715
Performance related bonuses	**1,386**	1,264
Equity-settled share option expenses	**73,228**	8,548
Retirement benefits	**85**	38
Total	**77,449**	11,565

The number of the highest paid employees who are neither a director nor a chief executive of the Company whose remuneration fell within the following bands:

	2021 **No. of** **employees**	2020 No. of employees
Hong Kong dollar ("HK$") 4,500,001 to HK$5,000,000	**—**	1
HK$7,500,001 to HK$8,000,000	**—**	1
HK$13,500,001 to HK$14,000,000	**1**	—
HK$14,500,001 to HK$15,000,000	**1**	—
HK$15,500,001 to HK$16,000,000	**2**	—
HK$29,500,001 to HK$30,000,000	**1**	—
Total	**5**	2

During the year ended 31 May 2021, no emoluments were paid by the Group to any of the Directors and employees of the Group or the five highest paid individuals as an inducement to join or upon joining of the Group or as compensation for loss of office (2020: Nil). None of the Directors and employees of the Group has waived any emoluments during the year ended 31 May 2021 (2020: Nil).

13 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:

	2021 **RMB'000**	2020 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(1,658,392)**	(742,005)

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**966,045,935**	937,803,161

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

14. Dividends

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

15 Property and Equipment

	Electronic equipment RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Construction in process RMB'000	Total RMB'000
COST					
At 1 June 2019	38,768	15,642	3,327	—	57,737
Additions	34,116	10,605	6,130	19,757	70,608
Disposals	(1,023)	(5,730)	(1,184)	—	(7,937)
At 31 May 2020	71,861	20,517	8,273	19,757	120,408
Additions	**61,808**	**62,230**	**14,928**	**2,183**	**141,149**
Transfer upon completion	**—**	**19,757**	**—**	**(19,757)**	**—**
Disposals	**(226)**	**(859)**	**(22)**	**—**	**(1,107)**
At 31 May 2021	**133,443**	**101,645**	**23,179**	**2,183**	**260,450**
DEPRECIATION AND IMPAIRMENT					
At 1 June 2019	21,616	5,478	1,095	—	28,189
Provided for the year	10,645	3,999	740	—	15,384
Eliminated on disposals	(858)	(3,211)	(772)	—	(4,841)
At 31 May 2020	31,403	6,266	1,063	—	38,732
Provided for the year	**26,320**	**16,597**	**2,913**	**—**	**45,830**
Impairment loss recognised in profit or loss	**6,377**	**48,667**	**6,240**	**1,304**	**62,588**
Eliminated on disposals	**(99)**	**(151)**	**(2)**	**—**	**(252)**
At 31 May 2021	**64,001**	**71,379**	**10,214**	**1,304**	**146,898**
CARRYING VALUES					
At 31 May 2021	**69,442**	**30,266**	**12,965**	**879**	**113,552**
At 31 May 2020	40,458	14,251	7,210	19,757	81,676

The above items of property and equipment, other than construction in process, after taking into account their estimated residual value of 5% of the cost, except for the leasehold improvement of which the estimated residual value is nil, are depreciated on a straight-line basis with the following expected useful lives:

Electronic equipment	3–5 years
Furniture and fixtures	5 years
Leasehold improvement	shorter of the lease term or estimated useful lives

For impairment assessment, please refer to Note 17 for details.

16 Right-of-Use Assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	RMB'000
Carrying amount:	
As at 1 June 2019	168,223
Additions	254,197
Decreases due to terminations	(16,070)
Lease modifications	(1,891)
Depreciation charges	(73,337)
As at 1 June 2020	331,122
Additions	**147,525**
Decreases due to terminations	**(47,714)**
Lease modifications	**(7,974)**
Depreciation charges	**(103,659)**
Impairment loss recognised in profit or loss (Note 17)	**(16,678)**
At 31 May 2021	**302,622**
For the year ended 31 May 2020	
Expense relating to short-term leases	22,424
Total cash outflow for leases	96,794
For the year ended 31 May 2021	
Expense relating to short-term leases	**17,090**
Total cash outflow for leases	**127,555**

For both years, the Group leases buildings for its operations. Lease contracts were entered into for fixed terms of 1 year to 7 years. Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings. As at 31 May 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 10.

Extension and termination options

During the year ended 31 May 2021, certain lease contracts were early terminated by lessors or the Group. Upon early termination of lease contracts, penalties for terminating the lease was paid or received based on lease contracts, and the carrying amounts of lease liabilities and right-of-use assets of these leases were derecognised and related rental deposits were refunded. A net gain on early termination of lease contracts of RMB5,434,000 (2020: RMB537,000) was recognised in other income, gains and losses.

16 Right-of-Use Assets (Continued)

Leases committed

As at 31 May 2021, the Group entered into one new lease for building that has not yet commenced, with a non-cancellable period for 5 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB636,000 (2020: RMB332,000).

For impairment assessment, please refer to Note 17 for details.

17 Impairment Testing on Long-Term Assets

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

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

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

18 Interests in Associates

Details of the Group's investment in associates are as follows:

	2021 RMB'000	2020 RMB'000
Cost of investment in associates	**76,044**	76,044
Share of results and other comprehensive income	**14,202**	6,414
	90,246	82,458

Details of the Group's associates at the end of the reporting period are as follow:

Name of entities	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group At 31 May 2021	Proportion of ownership interest held by the Group At 31 May 2020	Proportion of voting rights held by the Group At 31 May 2021	Proportion of voting rights held by the Group At 31 May 2020	Principal activities
Beijing Shidai Yuntu Book Co., Ltd.[a] ("Shidai Yuntu") (北京時代雲圖圖書有限責任公司)	PRC	Beijing	**24.75%**	24.75%	**24.75%**	24.75%	Publisher of teaching materials
Tianjin Xuncheng Shangyue Education and Technology Ltd.[a] ("Shangyue") (天津迅程尚悦教育科技有限公司)	PRC	Tianjin	**49%**	49%	**49%**	49%	Education consulting
Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.)[a] ("New Venture") (霍爾果斯東方新創股權投資合夥企業（有限合夥）)	PRC	Huoerguosi	**49%**	49%	**49%**	49%	Equity investment fund
Hone KTHL SMA, L.P.[b] ("Hone")	USA	Delaware	**100%**	100%	**(b)**	(b)	Equity investment fund

Notes:

(a) The English name of the company is translated from its registered Chinese name for identification purpose only.

(b) Hone is a limited partnership established on 28 December 2018, of which the primary purpose is to invest in education industry related business. The Group is the sole limited partner of Hone and holds 100% of the partnership interest, and an independent third party is the sole general partner which also controls the investment committee of Hone. Under the limited partnership agreement, the Group has power to approve or refuse investment opportunities proposed by the investment committee, but does not have power over any other decision of Hone, including but not limited to, decision over disposal of investments held by Hone and power to remove the general partner. The Directors considered that the Group has significant influence over Hone and it was therefore classified as an associate of the Group.

18 Interests in Associates (Continued)

Summarised financial information of Shidai Yuntu

	2021 RMB'000	2020 RMB'000
Current assets	**156,155**	123,657
Non-current assets	**4,652**	1,463
Current liabilities	**(72,259)**	(58,883)
Non-current liabilities	**(3,257)**	—
Net assets	**85,291**	66,237

	2021 RMB'000	2020 RMB'000
Revenue	**166,259**	147,849
Profit and total comprehensive income for the year	**19,054**	16,280

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as below:

	2021 RMB'000	2020 RMB'000
Net assets of Shidai Yuntu	**85,291**	66,237
Proportion of the Group's ownership interest in Shidai Yuntu	**24.75%**	24.75%
The Group's share of net assets of Shidai Yuntu	**21,110**	16,394
Goodwill[(a)]	**8,079**	8,079
Carrying amount of the Group's interest in Shidai Yuntu	**29,189**	24,473

Note:

(a) For the investment in Shidai Yuntu, the excess of the cost of the investment over the Group's share of the fair value of the identifiable assets and liabilities of the investee was recognised as goodwill, which has been included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) was tested for impairment as a single asset . No impairment loss has been recognised during the year ended 31 May 2021 (2020: Nil).

18 Interests in Associates (Continued)

Summarised financial information of Shangyue

	2021 RMB'000	2020 RMB'000
Current assets	—	1
Non-current assets	1,234	907
Current liabilities	(5)	(5)
Net assets	1,229	903

	2021 RMB'000	2020 RMB'000
Revenue	—	—
Profit (loss) and total comprehensive income (expense) for the year	326	(95)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as below:

	2021 RMB'000	2020 RMB'000
Net assets of Shangyue	1,229	903
Proportion of the Group's ownership interest in Shangyue	49%	49%
Carrying amount of the Group's interest in Shangyue	602	442

Summarised financial information of New Venture

	2021 RMB'000	2020 RMB'000
Current assets	84,779	84,150
Non-current assets	38,547	6,520
Net assets	123,326	90,670

	2021 RMB'000	2020 RMB'000
Revenue	—	—
Profit (loss) and total comprehensive income (expense) for the year	32,656	(9,480)

18 Interests in Associates (Continued)

Summarised financial information of New Venture (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as below:

	2021 RMB'000	2020 RMB'000
Net assets of New Venture	**123,326**	90,670
Proportion of the Group's ownership interest in New Venture	**49%**	49%
Carrying amount of the Group's interest in New Venture	**60,430**	44,428

Summarised financial information of Hone

	2021 RMB'000	2020 RMB'000
Current assets	**25**	31
Non-current assets	**—**	13,084
Net assets	**25**	13,115

	2021 RMB'000	2020 RMB'000
Revenue	**—**	—
Loss and total comprehensive expense for the year	**(13,090)**	(707)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as below:

	2021 RMB'000	2020 RMB'000
Net assets of Hone	**25**	13,115
Proportion of the Group's ownership interest in Hone	**100%**	100%
Carrying amount of the Group's interest in Hone	**25**	13,115

19 Financial Assets at Fair Value Through Profit or Loss

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

Notes:

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

(ii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.7% to 3.9% (2020: 2.2% to 4.1%), and maturity period ranging from 1 day to 182 days (2020: 1 day to 91 days). The principals and returns of these wealth management products are not guaranteed, except for one purchased wealth management product purchased in May 2020, amounting to RMB15,000,000, with principal guaranteed and a term of conditionally early redemption, which is redeemed in October 2020.

During the year ended 31 May 2021, the Group did not make any sales to Edutainment World or EEO (2020: Nil).

During the year ended 31 May 2021, the Group made purchases from Edutainment World amounting to RMB1,575,000 (2020: RMB1,338,000).

During the year ended 31 May 2021, the Group made purchases from EEO amounting to RMB17,507,000 (2020: RMB22,429,000).

20 Trade and Other Receivables

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

Note:

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

Settlement related to College Education, K12 Education and Pre-school Education

Customers of College Education, K12 Education and Pre-school Education usually settle the prepaid packages by cash or pay through third-party payment platforms. For payment through third-party payment platforms, the third-party payment platforms normally settle the amounts received, net of handling charges, within one month after the trade date. The receivables from third-party payment platforms include payments that are not yet settled by third-party payment platforms.

The Directors are of the opinion that the credit risks of these receivables are minimal as these are from creditworthy third-party payment platforms with no history of defaults. No impairment is made for receivables from third-party payment platforms.

20 Trade and Other Receivables (Continued)

Trade receivables arising from institutional customers

The credit terms granted to the institutional customers are within 90 days from the date of invoice.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The following is an analysis of trade receivables by age, net of allowance for credit loss, presented based on the invoice date:

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

Before accepting new customers, the Group assesses the potential customers' credit quality and defines credit limits for each individual customer. Recoverability of the existing customers is reviewed by management of the Group regularly.

As at 31 May 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB11,806,000 (2020: RMB7,815,000) which are past due. Out of the past due balance, RMB1,881,000 (2020: RMB1,703,000) has been past due 90 days or more and is not considered as default as there has not been a significant change in the credit standing of the debtors. The Group did not hold any collateral over these receivables.

Included in trade receivables, RMB2,859,000 as at 31 May 2021 (2020: RMB2,478,000) were amounts due from related parties (details as set out in Note 39), which were aged 1-90 days based on the invoice date.

20 Trade and Other Receivables (Continued)

Trade receivables arising from institutional customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach for the years ended 31 May 2021 and 2020:

	ECL (not credit-impaired) RMB'000	ECL (credit-impaired) RMB'000	Total RMB'000
At 1 June 2019	403	1,774	2,177
Impairment losses recognised, net of reversal	244	1,322	1,566
At 31 May 2020	647	3,096	3,743
Changes due to financial instruments recognised as at 1 June 2020:			
Transfer to credit impaired	(47)	47	—
Impairment losses (reversed) recognised, net of reversal	(575)	6,188	5,613
New financial assets originated	84	5	89
At 31 May 2021	**109**	**9,336**	**9,445**

Details of impairment assessment of trade and other receivables for the years ended 31 May 2021 and 2020 are set out in Note 20.

21 Overview of the Group's Exposure to Credit Risk

Credit risk refers to the risk that the Group's counterparties default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables. At the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets measured at amortised cost as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses historical credit loss experience to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

21 Overview of the Group's Exposure to Credit Risk (Continued)

The Group's internal credit risk grading assessment, which is applicable for financial assets at amortised cost excluding trade receivables, comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts or aged within 90 days	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition or aged over 90 days but less than 2 years	Lifetime ECL — not credit — impaired
In default	There is evidence indicating the asset is credit-impaired or aged over 2 years	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For trade receivables, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group determined ECL on these items by using a provision matrix, estimated based on the financial quality of the debtors, historical credit loss experience based on the past due status of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the reporting date. In addition, credit-impaired debtors with gross carrying amounts of RMB5,330,000 as at 31 May 2021 (2020: Nil) were assessed individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the year ended 31 May 2021, no trade receivables had been written off (2020: Nil).

The following details the risk portfolio of trade receivables arising from institutional customers, based on the Group's provision matrix. As the Group's historical credit loss experience showed significantly different loss patterns for different customer portfolio (including normal risk, low risk type and credit-impaired), the provision for loss allowance was further distinguished between the Group's customer portfolio of different risk type.

Low risk type customers	Represent the universities, public libraries, related parties and video streaming providers and agents
Normal risk type customers	Represent the universities and public libraries with overdue history
Credit-impaired customers	Represent customers that have occurred defaults with lower collectability

21 Overview of the Group's Exposure to Credit Risk (Continued)

At 31 May 2021

	Expected credit loss rate %	**Gross carrying amount RMB'000**	**Credit loss allowance RMB'000**
Low risk type customers			
Trade receivables	**1.61**	**6,427**	**104**
Normal risk type customers			
Trade receivables	**3.84**	**130**	**5**
Credit-impaired customers			
Trade receivables	**100.00**	**4,006**	**4,006**

At 31 May 2020

	Expected credit loss rate %	Gross carrying amount RMB'000	Credit loss allowance RMB'000
Low risk type customers			
Trade receivables	3.67	6,727	247
Normal risk type customers			
Trade receivables	7.53	5,314	400
Credit-impaired customers			
Trade receivables	100.00	3,096	3,096

21 Overview of the Group's Exposure to Credit Risk (Continued)

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 May 2021 and 2020, the Group concluded the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

As at 31 May 2021, the Group provided RMB4,115,000 (2020: RMB3,743,000) impairment allowance for trade receivable, based on the provision matrix. Impairment allowance of RMB5,330,000 (2020: Nil) were made on credit-impaired debtors based on individual assessment.

There has been no change in the estimation technique or significant assumptions made throughout the years ended 31 May 2021 and 2020.

22 Prepayments

	2021 **RMB'000**	2020 RMB'000
Prepaid marketing expenses	**15,943**	21,980
Prepaid courseware production costs	**11,378**	6,051
Prepaid teachers' commission fee and course fee	**9,706**	29,948
Prepaid office system fee	**3,994**	4,263
Prepaid travel expense	**3,374**	2
Prepaid commercial insurance	**2,652**	1
Prepaid property management fee	**2,597**	2,081
Prepaid rental expenses	**1,590**	2,830
Others	**4,183**	3,682
	55,417	70,838

Included in prepayments, RMB473,000 (2020: RMB399,000) were amounts due from related parties (details as set out in Note 39) as at 31 May 2021.

23 Bank Balances and Cash and Term Deposits

Bank balances

Bank balances comprise check accounts and short-term deposits with an original maturity of three months or less.

Bank balances carry interest at market rates which range from 0.00% to 1.20% (2020: 0.00% to 1.62%) per annum as at 31 May 2021.

Term deposits

Term deposits represent fixed term deposits with a commercial bank with an original maturity of over three months. As at 31 May 2021, term deposits carry fixed rate of 0.72% (2020: 3.25%) per annum.

Term deposits are subsequently matured in July 2021.

24 Contract Liabilities

	2021 **RMB'000**	2020 RMB'000
Contract liabilities in relation to:		
Students	**368,692**	378,006
Institutional customers	**28,769**	42,097
	397,461	420,103

The following table shows how much of the revenue recognised during the years ended 31 May 2021 and 2020 relates to carried-forward contract liabilities.

	2021 **RMB'000**	2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Students	**364,449**	293,940
Institutional customers	**36,276**	67,869
Total	**400,725**	361,809

24 Contract Liabilities (Continued)

The following table shows the unsatisfied contracts at 31 May 2021 and 2020 and the expected timing of recognising revenue.

	2021 RMB'000	2020 RMB'000
Expected to be recognised within one year:		
Students	**358,717**	364,449
Institutional customers	**28,423**	36,276
Expected to be recognised over one year:		
Students	**9,975**	13,557
Institutional customers	**346**	5,821
Total	**397,461**	420,103

25 Refund liabilities

	2021 RMB'000	2020 RMB'000
Refund liabilities		
Arising from right of refund	**93,293**	36,491

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

26 Trade Payables

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

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

Included in trade payables, RMB1,747,000 as at 31 May 2021 (2020: RMB895,000) were amounts due to related parties (details as set out in Note 39), among which RMB1,677,000 were aged 1–90 days, RMB2,000 were aged 91–180 days, RMB67,000 were aged 1 year–2 years, RMB1,000 were aged over 2 years based on the invoice date.

27 Accrued Expenses and Other Payables

	2021 **RMB'000**	2020 RMB'000
Accrued payroll and welfare	**180,103**	143,706
Accrued marketing expenses	**85,264**	81,697
Accrued teachers' commission fees and course fees	**54,183**	63,134
Accrued office expenses	**17,579**	11,024
Payables for property and equipment	**14,426**	1,072
Advance payments received from students	**10,069**	14,252
Other tax payables	**9,019**	7,487
Refundable business deposits received from sales agents	**8,994**	6,267
Advance payments received from sales agents	**8,656**	4,301
Social insurance expenses payable	**7,587**	6,843
Others	**8,983**	3,969
	404,863	343,752

Included in accrued expenses and other payables, RMB9,988,000 as at 31 May 2021 (2020: RMB2,487,000) were amounts due to related parties (details as set out in Note 39).

28 Lease Liabilities

	2021 **RMB'000**	2020 RMB'000
Lease liabilities payable:		
Within one year	**104,316**	77,263
Within a period of more than one year but not more than two years	**73,345**	83,029
Within a period of more than two years but not more than five years	**136,167**	155,608
Within a period of more than five years	**—**	9,583
Less: Amount due for settlement with 12 months shown under current liabilities	**104,316**	77,263
Amount due for settlement after 12 months shown under non-current liabilities	**209,512**	248,220

The weighted average incremental borrowing rates applied to lease liabilities range from 4.2% to 5.0% (2020: from 4.6% to 4.7%).

29 Share Capital

Details of the movements of share capital of the Company are as follows:

Issued and fully paid	Number of ordinary shares	Par value per ordinary share		Share capital	
		US$	RMB	US$	RMB
At 1 June 2019	936,335,602			18,726	120,000
Exercise of share options[i]	3,129,000	0.00002	0.00014	63	442
At 31 May 2020	939,464,602			18,789	120,442
Issuance of ordinary shares[ii]	59,432,000	0.00002	0.00013	1,189	8,023
Exercise of share options[i]	1,674,000	0.00002	0.00013	33	223
At 31 May 2021	**1,000,570,602**			**20,011**	**128,688**

Notes:

(i) In the current year, as a result of exercise of share options, 1,674,000 ordinary shares (2020: 3,129,000 ordinary shares) were issued by the Company. Upon the exercise of share options, RMB18,405,000 (2020: RMB35,442,000) was credited to share premium and RMB5,569,000 (2020: RMB10,326,000) was debited to share option reserve during the current year.

(ii) On 8 September 2020, the Company entered into a subscription agreement with New Oriental Group and Tigerstep, for the subscription of an aggregate of 59,432,000 ordinary shares of the Company (par value of US$0.00002 each) at the subscription price of HK$30.00 or US$3.87 per subscription share (approximately RMB25.42 per subscription share). The Share Subscription was completed on 24 December 2020.

30 Deferred Tax Assets and Liabilities

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021	2020
	RMB'000	RMB'000
Deferred tax liabilities	**(24,092)**	(25,648)

30 Deferred Tax Assets and Liabilities (Continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accrued expenses RMB'000	Deductible advertising expenses without expiry date RMB'000	ECL provision RMB'000	Change in fair value of financial assets at FVTPL RMB'000	Total RMB'000
At 1 June 2019	7,279	19,895	417	(16,530)	11,061
Charged to profit or loss	(7,279)	(19,895)	(417)	(9,118)	(36,709)
At 31 May 2020	—	—	—	(25,648)	(25,648)
Credited to profit or loss	—	—	—	1,556	1,556
At 31 May 2021	—	—	—	**(24,092)**	**(24,092)**

As at 31 May 2021, the Group has deductible temporary differences of RMB1,228,742,000 (2020: RMB671,030,000). No deferred tax assets have been recognised in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

As at 31 May 2021, the Group has unused tax losses of RMB1,796,062,000 (2020: RMB609,546,000), which are available for offset against future profits. No deferred tax asset has been recognised in relation to these unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,792,456,000 (2020: RMB592,316,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2021 RMB'000	2020 RMB'000
2022	**2,434**	2,434
2023	**17,408**	17,408
2024	**52,726**	52,964
2025	**516,704**	519,510
2026	**1,203,184**	—
	1,792,456	592,316

31 Share-Based Payment Transactions

Pre-IPO Share Option Scheme

On 13 July 2018, the Directors approved an employee's share option plan (the "Pre-IPO Share Option Scheme"). The details of the Pre-IPO Share Option Scheme are as follows:

Eligibility:

Any director, employee, contractor or affiliate of the Group (including nominees and/or trustees of any employee benefit trusts established for them) who the Directors consider, in its sole discretion, to have contributed or will contribute to the Group.

Maximum number of shares:

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time must not exceed 47,836,985 (representing approximately 5.23% of the total number of shares in issue immediately before the date of the commencement of dealings in the shares on the Stock Exchange (without taking into account any shares that may be issued upon the Listing and any over-allotment option).

Grant of options

On and subject to the terms of the Pre-IPO Share Option Scheme, the Directors shall be entitled (but shall not be bound) at any time within the scheme period to make an offer to any participant, as the Directors may in its absolute discretion select, to take up an option pursuant to which such participant may, during the option period, subscribe for such number of shares as the Directors may determine at the subscription price as defined in the scheme. The offer shall specify the terms on which the option is to be granted. Such terms may include, but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Directors such other terms either on a case by case basis or generally.

On 7 March 2019, pursuant to the list of grantees and respective numbers of options approved by the Directors, the Company granted a total of 47,836,985 options to 144 grantees, including the directors, senior management of the Company and other employees of the Group.

31 Share-Based Payment Transactions (Continued)

Pre-IPO Share Option Scheme (Continued)

Grant of options (Continued)

Details of the share options under the Pre-IPO Share Option Scheme held by grantees are set out below:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
47,836,985	7 March 2019	From the Listing Date to the six anniversary of the Listing Date	8.88	3.50	25% vested on the Listing Date, 25% vested on the first anniversary of the Listing Date, 25% vested on the second anniversary of the Listing Date, 25% vested on the third anniversary of the Listing Date

The estimated fair value of the share options granted on that date was RMB169,656,000.

The movements of share options under the Pre-IPO Share Option Scheme are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Outstanding as at 1 June 2019	44,740,485	8.88
Forfeited during the year	(2,360,000)	8.88
Exercised during the year	(3,129,000)	8.88
Outstanding as at 31 May 2020	39,251,485	8.88
Forfeited during the year	(680,500)	8.88
Exercised during the year	(1,668,000)	8.88
Outstanding as at 31 May 2021	36,902,985	8.88
Exercisable as at 31 May 2020	18,994,993	
Exercisable as at 31 May 2021	27,179,989	

The Group recognised the total expense of RMB25,959,000 (2020: RMB55,652,000) for the year ended 31 May 2021 in relation to Pre-IPO share options granted by the Company.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB20.01 (2020: RMB19.11).

31 Share-Based Payment Transactions (Continued)

Post-IPO Share Option Scheme

On 30 January 2019, the Directors approved an employee's share option plan (the "Post-IPO Share Option Scheme"). The details of the Post-IPO Share Option Scheme are as follows:

Eligibility:

Any director, employee, contractor or affiliate of the Group (including nominees and/or trustees of any employee benefit trusts established for them) who the Directors consider, in its sole discretion, to have contributed or will contribute to the Group.

Maximum number of shares:

The overall limit on the number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Group (collectively, "All Share Option Schemes") must not exceed 30% of the Company's total issued share capital from time to time, and upon exercise of all options granted under All Share Option Schemes must not exceed 10% (being 91,395,910 shares) of the total number of share in issue on the Listing Date (being 913,959,102 shares).

Grant of options

On and subject to the terms of the Post-IPO Share Option Scheme, the Directors shall be entitled (but shall not be bound) at any time within the scheme period to make an offer to any participant, as the Directors may in its absolute discretion select, to take up an option pursuant to which such participant may, during the option period, subscribe for such number of shares as Directors may determine at the subscription price as defined in the scheme. The offer shall specify the terms on which the option is to be granted. Such terms may include, but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Directors such other terms either on a case by case basis or generally.

Post-IPO Share Option I

On 29 January 2020, pursuant to the list of grantees and respective numbers of options approved by the Directors, the Company granted a total of 40,000,000 options to 552 grantees, including the directors, senior management of the Company and other employees of the Group (the "Post-IPO Share Option I").

Details of the share options under the Post-IPO Share Option I held by grantees are set out below:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
40,000,000	29 January 2020	From the first anniversary to the 10 anniversary of the Grant Date	25.35	10.74	One third vested on the first anniversary of the Grant Date, One third vested on the second anniversary of the Grant Date, One third vested on the third anniversary of the Grant Date

31 Share-Based Payment Transactions (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option I (Continued)

The movements of share options under the Post-IPO Share Option I are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Granted on 29 January 2020	40,000,000	25.35
Forfeited during the year	(1,801,000)	25.35
Outstanding as at 31 May 2020	38,199,000	25.35
Forfeited during the year	(8,621,185)	25.35
Cancelled during the Period	(30,000)	25.35
Exercised during the year	(6,000)	25.35
Outstanding as at 31 May 2021	29,541,815	25.35
Exercisable as at 31 May 2020	—	
Exercisable as at 31 May 2021	10,909,167	

The estimated fair value of the share options granted on 29 January 2020 was RMB429,734,000.

Fair value of share options under the Post-IPO Share Option I:

The Group has used the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date as the fair value of underlying ordinary shares of the Company. Based on the fair value of the underlying ordinary shares of the Company, the Group has used binomial option-pricing model to determine the fair value of the share option as of the grant date with the assistance of a third party valuation firm. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

31 Share-Based Payment Transactions (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option I (Continued)

	29 January 2020 Post-IPO Share Option Scheme
Weighted average share price	HK$27.15
Exercise price	HK$25.35
Expected volatility	52%
Expected life	10 years
Risk-free rate	1.44%
Expected dividend yield	0.00%

The Group recognised the total expense of RMB154,340,000 (2020: RMB64,844,000) for the year ended 31 May 2021 in relation to Post-IPO share options I granted by the Company.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB22.68 (2020: Nil).

Post-IPO Share Option II

On 25 August 2020, the Company further granted 25,000,000 options to 162 employees (the "Post-IPO Share Option II") for the purpose of providing incentives to employees, pursuant to Post-IPO Share Option Scheme. The details of the Post-IPO Share Option II are as follows:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
25,000,000	25 August 2020	From the first anniversary to the 10 anniversary of the grant date	34.00	14.79	The Post-IPO Share Option II has two kind of vesting schedule: schedule A and schedule B. For schedule A, 30% of the shares vested on the first anniversary of the Grant Date, 30% of the shares vested on the second anniversary of the Grant Date, 30% of the shares vested on the third anniversary of the Grant Date and 10% of the shares vested on the fourth anniversary of the Grant Date. For schedule B, 20% of the shares vested on the second anniversary of the Grant Date, 40% of the shares vested on the third anniversary of the Grant Date and 40% of the shares vested on the fourth anniversary of the Grant Date.

31 Share-Based Payment Transactions (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option II (Continued)

The movements of share options under the Post-IPO Share Option II are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Granted on 25 August 2020	25,000,000	34.00
Forfeited during the year	(4,152,000)	34.00
Outstanding as at 31 May 2021	20,848,000	34.00
Exercisable as at 31 May 2021	—	

The estimated fair value of the share options granted on 25 August 2020 was RMB369,814,000.

Fair value of share options under the Post-IPO Share Option II:

The Group has used the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days preceding the Grant date (being from 18 August to 24 August 2020, both dates inclusive). The binomial option-pricing model has been used to estimate the fair value of the Post-IPO Share Option II. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

	25 August 2020 Post-IPO Share Option II
Weighted average share price	HK$35.05
Exercise price	HK$34.00
Expected volatility	49.50%
Expected life	10 years
Risk-free rate	0.44%
Expected dividend yield	0.00%

The Group recognised the total expense of RMB100,439,000 (2020: Nil) for the year ended 31 May 2021 in relation to Post-IPO Share Option II granted by the Company.

32 Retirement Benefits Plans

Employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of RMB77,304,000 for the year ended 31 May 2021 (2020: RMB42,628,000), represent contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 May 2021, contributions of RMB9,156,000 (2020: RMB1,278,000) were due in respect of the year then ended, which had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period. No forfeited contribution is available as at 31 May 2021 and 2020 to reduce the contribution payable in the future years.

33 Capital Commitments

	2021 **RMB'000**	2020 RMB'000
Capital commitments in respect of the acquisition of equipment contracted for but not provided in the consolidated financial statements	**22,081**	25,035

34 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 28, net of bank balances and cash, term deposits and equity attributable to owners of the Company, comprising share capital and reserves in the consolidated statement of changes in equity.

35 Categories Of Financial Instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at amortised costs	**1,882,475**	1,999,875
Financial assets at FVTPL	**831,732**	461,128
Financial liabilities		
Financial liabilities measured at amortised cost	**344,356**	256,274
Lease liabilities	**313,828**	325,483

36 Reconciliation of Liabilities Arising From Financing Activities

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities **RMB'000**	**Accrued issue costs** **RMB'000**	**Total** **RMB'000**
As at 1 June 2019	156,397	933	157,330
Financing cash flows	(65,547)	(933)	(66,480)
New leases entered/lease modified/lease terminated	224,057	—	224,057
Interest expenses	10,576	—	10,576
At 31 May 2020	325,483	—	325,483
Financing cash flows	(110,251)	—	(110,251)
New leases entered/lease modified/lease terminated	83,497	—	83,497
Interest expenses	15,099	—	15,099
At 31 May 2021	**313,828**	**—**	**313,828**

37 Financial Risk Management Objectives and Polices

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, bank balances and cash, term deposits, trade payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries and the Company have foreign currency denominated intra-group balances, term deposits and bank balances which expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities and intra-group balances, as at 31 May 2021 and 2020 are as follows:

	2021 **RMB'000**	2020 RMB'000
Assets		
US$	**2,524,549**	2,253,849
HK$	**2,027,076**	518,057
	4,551,625	2,771,906
Liabilities		
US$	**1,997,278**	411,889
HK$	**767,572**	511,379
	2,764,850	923,268

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. The sensitivity analysis also includes intra-group balances where the denomination of the balances is in a currency other than the functional currency of the group entities. For the years ended 31 May 2021 and 2020, a negative number below indicates an increase in post-tax loss, where RMB strengthens against the relevant foreign currency. For a weakening of RMB against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

37 Financial Risk Management Objectives and Polices (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	2021 **RMB'000**	2020 RMB'000
US$	**(30,734)**	(92,012)
HK$	**(64,811)**	(2,443)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31 May 2021 and 2020.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (Note 23) and lease liabilities (Note 28). The Group is exposed to cash flow interest risk in relation to variable rate bank balance (Note 23), which carry prevailing market interest rates and investments in wealth management products (Note 19). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

The management of the Group considers the fluctuation in interest rates on bank balances and investments in wealth management products is insignificant. Therefore, no sensitivity analysis is presented.

Other price risk

The Group is exposed to other price risk through its investments in wealth management products and unlisted equity investments measured at FVTPL. Sensitivity analyses for unlisted equity investments with fair value measurement categorised within Level 3 were disclosed in Note 38. The management considers the other price risk of the Group on its investments in the wealth management products is limited as the maturity periods of these investments are short. Therefore, no sensitivity analysis is presented.

Credit risk and impairment assessment

At 31 May 2021, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets measured at amortised cost and investments in wealth management products at FVTPL as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables.

37 Financial Risk Management Objectives and Polices (Continued)

Credit risk and impairment assessment (Continued)

In order to minimise the credit risk on trade and other receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews and performs impairment assessment under the ECL model on trade and other receivables collectively. In addition, the Group performs impairment assessment under ECL model on credit-impaired trade receivables individually. Details of impairment assessment of trade and other receivables are set out in Note 20.

The credit risk on bank balances, term deposits and wealth management products is limited because the counterparties are banks with high credit ratings. Trade and other receivables consist of a large number of customers, the Group does not have any significant concentration of credit risk on trade and other receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average incremental borrowing rates	On demand or within 3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 May 2021 RMB'000
As at 31 May 2021							
Non-derivative financial liabilities							
Trade payables	–	42,909	–	–	–	42,909	42,909
Accrued expenses and other payables	–	208,154	–	–	–	208,154	208,154
Lease liabilities	4.20%–5.00%	24,290	92,004	220,421	–	336,715	313,828
Refund liabilities	–	93,293	–	–	–	93,293	93,293
		368,646	92,004	220,421	–	681,071	658,184

37 Financial Risk Management Objectives and Polices (Continued)

Liquidity risk (Continued)

	Weighted average incremental borrowing rates	On demand or within 3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 May 2020 RMB'000
As at 31 May 2020							
Non-derivative financial liabilities							
Trade payables	—	34,067	—	—	—	34,067	34,067
Accrued expenses and other payables	—	185,716	—	—	—	185,716	185,716
Lease liabilities	4.60%–4.70%	16,750	73,748	255,754	9,843	356,095	325,483
Refund liabilities	—	36,491	—	—	—	36,491	36,491
		273,024	73,748	255,754	9,843	612,369	581,757

38 Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group use the option pricing model ("OPM") back solve approach in determine the fair value of investments in unlisted equity securities when there are recent transactions of the investee's shares. When there's no recent transaction of the investee's shares, discounted cash flow method is used.

Fair value hierarchy as at 31 May 2021

	Level 2 RMB'000	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL			
Unlisted equity securities	—	**207,497**	**207,497**
Wealth management products	**624,235**	—	**624,235**

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy as at 31 May 2020

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity securities	—	183,328	183,328
Wealth management products	277,800	—	277,800

Financial assets	Fair value as at 31 May 2021	Fair value as at 31 May 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Wealth management products issued by banks classified as financial asset at FVTPL	Wealth management products issued by banks — RMB624,235,000;	Wealth management products issued by banks — RMB277,800,000;	Level 2	Discounted cash flow — future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 May 2021	Fair value as at 31 May 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL	23.84% equity investment in Edutainment World which engaged in education research, product development and education service RMB93,340,000;	—	Level 3	Market approach — the OPM backsolve approach was used to calculate the implied equity value of the investee. Once an overall equity value was determined, amounts were allocated to the various classes of equity based on the security class preferences. The inputs to the OPM backsolve approach are the recent transaction price for one component of the capital structure, expected time to exit, the risk-free interest rate and expected volatility.	Estimated volatility of 64% taking into account peer companies' volatility used by market participants when pricing the investment (Note I).

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 May 2021	Fair value as at 31 May 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL	—	24.5% equity investment in Edutainment World which engaged in education research, product development and education service — RMB64,427,000;	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate WACC.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 3% (Note II). WACC determined using a Capital Asset Pricing Model is 21% (Note III). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 20% (Note IV).

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 May 2021	31 May 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL	5.61% equity investment in EEO which engaged in development of computer platforms used in online education services — RMB114,157,000	—	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate WACC.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 3% (Note V). WACC determined using a Capital Asset Pricing Model is 25% (Note VI). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (Note VII).

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 May 2021	Fair value as at 31 May 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL	—	10% equity investment in EEO which engaged in development of computer platforms used in online education services — RMB118,901,000.	Level 3	Market approach — the OPM backsolve approach was used to calculate the implied equity value of the investee. Once an overall equity value was determined, amounts were allocated to the various classes of equity based on the security class preferences. The inputs to the OPM backsolve approach are the recent transaction price for one component of the capital structure, expected time to exit, the risk-free interest rate and expected volatility.	Estimated volatility of 57% taking into account peer companies' volatility used by market participants when pricing the investment (Note VIII).

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Notes:

Note I: An increase in the estimated volatility used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the estimated volatility holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB870,000/RMB1,218,000 as at 31 May 2021.

Note II: An increase in the long-term revenue growth rates used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 1% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB1,886,000 as at 31 May 2020.

Note III: An increase in the WACC used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 3% increase/decrease in the WACC holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB6,521,000 as at 31 May 2020.

Note IV: An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB3,984,000 as at 31 May 2020.

Note V: An increase in the long-term revenue growth rates used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 1% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB373,000 as at 31 May 2021.

Note VI: An increase in the WACC used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 3% increase/decrease in the WACC holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB3,121,000 as at 31 May 2021.

Note VII: An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB7,580,000 as at 31 May 2021.

Note VIII: An increase in the estimated volatility used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the estimated volatility holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB1,205,000/RMB1,398,000 as at 31 May 2020.

38 Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

The following table represents the reconciliation of level 3 fair value measurements during the years ended 31 May 2021 and 2020.

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**183,328**	146,855
Changes in fair value	**24,169**	36,473
At the end of the year	**207,497**	183,328

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

39 Related Party Transactions

During the year, the Group entered into the following transactions with related parties:

	Relationship	**Nature of transactions**	**2021 RMB'000**	2020 RMB'000
New Oriental Group	Controlling shareholder of the Group	Trade sales	**15,978**	17,127
		Trade purchases	**16,578**	9,255
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding")[(a)]	A company wholly owned by the Chairman of the Company	Interest expenses on lease liabilities	**1,166**	163
		Property management fee	**1,250**	911
Tencent Holdings Limited ("Tencent" and with its subsidiaries the "Tencent Group")	Shareholder of the Group	Trade purchases	**17,370**	13,937
Beijing Shidai Yuntu Book Co., Ltd. ("Shidai Yuntu")	Associate of the Group	Trade sales	**748**	1,861
		Trade purchases	**5,927**	17,321

39 Related Party Transactions (Continued)

The following balances represent outstanding balance with related parties at the end of the reporting period:

	Nature of Balance	31/05/2021 RMB'000	31/05/2020 RMB'000
New Oriental Group	Trade and other receivables	**2,123**	—
	Prepayments	**32**	—
	Trade payables	**1,087**	633
	Accrued expenses and other payables	**9,552**	2,487
Metropolis Holding[(a)]	Leases liabilities	**14,217**	28,378
	Trade and other receivables	**4,448**	2,734
	Prepayments	**226**	42
	Accrued expenses and other payables	**53**	—
Tencent Group	Prepayments	**215**	357
	Trade payables	**488**	262
	Accrued expenses and other payables	**383**	—
Shidai Yuntu	Trade and other receivables	**738**	2,478
	Trade payables	**172**	—

(a) During the year ended 31 May 2021, the Group entered into several lease agreements with Metropolis Holding, a company owned and controlled by Mr. Yu Minhong, the chairman of the Directors. The terms and conditions, including rental rates of the lease agreements are comparable with other tenants in the same building. The lease agreements are typically of one to three years' term and can be renewed at the end of the lease term upon mutual agreement between the Group and Metropolis Holding. The lease arrangements were approved by the Directors. During the year ended 31 May 2021, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB6,036,000 and RMB5,968,000 (2020: Nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**3,181**	3,376
Post-employment benefits	**98**	122
Share-based payments	**27,003**	43,140
	30,282	46,638

The remuneration of directors and other members of key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40 Particulars Of Subsidiaries of the Company

A. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company as at 31 May 2021 are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operation	Date of incorporation/ establishment	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2021 %	2020 %	**2021 %**	2020 %	**2021 %**	2020 %	**2021 %**	2020 %	
Subsidiaries directly and indirectly held:												
New Oriental Xuncheng Technology (HK) Limited	Hong Kong	2 Mar 2018	HK$1	**100**	100	**–**	—	**100**	100	**–**	—	Investment holding
Dexin Dongfang	PRC	21 Mar 2018	RMB350,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of software and technology services
Dong Fund Co. Ltd	Cayman	13 Aug 2018	US$1,000,000	**100**	100	**–**	—	**100**	100	**–**	—	Equity investment fund
Zhuhai Chongsheng Heli Network Technology Co., Ltd	PRC	23 Jul 2019	RMB52,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of software and technology services
Xi'An Ruiying Huishi Network Technology Co., Ltd.	PRC	03 Apr 2020	RMB250,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of education advisory services
Wuhan Dongfang Youbo Network Technology Co., Ltd.	PRC	17 Sep 2020	RMB50,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of software and technology services
Hainan Haiyue Dongfang Network Technology Co., Ltd.	PRC	13 Oct 2020	RMB50,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of education advisory services
Dongfang Youbo (HK) Education Limited	Hong Kong	13 Aug 2020	HK$1	**100**	—	**–**	—	**100**	—	**–**	—	Provision of online education
New Oriental Wuyou Online (HK) Education & Technology Co., Ltd.	Hong Kong	20 Aug 2020	HK$1	**100**	—	**–**	—	**100**	—	**–**	—	Provision of online education

40 Particulars Of Subsidiaries of the Company (Continued)

A. General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operation	Date of incorporation/ establishment	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2021 %	2020 %	**2021 %**	2020 %	**2021 %**	2020 %	**2021 %**	2020 %	
Subsidiaries-structured entities[i]:												
Beijing Xuncheng	PRC	11 Mar 2005	RMB164,242,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education
Kuxue Huisi	PRC	01 Feb 2013	RMB10,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education
Dongfang Youbo (Note 40B)	PRC	23 Jun 2016	RMB10,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education

Note:

(i) The Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these structured entities, the Company and its legal owned subsidiaries have power over these structured entities, have rights to variable returns from its involvement with these structured entities and has the ability to affect those returns through its power over these structured entities and is considered to have control over these structured entities. Consequently, the Company regards these structured entities as indirect subsidiaries of the Company.

There are no statutory requirements for subsidiaries to issue statutory audited financial statements.

None of the subsidiaries had issued any debt securities as at 31 May 2021 and 2020.

B. Change in ownership interest in a subsidiary

On 16 August 2019, the Group entered into a purchase agreement with the non-controlling shareholder, Tianjin Qiancheng Xiangyu Technology Limited Partnership, for the acquisition of the remaining 49% equity interests in Dongfang Youbo, for a cash consideration of RMB94,000,000. Upon completion of the acquisition, Dongfang Youbo became a wholly-owned subsidiary of the Company. The carrying amount of non-controlling interest on the date of acquisition was a debit balance of RMB47,713,000 and the difference of RMB141,713,000 between the consideration paid and the balance of non-controlling interests adjusted has been recorded as other reserve.

41 Event After the Reporting Period

Saved as disclosed in Note 1, the Group has no other significant events subsequent to the end of the reporting period that needs to be disclosed.

42 Statement of Financial Position and Reserves of the Company

	2021 RMB'000	2020 RMB'000
Non-current Assets		
Amounts due from subsidiaries	**2,160,984**	710,280
Interests in subsidiaries	**985,749**	325,075
	3,146,733	1,035,355
Current Assets		
Other receivables	**546**	123
Prepayments	**—**	114
Term deposits (Note 23)	**316,649**	1,470,530
Bank balances and cash	**668,887**	156,386
	986,082	1,627,153
Current Liability		
Accrued expenses and other payables	**6,314**	9,530
Net current assets	**979,768**	1,617,623
Net assets	**4,126,501**	2,652,978
Capital and Reserves		
Share capital	**129**	120
Reserves	**4,126,372**	2,652,858
Total Equity	**4,126,501**	2,652,978

42 Statement of Financial Position and Reserves of the Company (Continued)

The movement in the reserves of the Company is shown as follows:

	Share premium RMB'000	Share option reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 June 2019	2,291,979	51,513	42,440	2,385,932
Profit and total comprehensive income for the year	—	—	121,314	121,314
Recognition of equity-settled share-based payments	—	120,496	—	120,496
Exercise of share options	35,442	(10,326)	—	25,116
Change in equity for the year	35,442	110,170	—	145,612
At 31 May 2020	2,327,421	161,683	163,754	2,652,858
Loss and total comprehensive expense for the year	**–**	**–**	**(330,041)**	**(330,041)**
Recognition of equity-settled share-based payments	**–**	**280,738**	**–**	**280,738**
Issue of shares	**1,510,816**	**–**	**–**	**1,510,816**
Transaction costs attributable to issue of shares	**(835)**	**–**	**–**	**(835)**
Exercise of share options	**18,405**	**(5,569)**	**–**	**12,836**
Change in equity for the year	**1,528,386**	**275,169**	**–**	**1,803,555**
At 31 May 2021	**3,855,807**	**436,852**	**(166,287)**	**4,126,372**

DEFINITIONS

Unless otherwise stated or set out below, capitalised terms have the same meanings as those defined in the Prospectus (defined below).

"Adjusted Loss"	adjusted loss for a given period represents loss for the period less gain on fair value changes of financial assets at fair value through profit or loss, plus share-based compensation expenses for that period
"ADS(s)"	representing the same number of underlying common shares of New Oriental
"AGM"	our Company's annual general meeting to be held on 3 November 2021
"All Share Option Schemes"	all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other share option schemes of our Group
"APP"	software that causes a computer, smartphone, or electronic mobile device to perform tasks, specifically in our Company's context, it refers to an English-learning application
"Applicable Requirements"	the requirements under the Listing Rules in respect of the Contractual Arrangements: (a) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules; (b) the requirement under Rule 14A.53 of the Listing Rules of setting an annual cap for the transactions; and (c) the requirement under Rule 14A.52 of the Listing Rules of limiting the terms of the Contractual Arrangements to three years or less, for as long as our Shares are listed on the Stock Exchange
"Articles of Association"	the second amended and restated memorandum and articles of association of our Company adopted on 6 March 2019 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Auditor"	Deloitte Touche Tohmatsu
"Beijing Xuncheng" or "Operating Entity"	Beijing New Oriental Xuncheng Network Technology Inc. (北京新東方迅程網絡科技股份有限公司), a company established under the Laws of the PRC on 11 March 2005 and a Consolidated Affiliated Entity
"Board"	the board of directors of our Company
"Board Committees"	the audit committee, remuneration committee and nomination committee of our Board, collectively
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

"CCT Agreements"	Contractual Arrangements and each of our framework agreements in respect of our continuing connected transactions collectively
"Century Friendship"	Beijing Century Friendship Education Investment Co., Ltd., a company incorporated under the laws of the PRC on 19 July 2002 and a substantial shareholder of our Operating Entity
"China" or "the PRC"	the People's Republic of China, and for the purposes of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Companies Ordinance"	*Companies Ordinance (Chapter 622 of the Laws of Hong Kong)*, as amended, supplemented or otherwise modified from time to time
"Company", "we", "us", or "our"	Koolearn Technology Holding Limited (新東方在綫科技控股有限公司), an exempted company with limited liability incorporated under the Laws of the Cayman Islands on 7 February 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity"	an entity controlled by the Company through the Contractual Arrangements; one or more of which is known as "**Consolidated Affiliated Entities**"
"Contractual Arrangements"	the series of contractual arrangements, as amended from time to time, entered into by and among our wholly-foreign owned entities, the Consolidated Affiliated Entities and the Registered Shareholders, details of which are described in the section headed "Contractual Arrangements" of the Prospectus and "Directors' report" in this annual report
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to New Oriental
"Corporate Governance Code"	the *Corporate Governance Code and Corporate Governance Report* set out in Appendix 14 to the Main Board Listing Rules
"Daily Quotations Sheet"	the daily quotations sheet issued by the Stock Exchange
"Dexin Dongfang"	Beijing Dexin Dongfang Network Technology Co., Ltd. (北京德信東方網絡科技有限公司), a company incorporated under the Laws of the PRC on 21 March 2018 and a wholly-owned subsidiary of our Company
"DFUB"	an online education platform operating by Dongfang Youbo, including the website at http://dfub.xdf.cn/ and related APPs

Definitions (Continued)

"Director(s)"	the director(s) of our Company
"Director Nomination Policy"	a director nomination policy adopted by our Company
"Diversity Policy"	a board diversity policy adopted by our Company
"Dividend Policy"	a dividend policy adopted by our Company
"Dongfang Youbo"	Beijing Dongfang Youbo Network Technology Co., Ltd. (北京東方優播網絡科技有限公司), a company incorporated under the Laws of the PRC on 23 June 2016 and a Consolidated Affiliated Entity
"Donut"	an online education platform operating by our Group, including the website at http://www.donut.cn/ and http://donut.koolearn.com and related APPs
"First Bravo"	First Bravo Asia Limited, a company incorporated under the laws of the British Virgin Islands on 15 January 2018 and one of our Shareholders
"FVTPL"	fair value through profit or loss
"FY"	financial year ended 31 May
"Global Offering"	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus and set out in the section headed "Structure of the Global Offering" therein)
"Group"	the Company and its subsidiaries from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IELTS"	International English Language Testing System, an international standardised test for English language proficiency jointly owned by the British Council, IDP: IELTS Australia and Cambridge Assessment English
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Image Frame"	Image Frame Investment (HK) Limited, a company incorporated under the laws of Hong Kong on 5 January 2016, and a substantial shareholders of our Company (as defined in the SFO) and a subsidiary of Tencent
"Independent Third Party"	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

"Koo"	an online education platform operating by our Group, including the website at http://www.koo.cn/ and related APPs
"Koolearn"	an online education platform operating by our Group, including the website at http://www.koolearn.cn/ and related APPs
"Kuxue Huisi"	Beijing New Oriental Kuxue Huisi Network Technology Co., Ltd. (北京酷學慧思網絡科技有限公司), a company established under the Laws of the PRC in 1 February 2013 and a Consolidated Affiliated Entity
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any government or regulatory authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions, whether at the city, provincial, state or federal level (as appropriate)
"LBITDA"	losses before interest, taxes, depreciation, and amortisation
"Leci Internet"	Leci Internet Technology (Beijing) Company Limited
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	28 March 2019
"Listing Rules"	the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Minimum Period"	a minimum period of six months (from the vesting date of the respective options) before exercising
"Model Code"	the *Model Code for Securities Transactions by Directors of Listed Issuers* set out in Appendix 10 to the Main Board Listing Rules
"New Oriental"	New Oriental Education & Technology Group Inc., a company registered under the Laws of the Cayman Islands on 16 March 2006, the American depository shares of which are listed on the New York Stock Exchange (NYSE: EDU) and our Controlling Shareholder
"New Oriental China"	New Oriental Education & Technology Group Co., Ltd. (新東方教育科技集團有限公司), a company incorporated under the Laws of the PRC on 2 August 2001 and one of our Registered Shareholders

Definitions (Continued)

"New Oriental Framework Agreement"	a framework agreement dated 13 March 2019 between our Company (for itself and on behalf of the remaining members of our Group) and New Oriental (for itself and on behalf of the remaining members of the Retained New Oriental Group) as described in the section headed "Continuing connected transactions — New Oriental Framework Agreement" in the Prospectus
"New Venture"	Huoerguosi Oriental New Venture Equity Investment Partnership) (L.P.) (霍爾果斯東方新創股權投資合夥企業有限合夥)
"Nomination Committee"	the nomination committee of the Board
"Opinion"	*Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education* issued by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council on 24 July 2021
"Other Businesses"	two businesses that provide education services and products in educational consulting and software development, namely Leci Internet and Beijing Bilin New Oriental Education & Technology Company Limited, controlled by New Oriental, our Controlling Shareholder.
"Perfect Go"	Perfect Go Industries Limited, a company incorporated under the laws of the British Virgin Islands on 15 January 2018 and one of our Shareholders
"Post-IPO ESOP"	share option scheme adopted by our Company on 30 January 2020, as amended from time to time
"Pre-IPO ESOP"	share option scheme adopted by our Company on 13 July 2018 and subsequently amended on 29 September 2018
"Prospectus"	the prospectus of the Company in relation to the Listing and the Global Offering dated 15 March 2019
"Qualification Requirements"	qualification requirements that a foreign investor who invests in a value-added telecommunications business in China must satisfy, including having prior experience in operating value-added telecommunications business and a proven track record of business operations overseas
"R&D"	research and development
"Registered Shareholders"	New Oriental China, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司), and the Tianjin Limited Partnerships
"Relevant Business"	value-added telecommunication service business
"Relevant Company"	a company operating the Relevant Business

"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the financial year ended 31 May 2021, or FY2021
"Retained New Oriental Group"	New Oriental and its subsidiaries from time to time (including its consolidated affiliated entities but excluding our Group)
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Scheme Limit"	30% of our Company's total issued share capital from time to time
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	*Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company currently with a par value of US$0.00002 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Schemes"	the Pre-IPO ESOP and Post-IPO ESOP collectively
"Share Subscription"	the subscription of an aggregate of 59,432,000 Shares by New Oriental and Tigerstep for a subscription price of HK$30.00 per subscription share pursuant to the subscription agreement dated 8 September 2020
"Shenzhen Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊電腦系統有限公司), a subsidiary of Tencent
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	New Oriental and Tigerstep
"subsidiary"	has the meaning ascribed to it in the Listing Rules and includes our Consolidated Affiliated Entities; one or more of which is known as "**subsidiaries**"
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Tencent"	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700)
"Tencent Framework Agreement"	a framework agreement dated 13 March 2019 between our Company (for itself and on behalf of the remaining members of our Group) and Shenzhen (for itself and on behalf of the remaining members of the Retained New Oriental Group) as described in the section headed "Continuing connected transactions — New Oriental Framework Agreement" in the Prospectus

"Tianjin Limited Partnerships"	the limited partnerships that hold interests in our Operating Entity, namely Tianjin Xuncheng Yiyue Technology Partnership (L.P.) (指天津迅程壹月科技合夥企業(有限合夥)), Tianjin Xuncheng Luyue Technology Partnership (L.P.) (天津迅程陸月科技合夥企業(有限合夥), Tianjin Bayue Technology Partnership (L.P.) (天津迅程捌月科技合夥企業(有限合夥)), Tianjin Xuncheng Jiuyue Technology Partnership (L.P.) (天津迅程玖月科技合夥企業(有限合夥)), Tianjin Xuncheng Shiyue Technology Partnership (L.P.) (天津迅程拾月科技合夥企業(有限合夥)), Tianjin Xuncheng Shieryue Technology Partnership (L.P.) (天津迅程拾貳月科技合夥企業(有限合夥)), and Tianjin Xuncheng Shisanyue Technology Partnership (L.P.) (天津迅程拾叁月科技合夥企業(有限合夥))
"Tigerstep"	Tigerstep Developments Limited, a company incorporated under the Laws of the British Virgin Islands, and a connected person of the Company
"TOEFL"	Test of English as a Foreign Language, an international standardised test for English language proficiency designed and administered by the Educational Testing Service (or ETS)
"TPO"	TOEFL Practised Online, the official practise tests using authentic past test questions, from Education Testing Service, a private non-profit educational testing and assessment organisation, the maker of the TOEFL test
"United States" or "U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WFOEs"	Dexing Dongfang and Zhuhai Chongsheng collectively
"Xi'an Ruiying"	Xi'an Ruiying Huishi Network Technology Co., Ltd. (西安睿盈慧師網絡科技有限公司)
"Xuncheng HK"	New Oriental Xuncheng Technology (HK) Limited (新東方迅程科技 (香港) 有限公司), a company incorporated under the Laws of Hong Kong on 2 March 2018 and a wholly-owned subsidiary of our Company
"Zhixin"	Our proprietary self-adaptive learning system
"Zhuhai Chongsheng"	Zhuhai Chongsheng Heli Network Technology Co., Ltd. (珠海崇勝合力網絡科技有限公司)

新东方在线

在线学习 当然新东方在线