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KOOLEARN TECHNOLOGY HOLDING LIMITED

新东方在线科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1797)

INSIDE INFORMATION

UPDATE ON BUSINESS OPERATIONS; AND ADDITIONAL INFORMATION ON DEFINED CONTRIBUTION PLANS OF THE GROUP IN THE PRC

CESSATION OF K-9 BUSINESS

The following information is announced by Koolearn Technology Holding Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcements of the Company dated 26 July 2021 and 19 August 2021 in relation to new regulations in Mainland China on after-school tutoring services, including the *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 (the “**Opinion**”) and the *Beijing Municipality’s Measures to Further Reduce the Burden of Homework and After-School Tutoring on Students in Compulsory Education in Beijing* issued by Beijing Municipality Government and the Beijing Municipal Committee of the Communist Party of China (together with the Opinion, the “**New Regulations**”).

In light of the New Regulations and with a view to ensuring that the Group and its operations fully comply with all applicable legal and regulatory requirements, the Company’s board (the “**Board**”) of directors (the “**Directors**”) has decided that the Group would cease operating after-school tutoring services for academic subjects included in China’s compulsory education system which is offered to Kindergarten to Year Nine (“**K-9**” or “**Compulsory Education**”) students in Mainland China (the “**Cessation**”). The Cessation is expected to take effect by the end of November 2021.

The Board expects that the Cessation will have a material adverse impact on the Group’s revenues for the financial year ending 31 May 2022 and subsequent periods; however, the Board expects that the Group’s profits would be positively affected given that the K-12 business segment was loss making for the two financial years ended 31 May 2021. The Board estimates that the K-9

business represents approximately 58% to 73% of our K-12 education segment in terms of revenue contribution for the two financial years ended 31 May 2021. For reference purposes, the financial results for our K-12 education segment in financial years 2020 and 2021 as reported by the Company in our annual audited financial results were as follows:

	Financial year ended 31 May			
	2020		2021	
	K-12 segment (RMB'000)	Across all segments (RMB'000)	K-12 segment (RMB'000)	Across all segments (RMB'000)
Revenue	295,135	1,080,587	787,158	1,418,655
Cost of revenue	(340,012)	(587,501)	(812,198)	(1,006,447)
Gross profit/(loss)	(44,877)	493,086	(25,040)	412,208

The Board will continue to consider appropriate strategic opportunities to realise the maximum value of our existing K-9 business after the Cessation and will update our shareholders as appropriate.

We remain fully dedicated to our students, teaching staff and shareholders. We will continue to operate the portion of our business that is not related to Compulsory Education and shift our focus and resources towards enhancing our other educational products and services, exploring new business opportunities, and continuing to be a “lifelong learning partner” for our students. For more information on our strategic direction and future development, see the section headed “Business Overview and Outlook — Strategic Update and Future Development” in the Company’s annual report for the financial year ended 31 May 2021.

We are committed to complying with all applicable PRC laws and regulations, including the New Regulations, and will continue to assess and adjust our business in accordance with the terms and spirit of the New Regulations and wider changing trends in the education industry and global economy.

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

ADDITIONAL INFORMATION ON DEFINED CONTRIBUTION PLANS OF THE GROUP IN THE PRC

The following information is announced by the Company on a voluntary basis with the aim of providing additional information on the Group’s defined contribution plans in the PRC.

Reference is made to the annual reports of the Company for the financial years ended 31 May 2020 and 2021 (the “**Annual Reports**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Reports.

As disclosed in the “Notes to the Consolidated Financial Statements” sections of the Annual Reports, PRC based employees of the Group participate in various defined contribution returned benefit plans (the “**State-managed Retirement Benefit Scheme**”) that are organised by relevant municipal and provincial governments in Mainland China. These plans are defined contribution plans, under which the Group and the PRC based employees who are participants are required to make monthly contributions.

The following additional information is made in relation to the State-managed Retirement Benefit Scheme as applicable to the Group:

1. The Group is required to make contributions calculated as a prescribed percentage of the employees’ relevant wages or income, subject to certain ceilings imposed. The prescribed percentages are determined by the PRC government and differ across municipalities and provinces in Mainland China. The range of applicable percentages for the State-managed Retirement Benefit Scheme in financial years ended 31 May 2020 and 2021 as applicable to the Group are listed below:

	Percentage
Pension insurance	12%–20%
Medical insurance	5%–11.5%
Maternity insurance	0.4%–2%
Unemployment insurance	0.3%–2%
Work-related injury insurance	0.1%–5%
Housing provident fund	5%–12%

2. The Group’s contributions to the State-managed Retirement Benefit Scheme vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the State-managed Retirement Benefit Scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years as at and during each of the financial years ended 31 May 2020 and 2021.

The above additional information does not affect any other information contained in the Annual Reports. Save as disclosed above, all other information in the Annual Reports remains unchanged.

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

Beijing, the PRC, 25 October 2021

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