2022 Annual Report

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

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), *Chief financial officer*

Non-executive Directors

Mr. YU Minhong (俞敏洪), *Chairman*
Ms. SUN Chang (孫暢)
Mr. WU Qiang (吳強) *(resigned on 26 August 2022)*
Ms. LEUNG Yu Hua Catherine (梁育華)
(resigned on 26 August 2022)

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 *(resigned on 26 August 2022)*
Mr. KWONG Wai Sun Wilson
Mr. LIN Zheying *(appointed on 26 August 2022)*

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

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

	FY2022			FY2021		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Combined total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Combined total RMB'000
Revenue	**600,526**	**298,009**	**898,535**	623,630	795,025	1,418,655
Loss for the year	**(70,994)**	**(462,970)**	**(533,964)**	(253,985)	(1,404,407)	(1,658,392)
Loss for the year attributable to:						
— Owners of our Company	**(70,984)**	**(462,970)**	**(533,954)**	(253,985)	(1,404,407)	(1,658,392)
— Non-controlling interests	**(10)**	**—**	**(10)**	—	—	—
Loss per share						
— Basic and diluted (RMB)	**(0.07)**	**(0.46)**	**(0.53)**	(0.26)	(1.46)	(1.72)
Non-IFRS measure: Adjusted profit/(loss) for the year (unaudited)(1)	**109,997**	**(473,722)**	**(363,725)**	(40,477)	(1,282,080)	(1,322,557)
Non-IFRS measure: Adjusted EBITDA/(LBITDA) (unaudited)(2)	**55,567**	**(377,846)**	**(322,279)**	120,123	(1,162,335)	(1,042,212)

Notes:

(1) Adjusted Profit/(Loss) for the year represents loss for the year less gain on FVTPL — non-current plus share-based compensation expenses for the financial year.

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

Condensed consolidated statements of comprehensive income

	RMB'000				
	FY2022	FY2021	FY2020	FY2019	FY2018
Revenue	**898,535**	1,418,655	1,080,587	918,911	650,457
Gross profit	**413,491**	412,208	493,086	506,409	397,926
Operating (loss)/profit	**(579,571)**	(1,480,227)	(881,185)	(188,414)	33,090
(Loss)/profit for the year	**(533,964)**	(1,658,392)	(758,239)	(64,109)	82,026
(Loss)/profit attributable to owners of our Company	**(533,954)**	(1,658,392)	(742,005)	(39,773)	91,375
Non-IFRS measure: Adjusted net (loss)/profit (unaudited)	**(363,725)**	(1,322,557)	(658,022)	(289)	73,584

Condensed consolidated balance sheet

	RMB'000				
	FY2022	FY2021	FY2020	FY2019	FY2018
Assets:					
Non-current assets	**367,912**	738,572	707,832	293,776	220,834
Current assets	**1,691,481**	2,546,746	2,341,412	2,974,817	1,199,736
Total assets	**2,059,393**	3,285,318	3,049,244	3,268,593	1,420,570
Equity and liabilities:					
Equity attributable to owners of our Company	**1,641,008**	2,008,872	1,863,700	2,601,586	885,328
Non-controlling interests	**—**	—	—	(31,479)	(7,143)
Total equity	**1,641,008**	2,008,872	1,863,700	2,570,107	878,185
Non-current liabilities	**25,058**	233,604	273,868	16,530	11,049
Current liabilities	**393,327**	1,042,842	911,676	681,956	531,336
Total liabilities	**418,385**	1,276,446	1,185,544	698,486	542,385
Total equity and liabilities	**2,059,393**	3,285,318	3,049,244	3,268,593	1,420,570

BUSINESS OVERVIEW

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 test preparation for adult students and vocational students. 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.

Since 2021, we have expanded our businesses and explored new opportunities, including areas such as livestreaming e-commerce business, intelligent learning products, STEAM (science, technology, engineering, arts and mathematics) education and vocational education. These new business segments enable us to continue to improve public welfare through knowledge sharing and create values to the society. Leveraging our unique advantages in branding, technology and resources with an existing pool of talents, we established our e-commerce business under the brand name DONG FANG ZHEN XUAN (東方甄選) which provides agricultural and other products, and offer premium services for millions of customers and members through our tight supply chain management, innovative livestreaming marketing and diversified cooperation with different third parties. Given the potential of the new e-commerce business, we have shifted our strategic focus on the development of this new segment. As such, our new mission is to create a high-quality and cost-effective e-commerce platform for the provision of agricultural products as the core products, so as to bring better quality of life and promote healthy lifestyles to our customers.

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

	FY2022 Student enrolments ’000	FY2021 Student enrolments ’000
Students		
College education	**546**	573
K-12 education[(1)]	**1,864**	3,315
Pre-school education[(1)]	**—**	4
Total	**2,410**	3,892

Note:

(1) The Company has ceased its pre-school and K-12 businesses during the Reporting Period (see the Company’s announcements published on 25 October 2021 and 21 January 2022).

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

	FY2022 **RMB**	FY2021 RMB
Formal courses		
College education	**1,308**	1,303
K-12 education[1]	**(172)[2]**	881
Pre-school education[1]	**—**	1,000
Sub-total average	**1,244**	1,020
Entry courses	**9**	45
Total average	**211**	380

Notes:

(1) The Company has ceased its pre-school and K-12 businesses during the Reporting Period (see the Company's announcements published on 25 October 2021 and 21 January 2022).

(2) During the Reporting Period, there were refunding of tuition fees as a result of the New Regulations.

Developments during the reporting period

Industry developments

Reference is made to our announcements of 26 July 2021 and 19 August 2021 on the issuance of the New Regulations, which enhanced regulation in the education industry in Mainland China with the aim of, among other things, promoting student wellbeing and alleviating burdens on students and parents arising from homework and after-school tutoring of academic subjects in China's compulsory education system, which cover academic years from kindergarten to Grade 9. In response to these New Regulations, and in support of the underlying aims of the New Regulations in promoting student health and wellbeing, during the Reporting Period, we ceased operating after-school tutoring services for academic subjects included in China's compulsory education system and wound down our K-12 education segment and ceased our investment in our Donut APP and relevant courses under our pre-school education segment.

Business development

Overall financial performance

In FY2022, we embraced many changes and challenges in terms of market competition, policy environment as well as the global impact from COVID-19. In response to the changing landscape of the education market in China and globally, the Company redesigned its long-term strategic planning and implemented new initiatives to strengthen its long-term sustainability. In the college education segment, our student customer base has been further expanded by introducing and improving educational courses and services for both college students and occupational students. We also consolidated our internal resources and strengthened our cooperation with the New Oriental Group in terms of branding, education resources and multi-channel marketing to reinforce our competitive advantage. In the oversea test preparation segment, we actively optimised the product system to form a complete ecology including language training, international disciplines, background improvement, and improved the curriculum solutions for users studying in different countries, of different ages and English levels.

In addition to the expansion of our online educational offerings to adults and university students, we have been actively looking into business opportunities in new areas. During the Reporting Period, we established, DONG FANG ZHEN XUAN, an e-commerce platform for selling high-quality products (mainly focusing on educational, agricultural and daily necessities products) through the use of livestreaming marketing, leveraging New Oriental Group's brand recognition, long operating history, the technology of our live-broadcast classrooms and existing pool of talent. We began piloting livestreaming e-commerce events on different social media platforms such as Douyin and Tencent mall, etc.

As we ceased K-12 and pre-school business and shifted our strategic focus to new business segments such as livestreaming e-commerce business, intelligent learning products, STEAM (science, technology, engineering, arts and mathematics) education and vocational education during the Reporting Period, the Company also undergone organizational restructuring and enhancement to better cater for the new business development.

In light of the above changes in both the education market and our business strategy, total net revenues from both the continuing and discontinued operations decreased by 36.7% from RMB1,418.7 million for FY2021 to RMB898.5 million for FY2022. The net revenue from the continuing operations decreased by 3.7% from RMB623.6 million for FY2021 to RMB600.5 million for FY2022. However, the net loss from both the continuing and discontinued operations decreased by 67.8% from RMB1,658.4 million for FY2021 to RMB534.0 million for FY2022. The net loss from the continuing operations decreased by 72.0% from RMB254.0 million for FY2021 to RMB71.0 million for FY2022.

College education

In our college education segment, we have continued to provide courses for college test preparation and overseas test preparation. Our courses are primarily used by college students and working professionals preparing for standardised tests or seeking to improve their English language proficiency. During the Reporting Period, we further improved our domestic college test preparation product structure, concentrating on the test preparation for graduate school and English learning courses product/service. Our average spending per enrolment in formal courses of domestic college test preparation business is stabilized at RMB1,308 for FY2022, compared to RMB1,303 for FY2021. While in the process of designing new products and upgrading our core products, we also adopted multi-channel marketing strategy for overseas test preparation, to attract a more diverse consumer base, and focusing on how to better meet the demands of our customers and cultivating greater brand loyalty from existing customers. As we continued to navigate the transitional effects from optimising our product lines and further impact from COVID-19 which have resulted in continued low demand in students sitting overseas exams since the year 2020, our student enrolment numbers in the college education segment started to stabilize during the Reporting Period, recording 546 thousand in the Reporting Period, compared to 573 thousand over the Previous Period.

K-12 education and pre-school education

Our K-12 course offerings primarily comprised Koolearn K-12 courses and DFUB courses. In order to comply with the New Regulations, we have ceased the relevant businesses at the end of 2021.

Our pre-school education segment offers English learning and other pre-school education courses designed specifically for children between the ages of three and ten. Our child-friendly online educational content is delivered through our Donut APP. During the Reporting Period, in compliance with the New Regulations, we also ceased our relevant businesses under the Donut APP brand.

Institutional customers

We provide services to institutional customers, which mainly consist of colleges and universities, public libraries, telecom operators and online streaming video providers. During the Reporting Period, we had successfully collaborated with multiple new organisations, such as JingDong Logistics (京東物流), and HarmonyOS (鴻蒙系統) to provide high-quality educational content to more users. We have also been actively involved in vocational education and participated in projects which aims to integrate vocational and industry education initiated by the relevant authorities in China, such as the "Integration of Industry and Education in the Spirit of Craftsmen in the New Era" (新時代工匠精神產教融合) project and developed more than 30 professional online courses relating to intelligent manufacturing, fine machine, mechatronics, Computer Numerical Control (or CNC) machining, precision mechanical assembly, and CNC programming, for vocational colleges in China.

Livestreaming e-commerce

The Group created a new e-commerce platform under the brand of DONG FANG ZHEN XUAN and is committed to becoming an e-commerce platform for high-quality agricultural and other products in China. Since its first broadcast at the end of 2021, DONG FANG ZHEN XUAN has become a well-known live broadcast platform to promote a better, healthy and quality life, and the platform formed part of a tight supply chain management and after sale services system which strictly abides by a series of relevant laws and regulations. Such platform focuses on the selection of high-quality and good products, and recommending top-quality and cost effective products to the public. Similar with our other extensive educational products, we continue to follow the "customer-focused" strategy. Leveraging the deep understanding of customers' needs, we provide a wide range of products selection and SKUs through the cooperation with third party and private labels. Through innovative content, diversified livestreaming activities and with our extensive knowledge and cultural sharing, we provide a unique and pleasant shopping experience to our customers. Our aspiration and insistence on creating values in the relevant industry have attracted and retained a large group of talents, co-operators as well as followers and members.

Future outlook beyond the reporting period

In light of the success of our new livestreaming e-commerce business, the performance of which during the Reporting Period not only has exceeded our expectation, but also made notable progress and received overwhelming responses, looking forward, on one hand, we will continue to expand the development of our existing college and institution business segments, as well as our online educational products and service offerings. On the other hand, we will continue to actively develop the new business line, to broaden our customer base and offerings and aim to develop the livestreaming e-commerce business into a key growth driver for the Group. We believe that in broadening our business focus, we would be able to create more values to our customers and the society, and drive our continued development and growth in a novel and sustainable way.

During the Reporting Period and over the foreseeable future, our strategic operational and business has shifted in the following key ways:

(a) **College education:** whilst our primary focus remains on educational offerings for postgraduate entrance exams, we plan to extend our product range by developing tailor-made courses targeting occupational students (which accounted for about 50% of the candidates taking postgraduate entrance exams) and tailor-made courses and products targeting students who are retaking the exam. Further, our Group has emphasised on building and developing online traffic pool for university students and in optimising the investments on popular products. For example, products developed for the preparation of the CET 4 and CET 6 exam are our pivotal popular products which have become trial courses for students who will take postgraduate entrance exams later on. In addition, we will also continue to strengthen our cooperation with the offline schools of New Oriental Group, our parent company, which are located in more than 30 different cities in the PRC. Through the cooperation with New Oriental Group, our Group is able to expand the existing sales channel and improve our products in terms of pricing, scope of the subjects and variety, thereby enabling us to offer more differentiated services and alternative solutions to a broadened customer base.

(b) **Overseas test-preparation:** during the Reporting Period, we have upgraded our three major platforms, including (1) user growth platforms, such as our official e-commerce platform, Koolearn TOEFL and IELTS APP, TOEFL and IELTS mock test platform and the AI test system platform, etc. (2) course delivery platforms, such as Zhixin adaptive learning system (知心自適應學習系統), livestreaming course platform, and learning analysis system, etc.; and (3) user analysis platforms, including various real-time data analysis boards, tips grading systems, etc. In the future, we will continue to improve our product quality and expand the range of our products. In particular, we will develop and offer (a) products with a larger range of international disciplines and background improvement, with the aim to build a complete ecosystem for students who plan to study abroad, and (b) solution-based product portfolio. In addition, we will continue to increase customer acquisition channels, such as acquiring new potential customers through offering exclusive authorised questions on SEO and APPs, and also explore customer acquisition methods adopted by other multi-media platforms. Further, we will actively cooperate with upstream and downstream institutions, such as study abroad agencies and international schools, in order to broaden our customer base.

(c) **Institutional cooperation:** During the Reporting Period, we have strengthened the cooperation with different schools and institution. In terms of the vocational education, apart from the "Craftsmen in the New Era Institution" (新時代工匠學院) project, we are also investing in the research and development in new energy and smart building projects and all-media operator projects, and planing to establish industrial research institutes in higher vocational and undergraduate colleges. As of 31 May 2022, we have entered into agreements with more than ten schools in relation to the intention to cooperate in industry-education integration projects to cultivate skilled talents. Further, we have also established a strategic cooperation arrangement with JD Logistics Education (京東物流教育). In terms of primary and secondary schools and public libraries, we have increased our investment in content relating to cultural quality education, and in particular, content relating to technology and graphics which is more popular in public libraries. We have also established a strategic cooperation arrangement with China Digital Library (中國數字圖書館) to establish smart reading spaces and smart classrooms in primary and secondary schools and public libraries by leveraging the virtual reality technology and with the aim to improve and enhance the overall development of children.

(d) **Livestreaming e-commerce business:** We have started this new line of business since 2021 and during the Reporting Period, leveraging the technology of our live-broadcast classrooms with an existing pool of talents, we have established DONG FANG ZHEN XUAN, a brand new e-commerce platform for selling high-quality agricultural and other products by using livestreaming marketing. The platform not only offers an alternate outlet for farmers and local companies to sell their high-quality agricultural and other products to a broader customer base, but also provides a platform which offers a large range of quality products with transparency in pricing to consumers. Therefore, we believe that it is worthwhile for our Group to continue engaging in the new business line and shift our strategic focuses to livestreaming e-commerce business. DONG FANG ZHEN XUAN will strengthen its team of talented livestreamers to continually create positive, unique and interesting content to attract users to its platform and at the same time promote traditional Chinese culture. On one hand, our Group will continue to pilot livestreaming events on Douyin, exploring different innovative modes of broadcasting, such as bilingual live-broadcasting, indoor and outdoors broadcasting, etc., and continuously broadening and enriching the range of selection of product selection and SKUs through the cooperation with third parties and

private labels, thereby bringing consumers a pleasant shopping experience while enriching the content in live-broadcasting and attracting more traffic to our e-commerce platform. On the other hand, we established a high quality supply chain management system, and also launched our own products within a short period of time. As the variety of product selection and the product quality continue to grow and improve, the DONG FANG ZHEN XUAN brand has become increasingly prominent in the industry, thereby gaining return and loyal customers and followers to the brand. Looking forward, whilst we will continue to improve consumer shopping experience and focus on creating innovative and high quality content for broadcasting, we will also target to continuously enhance our supply chain capabilities and gaining support from different strategic alliances. We believe that this line of business will gradually become our Group's key growth driver in the near future.

Overall, in response to the changing landscape of the education industry, we are committed in seeking new market opportunities whilst also continuing in the development of our existing businesses. Given the success of our new business line, we remain confident that, we are able to continue to grow and consolidate our market share in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue

Our total revenues from both the continuing and discontinued operations decreased by 36.7% from RMB1,418.7 million for FY2021 to RMB898.5 million for FY2022.

Our revenue from the continuing operations decreased by 3.7% from RMB623.6 million for FY2021 to RMB600.5 million for FY2022.

College education

Revenue from our college education segment decreased slightly, from RMB548.8 million in FY2021 to RMB517.5 million in FY2022. The decrease was mainly due to adjustment in core products and marketing strategies. The student enrolments in the college education segment slightly decreased from 573 thousand in FY2021 to 546 thousand in FY2022.

K-12 education and Pre-school education

Reference is made to the announcements of the Company published on 26 July 2021 and 19 August 2021 in relation to the update on the New Regulations and the announcement of the Company published on 25 October 2021. As a result of our Group ceasing our K-12 business during the Reporting Period, revenue from our K-12 education segment decreased by 62.4% from RMB787.2 million in FY2021 to RMB296.1 million in FY2022.

Revenue from our pre-school education segment decreased by 76.1% from RMB7.9 million in FY2021 to RMB1.9 million in FY2022, primarily due to the impact from the New Regulations.

We will not take in any new student enrolments for our K-12 segment and pre-school segment and have ceased the businesses in FY2022.

Institutional customers

Revenue from our institutional customers decreased by 21.9% from RMB74.8 million in FY2021 to RMB58.4 million in FY2022.

Livestreaming e-commerce

Revenue from our livestreaming e-commerce segment was RMB24.6 million in FY2022. This is our new growth business as we began pilot livestreaming events on some famous short-video platform such as Douyin since December 2021. We have continually enriched and broadened the categories of products offered on those platforms.

Cost of revenue, gross profit/loss and gross margin

Our total cost of revenue from continuing and discontinued operations decreased by 51.8% from RMB1.0 billion in FY2021 to RMB0.5 billion in FY2022, primarily because we ceased our K-12 business due to the New Regulations.

Our total cost of revenue from continuing operations increased by 11.2% from RMB188.6 million in FY2021 to RMB209.7 million in FY2022, primarily because the initiation of livestreaming e-commerce and other new businesses.

Our gross profit from continuing and discontinued operations increased by 0.3% from RMB412.2 million in FY2021 to RMB413.5 million in FY2022. Our gross profit margin from continuing and discontinued operations increased from 29.1% in FY2021 to 46.0% in FY2022, primarily due to the cessation of business in our K-12 education segment.

Our gross profit from continuing operations decreased by 10.2% from RMB435.0 million in FY2021 to RMB390.9 million in FY2022. Our gross profit margin from continuing operations decreased from 69.8% in FY2021 to 65.1% in FY2022, primarily due to the investment in new businesses.

College education

Cost of revenue for our college education segment increased slightly by 1.8% from RMB180.3 million in FY2021 to RMB183.6 million in FY2022, primarily due to an increase in course research staff costs.

Segment gross profit for our college education business decreased by 9.4% from RMB368.5 million in FY2021 to RMB333.9 million in FY2022, and the segment profit margin decreased from 67.1% in FY2021 to 64.5% in FY2022. 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 required more upfront investment.

Institutional customers

Cost of revenue for services to institutional customers increased by 30.5% from RMB8.3 million in FY2021 to RMB10.8 million in FY2022.

Segment gross profit for our services to institutional customers decreased by 28.4% to RMB47.6 million in FY2022 from RMB66.5 million in FY2021, and the gross profit margin decreased from 89.0% in FY2021 to 81.5% in FY2022. This was primarily due to the development of new courses in vocational education.

Livestreaming e-commerce

Cost of revenue for our livestreaming e-commerce segment was RMB15.3 million in FY2022.

Segment gross profit for our livestreaming e-commerce was RMB9.3 million, and the gross profit margin was 37.8% in FY2022.

Other income, gains and losses

Our other income, gains and losses from continuing operations and discontinued operations increased by 138.6% from a loss of RMB86.9 million in FY2021, to a gain of RMB33.5 million in FY2022, primarily due to the change from exchange loss to exchange gain.

Our other income, gains and losses from continuing operations increased by 171.2% from a loss of RMB99.2 million in FY2021, to a gain of RMB70.7 million in FY2022, primarily due to the change from exchange loss to exchange gain.

Selling and marketing expenses

Our selling and marketing expenses from continuing operations and discontinued operations decreased by 57.5% from RMB1,189.0 million in FY2021 to RMB504.8 million in FY2022, primarily due to the reduction in marketing expenditures and marketing personnel expenses caused by the winding down of our K-12 business and pre-school business due to the New Regulations.

Our selling and marketing expenses from continuing operations decreased by 15.6% from RMB319.9 million in FY2021 to RMB270.1 million in FY2022.

Research and development expenses

Our research and development expenses from continuing operations and discontinued operations decreased by 55.9% from RMB444.4 million in FY2021 to RMB195.9 million in FY2022, primarily due to a decrease in staff cost as we ceased our K-12 business and pre-school business during the Reporting Period.

Our research and development expenses from continuing operations decreased by 47.1% from RMB121.8 million in FY2021 to RMB64.4 million in FY2022.

Administrative expenses

Our administrative expenses from continuing operations and discontinued operations increased by 12.8% from RMB259.1 million in FY2021 to RMB292.3 million in FY2022, primarily due to an increase in share-based compensation expenses as we have cancelled and issued options under the Post-IPO ESOP, given the shift in our strategic focus in response to the changing environment.

Our administrative expenses from continuing operations increased by 44.2% from RMB148.5 million in FY2021 to RMB214.1 million in FY2022.

Share of results of associates

Our share of profit of associates from continuing operations decreased by 60.4% from RMB7.8 million in FY2021 to RMB3.1 million in FY2022, primarily due to an decrease in share of profits of Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.).

Income tax credit

From FY2021 to FY2022, our income tax credit from continuing operations increased by 1,730.5% from RMB1.0 million to RMB18.3 million, primarily due to the decrease of deferred tax liabilities during the Reporting Period.

Loss for the year

As a result of the foregoing, our loss from both the continuing and discontinued operations decreased by 67.8% from RMB1,658.4 million for FY2021 to RMB534.0 million for FY2022. The net loss from the continuing operations decreased by 72.0% from RMB254.0 million for FY2021 to RMB71.0 million for FY2022.

Non-IFRS measures

To supplement our financial information presented in accordance with IFRS, we also use Adjusted Profit/(Loss) for the year and Adjusted EBITDA/(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 Profit/(Loss) and Adjusted EBITDA/(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 Profit/(Loss) for the year as profit/(loss) for the year less (loss)/gain on fair value changes of financial assets at FVTPL — non-current plus share-based compensation expenses for the financial year. We define Adjusted EBITDA/(LBITDA) as profit/(loss) for the year plus income tax credit, share-based compensation expenses, finance costs, impairment losses recognised under expected credit loss model, net, depreciation of property and equipment, depreciation of right-of-use assets, less other income, gains and losses for the financial year.

The following table reconciles our loss from continuing operations for the year to Adjusted Profit/(Loss) from continuing operations for the year:

	FY2022 RMB'000 (unaudited)	FY2021 RMB'000 (unaudited)
Reconciliation of loss for the year to Adjusted Profit/(Loss) for the year:		
Loss from continuing operations for the year	**(70,994)**	(253,985)
Less:		
(Loss)/gain on fair value changes of financial assets at FVTPL — non-current assets	**(5,270)**	24,169
Add:		
Share-based compensation expenses	**175,721**	237,677
Adjusted Profit/(Loss) from continuing operations for the year	**109,997**	(40,477)

The following table reconciles our loss from continuing operations for the year to Adjusted EBITDA from continuing operations:

	FY2022 RMB'000 (unaudited)	FY2021 RMB'000 (unaudited)
Reconciliation of loss for the year to Adjusted EBITDA		
Loss from continuing operations for the year	**(70,994)**	(253,985)
Add:		
Income tax credit	**(18,305)**	(1,000)
Share-based compensation expenses	**175,721**	237,677
Finance costs	**2,580**	2,736
Impairment losses recognised under expected credit loss model, net	**2,635**	5,702
Depreciation of property and equipment	**13,667**	9,540
Depreciation of right-of-use assets	**20,928**	20,246
Less:		
Other income, gains and losses	**70,665**	(99,207)
Adjusted EBITDA from continuing operations	**55,567**	120,123

Other information about our financial performance

Liquidity and capital resources

During the Reporting Period, we met our cash requirements primarily from cash and cash equivalents and proceeds from the Share Subscription. We had cash and cash equivalents of RMB547.4 million as at 31 May 2022 compared to RMB626.6 million as at 30 November 2021 and RMB1.5 billion as at 31 May 2021. We had term deposits of RMB682.6 million as at 31 May 2022, compared to RMB658.7 million as at 30 November 2021 and RMB316.6 million as at 31 May 2021. We also had financial assets (Current) at FVTPL was RMB359.0 million as at 31 May 2022, compared to RMB298.3 million as at 30 November 2021 and RMB624.2 million as at 31 May 2021. 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. Financial assets (Current) at FVTPL comprised of wealth management products.

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

As at the end of FY2022, our gearing ratio was 20.3%, compared with 38.9% at the end of FY2021, calculated as total liabilities divided by total assets.

Cash flow

The following table sets forth our cash flows for the two comparable periods:

	FY2022 RMB'000	FY2021 RMB'000
Net cash used in operating activities	**(918,068)**	(913,675)
Net cash (used in) generated from investing activities	**(26,370)**	659,114
Net cash (used in) generated from financing activities	**(45,398)**	1,412,147
Net (decrease) increase in cash and cash equivalents	**(989,836)**	1,157,586
Cash and cash equivalents at the beginning of the financial year	**1,519,564**	480,251
Effect of exchange rate changes	**17,717**	(118,273)
Cash and cash equivalents at the end of the financial year	**547,445**	1,519,564

Net cash used in operating activities

Net cash used in operating activities primarily consists of our loss before tax for the financial year adjusted by non-cash items, non-operating items and changes in working capital. Our net cash used in operating activities in FY2022 was RMB918.1 million. The difference between cash used in operating activities before tax and interest of RMB922.3 million and the loss from continuing and discontinued operations before tax of RMB552.3 million was mainly due to: (i) a RMB234.2 million decrease in contract liability due to the cessation of K-12 business; (ii) a RMB228.6 million decrease in accrued expenses and other payables; and (iii) excluding the effect of net foreign exchange gain of RMB46.9 million.

Net cash used in investing activities

Our net cash used in investing activities in FY2022 was approximately RMB26.4 million, primarily attributable to purchases of financial assets at FVTPL of RMB2,068.5 million and placement of term deposits of RMB654.3 million, which was partially offset by proceeds from disposal of financial assets at FVTPL of RMB2,366.0 million and withdraw of term deposits of RMB320.4 million.

Net cash used in financing activities

Our net cash used in financing activities in FY2022 was approximately RMB45.4 million primarily attributable to the repayments of lease liabilities.

Capital expenditure

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

	FY2022 **RMB'000**	FY2021 RMB'000
Purchases of property and equipment	**20,333**	118,131

Our capital expenditures were primarily for purchases of property and equipment in FY2021 and FY2022. Our purchases of property and equipment were RMB118.1 million and RMB20.3 million for FY2021 and FY2022, respectively.

Off-balance sheet commitments and arrangements

As at 31 May 2022, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As at 31 May 2022, 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 2022, we had 910 full-time employees and 390 part-time employees (31 May 2021: 6,437 full-time employees and 5,044 part-time employees). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to assessment of individual performance. The total remuneration expenses from continuing operations, including share based compensation expense incurred by the Group for FY2022 was RMB453.2 million, representing a year-on-year decrease of 9.0% from RMB497.8 million in FY2021.

Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of our operating entities. We operate in the PRC with most of the transactions settled in 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, therefore, we do not plan to incur any borrowing in the 12 months from the date of this report.

Pledge of assets

As at 31 May 2022, none of our Group's assets were pledged.

Contingent liabilities

As at 31 May 2022, we did not have any material contingent liabilities.

Property and equipment

Movements in our Group's property and equipment during FY2022 are detailed in Note 16 to the consolidated financial statements.

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 FY2022, we had distributable reserves of approximately RMB4.4 billion, further details of which are set out at Note 43 to the consolidated financial statements.

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.

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.

DIRECTORS AND SENIOR MANAGEMENT

Directors

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

Name	Age	Position	Date of appointment
SUN Dongxu (孫東旭)	36	Executive Director, *Chief executive officer*	16 August 2019
YIN Qiang (尹強)	48	Executive Director, *Chief financial officer*	23 May 2018
YU Minhong (俞敏洪)	59	Non-executive Director, *Chairman*	23 May 2018
SUN Chang (孫暢)	54	Non-executive Director	7 February 2018
TONG Sui Bau (董瑞豹)	51	Independent non-executive Director	15 March 2019
KWONG Wai Sun Wilson (鄺偉信)	56	Independent non-executive Director	15 March 2019
LIN Zheying (林哲瑩)	57	Independent non-executive Director	20 January 2020

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

Executive Directors

SUN Dongxu (孫東旭) ("Mr. Sun")

Mr. Sun, aged 36, 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 (also Beijing Xuncheng's CEO), Dexin Dongfang since August 2019（also Dexin Dongfang's CEO）, Xuncheng HK since November 2019, Kuxue Huisi(also Kuxue Huisi's CEO) since November 2019, Xi'an Ruiying Huishi Network Technology Co., Ltd. ("**Xi'an Ruiying**") from April 2020 to April 2021, and New Oriental Wuyou Online（HK）Education &Technology Co. Limited（"**Wuyou online**"）since August 2020, Dongfang Youxuan (Beijing) Technology Co., Ltd. from Oct 2021, Beijing Xin Yuanfang Human Resource Services Co., Ltd. from Oct 2021, Dongfang Zhenxuan (Beijing) Technology Co., LTD from December 2021. 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 July 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 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 48, 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 2020 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. (海南海悅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 from 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 59, 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 54, 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.

Independent Non-executive Directors

TONG Sui Bau (董瑞豹) ("Mr. Tong")

Mr. Tong, aged 51, is an independent non-executive Director, chairman of the Audit Committee, and a 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., 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), from 2009 to 2021. 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 56, is an independent non-executive Director and a 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 57, is an independent non-executive Director, chairman of the Remuneration Committee, and a member of the Nomination Committee and the Audit Committee. Mr. Lin received his bachelor's degree majoring in planning statistics from the Shanxi University of Finance and Economics (formerly known as the Shanxi College 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 March 2017, and an executive director of Ancient Jade Capital Management Co., Ltd., since January 2011. Aside from our Company, Mr. Lin also holds, or held, 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), from March 2017 to December 2019; 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 FY2022 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 senior 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 FY2022 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 FY2022.

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. Since 2021, we have expanded our businesses and explored new opportunities, including areas such as livestreaming e-commerce business, intelligent learning products, STEAM (science, technology, engineering, arts and mathematics) education and vocational education. These new business segments enable us to continue to improve public welfare through knowledge sharing and create values to the society.

	Koolearn	***DFUB***	***Donut***	***Koo***	***DONG FANG ZHEN XUAN (東方甄選)***
College education					
Chinese college test preparation	✓				
Overseas test preparation	✓				
English learning and others	✓			✓	
K-12 education	✓	✓			
Pre-school education	✓		✓		
Livestreaming e-commerce					✓

Our subsidiaries are set out in Note 41 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 "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 FY2022 and date of this report are set out in "Events after the Reporting Period."

Financial results and summary

Our Group's results for FY2022 are set out in the "Consolidated statement of profit or loss and other comprehensive income" at pages 110 to 111.

A summary of our Group's condensed consolidated results and financial positions is set out at pages 112 to 113.

Our major customers and suppliers

During FY2022: (a) our Group's five largest customers accounted for approximately 2.2% of our total revenues, while the largest customer accounted for approximately 1% of our total revenues; and (b) our Group's top five suppliers accounted for approximately 1.8% of our total purchase amounts, while the largest supplier accounted for approximately 0.6% 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 FY2022 and up to the date of this annual report.

Net proceeds from the share subscription

The Share Subscription was completed on 24 December 2020 and raised approximately HK$1.783 billion in net proceeds. Subsequent to the Share Subscription, our Group had used the net proceeds from the Share Subscription in the manner and according to the intended uses set out in the circular of the Company dated 14 October 2020 (the "**Circular**"). On 21 January 2022, the Board has resolved to change the use of the remaining net proceeds as at the same date (the "**Change in Use of Net Proceeds**"), please refer to the announcement of the Company dated 21 January 2022 for details. The utilisation of the net proceeds for FY2022 and the latest change in the use of the net proceeds from the Share Subscription are summarised as follows:

HK$ million[1]	Planned use of net proceeds as stated in the Circular	Remaining amount as at 30 November 2021	Change in use of net proceeds as at 21 January 2022	Utilised during FY2022	Utilised after the change in use of net proceeds	Remaining amount
Sales and marketing	712.4	244.7	276.2	427.1	4.1	272.1
Technology infrastructure	712.4	508.8	138.1	254.9	61.7	76.4
Teachers and other business-related staff[2]	178.1	158.0	230.2	24.6	4.5	225.7
Working capital	178.1	9.1	276.2	66.4	26.8	249.4
					Total remaining amount	**823.6**

Notes:

(1) The amounts "utilised during FY2022" are based on the exchange rate of HK$1.1474:RMB1. The "remaining amount" is calculated as the "Change in use of net proceeds as at 21 January 2022" less the amounts "utilised after the change in use of net proceeds".

(2) Prior to the Change in Use of Proceeds, this item was "teachers and teaching staff", which includes teachers and staff which was engaged in teaching and other education related work. Due to the change in business focus of the Group and with the new livestreaming e-commerce and intelligent learning products businesses, this item has been changed to "teachers and other business related staff", which includes teachers for the existing education businesses and also other staff which specialises in the two new business lines. For details, please refer to our circular dated 14 October 2020 and the section "Reasons for the Change in Use of Proceeds" in the announcement of the Company dated 21 January 2022.

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

We will gradually utilise the net proceeds, in accordance with the change in use of proceeds detailed above, within three years from 21 January 2022.

Share matters

Share capital movements

Movements in our Company's share capital and details of issued Shares during FY2022 are set out in Note 30 to the consolidated financial statements.

On 3 November 2021, our Shareholders granted to our Directors a general mandate to repurchase up to 10% of our then-total number of issued Shares. During FY2022, we did not make any repurchases on the Stock Exchange, and neither we nor our subsidiaries purchased, sold or redeemed any of our Company's listed securities.

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

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange during FY2022.

Debentures issued

Our Group did not issue any debentures during FY2022.

Equity-linked agreements

Except as disclosed in this annual report, no equity-linked agreement was entered into by our Group, or existed during FY2022.

Final dividends

Our Board did not recommend the payment of a final dividend for FY2022 (FY2021: nil).

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 addition 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 12 and 13 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 FY2022.

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 FY2022) are set out in "Directors and senior management" above.

The interests and short positions as at the end of FY2022 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.

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) or three years with effect from the appointment date (as the case may be), and which will automatically renew for a term of three years thereafter.

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 FY2022 and continued to be in force as at the date of this report.

Our controlling shareholder's and directors' competing business

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

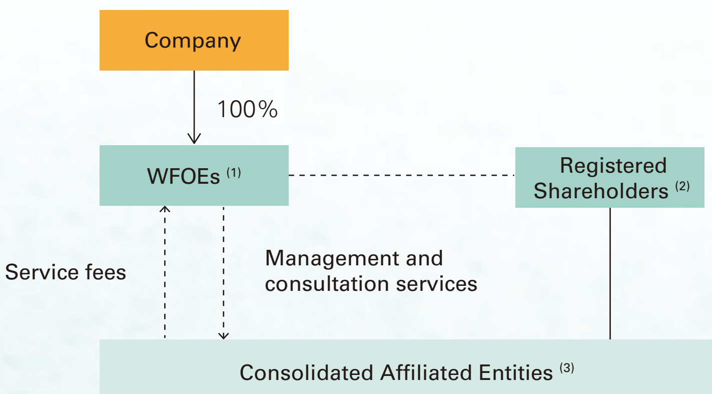
Overview

Our Group entered into a series of Contractual Arrangements with Beijing Xuncheng and its subsidiaries, 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 its subsidiaries, 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. During the Reporting Period, the revenue of our Consolidated Affiliated Entities amounted to RMB898,535 thousand (accounting for approximately 100% of the revenue of our Group over the Reporting Period), compared with RMB1,418,951 thousand in FY2021 (accounting for approximately 100% of the revenue of our Group in FY2021).

During FY2022, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to their adoption has been removed.

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, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang (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 and livestreaming e-commerce business in China (collectively, the "**Relevant Business**"), which are subject to foreign investment restrictions or prohibitions under PRC law, namely: (a) foreign investors are restricted from holding more than 50% equity interest in a company which operates value-added telecommunications services (with a few exceptions), and (b) the foreign investors are prohibited from holding any equity interest in a company whose operation are deemed as production and operation of radio and television programs. 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.

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;

(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 ratio 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

The following transactions also constitute non-exempt continuing connected transactions of our Group for FY2022:

New Oriental Framework Agreements

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).

2021 New Oriental Framework Agreement

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.

Supplemental New Oriental Framework Agreement

On 21 January 2022, 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 Supplemental New Oriental Framework Agreement, pursuant to which, the Group and the Retained New Oriental Group shall provide each other with resources related to (i) the livestream e-commerce business of the Group, and (ii) the intelligent learning products business of the Group, in addition to the provision of the existing products and services pursuant to the New Oriental Framework Agreement and the 2021 New Oriental Framework Agreement.

The term of the Supplemental New Oriental Framework Agreement was from 21 January 2022 to 31 May 2022, and the terms of which were entered into on normal commercial terms. Further details of the Supplemental New Oriental Framework Agreement are set out in the announcement of the Company dated 21 January 2022.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transactions for FY2022 were:

No.	**Transaction**	**Annual cap for FY2022 (RMB million)**	**Annual transaction amount for FY2022 (RMB million)**
1.	Advertising, marketing and promotional services		
	— received by our Group from the Retained New Oriental Group	32.50	18.63
	— provided by our Group to the Retained New Oriental Group	3.70	0.16
2.	Sub-licensing of TPO examination materials from our Group to the Retained New Oriental Group	25.00	11.37
3.	Procurement of goods by our Group from the Retained New Oriental Group(1)	59.00	16.96
4.	Provision of goods from our Group to the Retained New Oriental Group(2)	22.13	5.32
5.	Provision of educational resources:		
	— from our Group to the Retained New Oriental Group (online resources)	2.10	1.94
	— from the Retained New Oriental Group to our Group (offline resources)	29.10	5.12
6.	Provision of cloud education platform technology from the Retained New Oriental Group to our Group	49.90	—

Notes:

(1) these transactions were previously described as falling into "provision of educational materials" and the portions of "provision of resources related to the livestream e-commerce business" and "provision of resources related to the intelligent learning products business" that are expenses in nature under the 2021 EDU Framework Agreements.

(2) these transactions were previously described as falling into "licensing of educational intellectual property" and the portions of "provision of resources related to the livestream e-commerce business" and "provision of resources related to the intelligent learning products business" that are revenue in nature under the 2021 EDU Framework Agreements.

2022 EDU Framework Agreement

On 27 May 2022, 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 2022 EDU Framework Agreement to renew certain transactions under the 2021 EDU Framework Agreements (being the 2021 New Oriental Framework Agreement and the Supplemental New Oriental Framework Agreement) and set additional annual caps. Pursuant to the 2022 EDU Framework Agreement, our Group and the Retained New Oriental Group would enter into, among others, the following non-exempt continuing connected transactions for our Company: (i) provision of advertising, marketing and promotional services; (ii) sub-licensing of TPO examination materials; (iii) procurement of goods (including educational materials and intelligent learning products); (iv) provision of goods (including licensing of educational intellectual property); and (v) provision of online and offline educational resources.

The 2022 EDU Framework Agreement is for a period of one year from 1 June 2022 to 31 May 2023, and the terms of which were entered into on normal commercial terms. Further details of the 2022 EDU Framework Agreement are set out in the announcement of the Company dated 27 May 2022.

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.

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 Tigerstep 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.

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, Tigerstep (and its subsidiaries) would (i) lease certain property locations to our Group to be used as, among other purposes, office space, recording studios and administrative premises and (ii) provide property management services. 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.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transaction for FY 2022 were:

No.	Transaction	Annual cap for FY2022 (RMB million)	Annual transaction amount for FY2022 (RMB million)
1.	Property leasing from Tigerstep (and its subsidiaries) to our Group (**more than** one year in duration)	40.00	—
2.	Property leasing (**less than** one year in duration) and property management services from Tigerstep (and its subsidiaries) to our Group	5.00	1.30

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

Internal control measures in relation to the continuing connected transactions

The Company believes that the success of its business depends on its ability to effectively implement the risk management and internal control measures. The Company has adopted since its listing, and continues to at present adopt, internal control measures relating to, among others, financial reporting, information system, human resources and investment.

As the Group continues to expand, it has and will continue to modify and improve these measures and procedures to meet its evolving business needs and safeguard its business operations. This includes a series of measures and policies, which the Company has established since its listing and that it continues to implement, to ensure that its connected transactions, including its continuing connected transactions, such as those disclosed above, will be carried out in accordance with the terms of the agreements, including pricing policies, which are on normal commercial terms and no less favourable than terms available to third parties. In particular, this includes:

(1) the marketing, products, and business teams of the Group ("**Internal Business Insiders**"), comprising of industry insiders who are familiar with prevailing market rates, industry and seasonal specific variables affecting pricing, periodically monitoring the terms of the transactions and comparing these against the terms of, or with, comparable independent third party counterparties;

(2) the Company, through its Internal Business Insiders, periodically reviewing the prices charged against, among others: (i) prices charged by comparable service providers for comparable/substitutable goods or services; (ii) prices negotiated between the Group and third parties, or prices quoted by third parties, for comparable/substitutable goods or services; and (iii) prices charged by the Company's connected counterparties to their other customers for comparable/substitute goods or services;

(3) the Company, through the Group's financial and business teams, periodically monitoring the transaction amounts under the continuing connected transactions, and when it is expected that the transaction amount would exceed the designed annual cap(s), ensuring that the Company complies with all the applicable requirements under the Listing Rules for revising the relevant annual cap;

(4) the Company, through its various departments (including the Internal Business Insiders, legal and financial teams) and senior management, periodically updating the Board (including the independent non-executive Directors) of their results from, among others, the reviews/monitoring in (1) to (3) above, with the Board, in turn, reviewing the terms of the connected transactions to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and carried out pursuant to their respective contractual terms;

(5) in case of any proposed change to the major terms of the transactions, ensuring that the Company complies with all applicable requirements under the Listing Rules, including publishing an announcement, before such change becomes effective; and

(6) the Company's external auditor conducting an annual review of the connected transactions conducted during the financial year in accordance with the Listing Rules.

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 FY2022 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 FY2022;

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 FY2022, including the related party transactions disclosed under Note 40 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 disclosure requirements in Chapter 14A of the Listing Rules during F2022.

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;

(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 of significance for the provision of services had been entered into among our Group and our Controlling Shareholder during FY2022.

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 FY2022.

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 FY2022.

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 in any of the preceding three years, including FY2022.

Events after the Reporting Period

Other than as disclosed in this report, Our Group did not have any significant event occurring after the Reporting Period.

Environmental and Community 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 are set out in the "Environmental, social and governance report" included in this annual report.

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 or around Thursday, 3 November 2022. The register of members of our Company will be closed from Monday, 31 October 2022 to Thursday, 3 November 2022 (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 Friday, 28 October 2022.

By the order of our Board
YU Minhong
Chairman

Hong Kong
20 September 2022

OTHER INFORMATION

Disclosure of interests

Directors and chief executives

As at the end of FY2022, the interests and short positions of our Company's Directors and chief executives (being those as at the end of FY2022) 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 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		15,843,000	1.58%
Mr. Yu[3]	Beneficial owner		22,695,285	2.27%
	Beneficiary of a trust	Tigerstep	27,182,832	2.72%
Ms. Sun[4]	Interest in a controlled corporation	First Bravo	151,000	0.02%
Mr. Yin[5]	Beneficial owner		4,100,000	0.41%
	Interest in a controlled corporation	Perfect Go	1,000,000	0.10%
Mr. Wu[6]	Beneficial owner		1,650,000	0.16%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,000,724,102 Shares, as at 31 May 2022.

(2) These interests comprise: 8,000,000 Shares and 4,500,000 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 and 6,000,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yu under the Pre-IPO ESOP and the Post-IPO ESOP, respectively; and (ii) 27,182,832 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.

(5) These interests comprise: (i) 2,100,000 Shares and 2,000,000 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) 1,000,000 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.

(6) These interests comprise: 1,350,000 Shares and 300,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Wu under the Pre-IPO ESOP and Post-IPO ESOP, respectively.

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	201,634,600	11.8%

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 27 January 2022), this interest represents: (i) 169,235,000 Shares held by Tigerstep, a company wholly-owned by Mr. Yu, and (ii) 3,239,960 ADSs (representing the same number of underlying shares of New Oriental), which consist of 3,215,054 ADSs held by Tigerstep and 24,906 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). And in April 2022, New Oriental changed its ADR: Common share ratio from 1:1 to 1:10. 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 a 99% equity interest in Century Friendship, which in turn, holds the entire 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 Company's 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 FY2022, 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[2]	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 1,000,724,102 Shares, as at 31 May 2022.

(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, 153,500 options under the Pre-IPO ESOP had been exercised, no options had cancelled, 837,500 options had lapsed, and as at the end of FY2022, options to subscribe for an aggregate of 35,911,985 underlying Shares remained outstanding, representing approximately 3.59% of our total issued share capital as at the end of FY2022.

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 two and a half years.

Each grantee gave an undertaking at the date of accepting their respective grant to hold the vested options for the 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 FY2022, (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 53 grantees held unexercised options under the Pre-IPO ESOP to subscribe for a total of 7,766,700 Shares, representing approximately 0.78% 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 2021**	**Exercised during FY2022**	**Cancelled during FY2022**	**Lapsed during FY2022**	**Outstanding as at end of FY2022**
Mr. Yu	6 March 2019	Three years from Listing Date	From the commencement of the first 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 the commencement of the first 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 the commencement of the first 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 the commencement of the first 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 the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	HK$8.88 per Share	8,757,700	153,500	Nil	837,500	7,766,700
Total					36,902,985	153,500	Nil	837,500	35,911,985

Further details of movements in the Pre-IPO ESOP is set out in Note 32 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 32 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. The remaining life of the scheme is approximately seven and a half years.

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 FY2022, (a) our Directors held unexercised options under the Post-IPO ESOP to subscribe for a total of 12,800,000 Shares, representing approximately 1.28% of the issued share capital of our Company, and (b) the other 191 grantees held unexercised options under the Post-IPO ESOP to subscribe for a total of 33,194,093 Shares, representing approximately 3.32% 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 2021**	**Granted during FY2022**	**Exercised during FY2022**	**Cancelled/ Lapsed during FY2022**	**Outstanding as at end of FY2022**	**Closing price of the Shares immediately before the date of grant**
Mr. Yu	15 November 2021	(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	HK$5.22 per Share	—	6,000,000	Nil	Nil	6,000,000	HK$5.22
Mr. Sun	29 January 2020			HK$25.35 per Share	500,000	—	Nil	500,000	—	HK$25.35
	15 November 2021			HK$5.22 per Share	—	4,500,000	Nil	Nil	4,500,000	HK$5.22
Mr. Yin	29 January 2020			HK$25.35 per Share	800,000	—	Nil	800,000	—	HK$25.35
	15 November 2021			HK$5.22 per Share	—	2,000,000	Nil	Nil	2,000,000	HK$5.22
Mr. Wu	15 November 2021			HK$5.22 per Share	—	300,000	Nil	Nil	300,000	HK$5.22
Other grantees (in aggregate)	29 January 2020			HK$25.35 per Share	28,241,815	—	Nil	28,241,815	—	HK$25.35

Name or category of grantee	Date of grant	Vesting period	Exercisable Period	Exercise price	Number of options: Outstanding as at 1 June 2021	Granted during FY2022	Exercised during FY2022	Cancelled/ Lapsed during FY2022	Outstanding as at end of FY2022	Closing price of the Shares immediately before the date of grant
	25 August 2020	From 25 August 2020 to 24 August 2024 (both dates inclusive).		HK$34.00 per Share	20,848,000	—	Nil	20,848,000	—	HK$33.35
	15 November 2021	(1) First Vesting Date; (2) Second Vesting Date; and (3) Third Vesting Date.		HK$5.22 per Share	—	35,641,590	Nil	2,447,497	33,194,093	HK$5.22
Total					50,389,815	48,441,590	Nil	52,837,312	45,994,093	

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.

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**Previous CG Code**") as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect on 1 January 2022, throughout the Reporting Period. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. 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 FY2022.

Our Board

As at the date of this report, our Board consists of seven Directors, comprising two executive Directors, two 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 "Director's report — Directors and senior management" at pages 22 to 25 for the biographical information of our Directors.

During FY2022, 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 brings 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, 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 is 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 FY2022, 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 FY2022 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	—	—	—	1/1
Mr. Yin	4/4	—	—	—	1/1
Mr. Yu	4/4	—	—	1/1	1/1
Ms. Sun	4/4	—	1/1	—	1/1
Mr. Wu *(resigned on 26 August 2022)*	4/4	3/3	—	—	1/1
Ms. Leung *(resigned on 26 August 2022)*	4/4	—	—	—	1/1
Mr. Lin[(1)]	4/4	—	1/1	1/1	1/1
Mr. Tong	4/4	3/3	1/1	1/1	1/1
Mr. Kwong	4/4	3/3	—	—	1/1

Note:

(1) Mr. Lin was appointed as a member of the Audit Committee on 26 August 2022 following the resignation of Mr. Wu.

The Board will meet at least four times a year, at approximately quarterly intervals. 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.

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during FY2022.

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 independent non-executive Directors, namely, Mr. Tong (committee chairman), Mr. Lin and Mr. Kwong. Mr. Lin was appointed as a member of the Audit Committee on 26 August 2022 following the resignation of Mr. Wu.

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 FY2022:

(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 FY2022;

(c) reviewing the annual results of our Group for FY2022;

(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 FY2022.

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 FY2022, 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 FY2022:

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

Further details of the remuneration for FY2022 are set out in Note 12 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 FY2022:

(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 diversity policy to enhance greater diversity of members on our Board. See "— Board diversity policy" at page 57.

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 57.

Corporate governance functions

Our Board is responsible for performing the functions set out in D.3.1 of the Previous CG Code (equivalent to A.2.1 of Part 2 of the New CG Code).

Our Board shall review and determine 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 FY2022.

Risk management and internal controls

Our Board acknowledges that it has the overall responsibility 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 lines of defence model" in designing its risk management and internal control systems:

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

(b) The second line of defence — Risk management and internal control function: our internal audit department forms the "second line of defence." 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 defence" and reports any major issues to our Audit Committee and, where necessary, our Board on a regular basis. The internal audit department maintains a high degree of independence to ensure the effectiveness and fairness of its work.

(c) The third line of defence — Internal review and continuous improvement: the "third line of defence" 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 on a regular basis.

During FY2022, our Audit Committee held 3 meetings, and as at the date of this report, our Audit Committee also conducted 3 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 FY2022, 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. Furthermore, product quality is critical to our reputation and business success under the brand of DONG FANG ZHEN XUAN. We have implemented quality control standards and measures throughout our entire operating processes.

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. In addition, Laws relating to food safety, product quality, livestreaming and online sales are numerous and varied, and are also subject to broad discretion of competent government authorities. 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 businesses. In particular, the Opinion published in July 2021 has potential implications on our Group, including our business operations and corporate structure. Please see the announcements of the Company dated 23 July 2021, 26 July 2021 and 19 August 2021 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 the industries that we operate in 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 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 FY2022. 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 the 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 the 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 the 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 FY2022. 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 FY2022:

Services provided by Deloitte	**Fees paid or payable (RMB '000)**
Audit services	3,100
Non-audit services	308
Total	3,408

Company secretary

Our company secretary is Mr. Cheung, a senior manager of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**"). 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), whom SWCS can contact. During FY2022, Mr. Cheung has undertaken no less than 15 hours 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 FY2022 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 2021 annual report of Koolearn Technology Holding Limited. 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 2021 to 31 May 2022. 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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:

This report is published online and prepared in both Traditional Chinese and English. The online version is available on the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") at www.hkexnews.hk.

Statement of the Board on ESG Governance

The Board of the Group attaches great importance to environmental, social and governance ("**ESG**") work and assumes full responsibility for the Group's ESG strategy, reporting and supervision, and continues to improve the Group's ESG management system and promote the Board's governance in ESG in accordance with the requirements of the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange.

During the reporting period, the Board conducted the Group's ESG risk identification, reviewed important ESG issues on a regular basis, and reviewed on the achievement of environmental objectives in order to clarify the focus of the Company's ESG efforts.

This report discloses in detail the progress of ESG work and target setting of the Company for FY2022, and has been reviewed and approved by the Board.

ESG Strategy and Governance

- ### ESG Management System

  The Group strictly follows the provisions of ESG guidelines, integrates ESG management into corporate management and decision-making, strengthens ESG management systems and enhances ESG management capabilities. The Board is the highest level of responsibility and decision-making body for ESG matters and has full responsibility for the Group's ESG strategy, performance and reporting. Under the authorization of 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 organizing annual ESG kick-off meetings, ESG-related training sessions, interviews with person-in-charge of each department, updating ESG indicators, collecting ESG information from all departments to form ESG reports, and reporting to the Board on a regular basis.

  For more details of the Group's corporate governance, please refer to the Corporate Governance Report of the 2022 Annual Report of the Company.

- ### ESG Governance Structure

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 from various departments, and each department shall designate a colleague as the contact person of ESG works to 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 of tax pursuant to laws • Support economic development • Support the revitalization of rural areas • 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 • Quality products and services • Protection of customers' rights	• 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	• 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

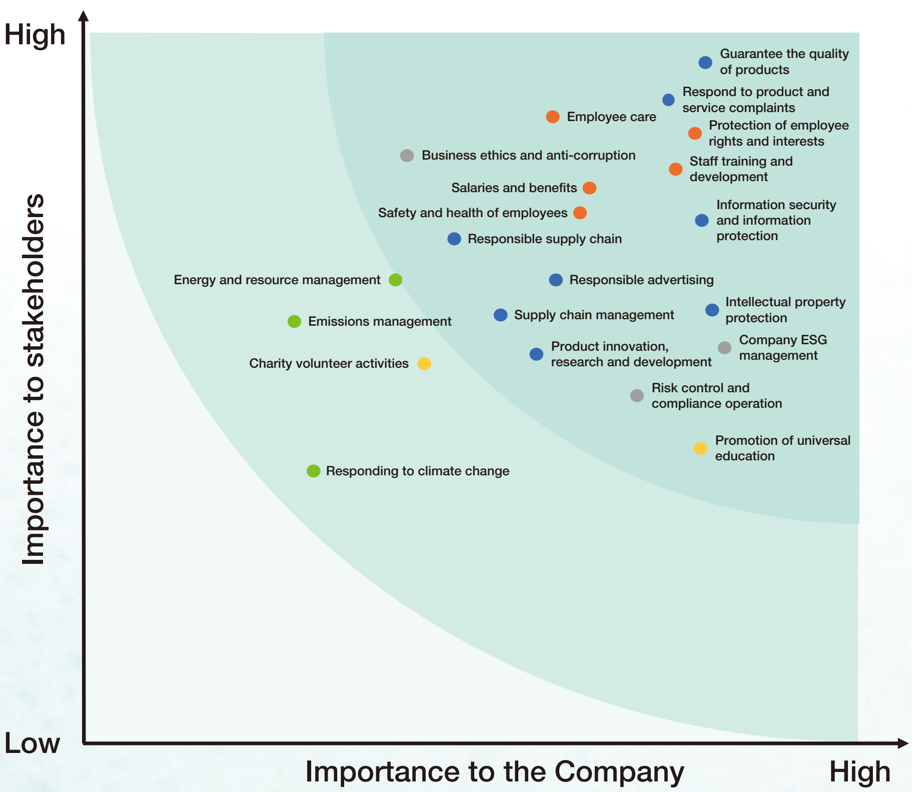
Combining industry policies and hot topics, company strategies, etc., experts have analyzed and identified sustainable development issues for stakeholder survey.

In the questionnaire survey stage

Through online questionnaires, questionnaires were sent to various stakeholders, and a total of 124 valid questionnaires were collected.

In the analysis and evaluation stage

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



1. Uphold compliant operation

1.1 Adhering to business ethics

The Group follows the Criminal Law of the People's Republic of China, the Law against Unfair Competition of the People's Republic of China and the Company Law of the People's Republic of China, among other laws and regulations. We have developed the Anti-fraud and Anti-corruption Management System and the Implementing Rules of Complaints, clarified and refined the identification of anti-fraud and anti-corruption behaviors, attribution of responsibilities, handling mechanisms and reporting channels to ensure the landing implementation of the system. At the same time, we conduct anti-corruption training for directors and employees, continuously strengthen anti-fraud and anti-corruption construction, and safeguard the Company's implementation of clean and compliant management.

In FY2022, the Group is not engaged in any litigation case concerning corruption.

Anti-fraud and anti-corruption system	The board of directors of the Company oversees the creation of a transparent and clean culture within the Group, and establishes a healthy internal control system to prevent fraud and corruption; the management team is responsible for the setting up, improvement and effective implementation of the anti-fraud and anti-corruption procedures and controls; the auditing committee of the Company is the leading organ and accountable body in the anti-fraud and anti-corruption efforts, and is responsible for the daily supervision work. Incorporate anti-fraud and anti-corruption factors in the Internal Control System and the Risk Management System, and integrate the management of anti-fraud and anti-corruption into the Company's daily compliance risk management.
Anti-fraud and anti-corruption complaint channels	The Group has many channels of complaint. The whistleblower may utilize various means for complaint such as hotline (010-62609088), facsimile, mail, email (wubijubao@koolearn-inc.com), face to face complaint and proxy complaint, and may also report to Audit and Supervision Department or file the complaint with other departments in the Company. Our paths to complaints are published on our internal periodicals, journals and websites etc., to facilitate whistleblowers to report.
Anti-fraud and anti-corruption training	The Group conducts anti-fraud and anti-corruption training from time to time, and sets the topics of each training session according to the latest relevant events or hot news in the society. We organize all employees to take the examination of "Code of Ethics and Training of New Oriental Education & Technology Group". On the internal communication software we set up the "Internal Audit Thinking Sharing" (「內審思享」) mobile APP to share the knowledge of internal control management, anti-fraud and anti-corruption knowledge, and risk management knowledge with all departments. The APP also provides a channel for anti-fraud and anti-corruption reporting.

Code of Ethics Training and Examination

Key performance table — Anti-corruption:

Number of anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2022
Number of anti-corruption and integrity training sessions for employees	times	10
Number of anti-corruption and integrity training sessions for directors	times	1
Total number of anti-corruption and integrity training sessions organized	times	11

Number of participants covered by the anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2022
Number of employees participating in anti-corruption and integrity training sessions	times/person	2,624
Number of directors participating in anti-corruption and integrity training sessions	times/person	9
Total number of participants in anti-corruption and integrity training sessions	times/person	2,633

Number of training hours for anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2022
Total number of training hours	hours	1,329
Number of hours per capita	hours/person	1.01

1.2 Strengthen 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 system, developed the Risk Management System and the Internal Control System, so as to ensure the interests of the Company and its shareholders, and promote the sustainable and healthy development of the Group.

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

In addition, we focus on building a risk-conscious company culture, disseminating our risk management culture in various forms, and conducting relevant risk management training for each functional department and subsidiary.

2. Build a low carbon home

2.1 Optimization of management of emissions

The Group mainly focuses on the online education and livestreaming industry and does not involve large-scale production and pollutant emissions. We are 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 Company measures the environmental performance in the course of business operations in an all-round way, establish policies to reduce greenhouse gases, exhaust gas, wastewater and hazardous and non-hazardous waste during operations, and set targets for reducing greenhouse gases and hazardous and non-hazardous waste emissions. Controls and reduces resource use from the source, reduce the generation of emissions and the emission of greenhouse gas and vigorously promote green and sustainable development, so as to realize its own low carbon operation. 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 nor 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 switch to air-cooled and water-cooled air conditioners. — We proactively promote working from home by organizing video conferences and teleconferences. — Lower the need of business travel by employees and thereby reduced greenhouse gas emissions generated from the employees' business travel. — We encourage employees to take public transport.
Management of wastewater discharge	On the one hand, our wastewater discharge only involves domestic sewage produced from day-to-day office operation, which we are not authorized to directly deal with and falls under the centralized management of municipal governments. On the other hand, we enhance the management of water resources in offices to minimize waste and actively implement water-saving measures to reduce the generation and discharge of sewage.
Management of discharge 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 system units, monitors and laptop computers, toner cartridges and ink cartridges used for printers, as well as used lamps and batteries generated from daily consumables. 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. — Discarded electronic equipment such as end-of-life laptop hard drives, server hard drives and other waste electronic equipment shall be destroyed by special treatment, hard drives are handed over to a third-party destruction agency for processing, and the entire process is monitored and recorded on CD-ROM for preservation. — Improve the repeated utilization of office equipment, such as improving the secondary utilization of used monitors. — Reduce the distribution of mouse and adapter type items and reduce battery usage.

Management of discharge 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 centralized processing. For general household waste, we strictly follow the regulations and manage it in a separated manner.

We take the following measures to reduce the amount of non-hazardous waste generated during our operations:

— Digitally upgraded manpower management system, fee control system, leave attendance approval system to reduce paper usage at source.

— Promote directly potable water at each work area and reduces the use of disposable paper cups and plastic bottles.

— Set up a location to collect used cardboards and recycle them as appropriate.

Key performance table — Emissions[1]:

Indicators	Unit	FY2022	FY2021	FY2020
Office sewage discharge	(m^3)	**7,772.53**	11,006.38	1,735.70
Scope 2: Greenhouse gas emission from indirect sources	(tCO_2e)	**1,034.47**	2,490.41	1,293.56
Total greenhouse gas emission	(tCO_2e)	**1,034.47**	2,490.41	1,293.56
Greenhouse gas emission per capita	(tCO_2e/person)	**0.34**[2]	0.22	0.09
Generation of electronic waste	(kg)	**35,656**[2]	3,797	3,533
Disposal of obsolete microcomputer (system unit)	(quantity)	**1,103**	139	125
Disposal of obsolete monitors	(quantity)	**653**	60	128
Disposal of obsolete laptops	(quantity)	**3,778**	102	57
Disposal of obsolete servers	(quantity)	**185**	0	0
Disposal of obsolete printers	(quantity)	**39**	2	14
Disposal of obsolete toner and ink cartridges	(quantity)	**118**	1,338	1,180
Disposal of other obsolete electronic equipment	(quantity)	**5,517**	93	40
Generation of electronic waste per capita[3]	(kg/person)	**11.69**[2]	0.33	0.26
Office paper consumption	(tonne)	**1.65**	33.2	14.12
Office paper consumption per capita	(kg/person)	**0.54**[2]	2.89	1.03

1: in compliance with the "double reduction" policy, the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB, and the amount of wastewater discharge and total greenhouse emissions are reduced compared with previous years.

2: Due to the large staff changes at the beginning and end of the year, in order to make the data of per capita environmental indicators more reasonable, we use the denominator calculation of the **total number of Xuncheng employees (beginning of the period + end of the period)/2** for the calculation of per capita indicators for FY2022.

3: The increase in generation of electronic waste and generation of electronic waste per capita compared with previous years is mainly due to the impact of the "double reduction" policy in FY2022, and the number of employees decreased sharply, and a large increase in the disposal of electronic equipment were due to the closure of more than 70 stores in Beijing, Xi'an, Jinan, Zhengzhou and other areas in China.

Indicators and targets:

Scope 3: Business trip and commuting emission reduction target	Starting from FY2021, we gradually increased the utilization rate of the online meeting system and reduced employee trip for meetings.
Hazardous waste reduction target	Improve the rate of reuse of electronic equipment and carry out compliant disposal of hazardous waste.
Non-hazardous waste reduction target	Taking FY2021 as the base year, by FY2025, the replacement rate of printer cartridges will reach 80%. Centralize the use of office supplies in stock, reduce the purchase of non-essential office supplies, and enhance the recycling of resources.

2.2 Active 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 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. Taking into account the characteristics of our operations, we establish policies for the efficient use of energy and resources and environmental protection, set targets for reducing energy consumption and water use, and take energy-saving initiatives. During the reporting period, the Group was not involved in any major events of violation of laws during use of energy and water resources.

Electricity 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, we 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 air conditioner idling when no one is in the room is strictly forbidden. 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. — Our leased 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 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. — We prepare tea buckets in offices, so that part of the wastewater can be utilized for a second time. — We put up water conservation slogans in office area, toilets, pantries, etc. to enhance the water saving awareness of employees.

Key performance table — Use of resources[1]:

Indicators	Unit	FY2022	FY2021	FY2020
Total electricity consumption	('0,000 kWh)	**178.05**	339.72	161.46
Consumption of purchased heat	(million kJ)	**0**	1,575	1,419.22
Comprehensive energy consumption	(tce)	**218.82**	471.27	246.90
Comprehensive energy consumption per capita	(kgce/person)	**71.75[2]**	41.05	17.92
Total water consumption	(tonne)	**7,773**	12,949	2,042
Water consumption per capita	(tonne/person)	**2.55[2]**	1.13	0.15

Indicators and targets:

Target for electricity usage reduction	We intensify the innovation and promotion of energy-saving technologies, use LED energy-saving lamps in all office areas, regulate the usage time and temperature of air conditioners in office areas, to further reduce corporate energy consumption.
Target for water usage reduction	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. Raise employees' awareness of water conservation and further improve water usage efficiency.

1: in compliance with the "double reduction" policy, the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB.

2: Due to the large staff changes at the beginning and end of the year, in order to make the data of per capita environmental indicators more reasonable, we use the denominator calculation of the **total number of Xuncheng employees (beginning of the period + end of the period)/2** for the calculation of per capita indicators for FY2022.

2.3 Advocacy of green life

Always adhering to the sustainable development concepts of green living, energy saving and emission reduction, the Group actively spreads the green concept in its daily operation, carries out environmental protection education and activities, and strives to penetrate the green concept into the working life of every employee.

— We encourage employees to save electricity by posting signs and replacing the main visual images of projectors and TVs.

— We encourage employees to reduce the use of elevators and use the stairs.

— We distribute reuseable shopping bags to new employees to enhance their environmental awareness.

— Increase the area of cultivation of green planting in the office area.

2.4 Responding to Climate Change

While climate change is alternating and affecting global ecosystems and the natural environment, it is also posing influence on the global economy and human perceptions. 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", in order to actively respond to the global impact of climate change, and to actively respond to China's "dual carbon" goal, the Group has strengthened 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	Technology risk	• Rational planning for the reduction and gradual replacement of high energy-consuming and high-emission products. • Shift to the use of energy-efficient, low-carbon products. • Optimize services and operating models to reduce the impact of production or distribution processes on the climate.
	Market risk	• Incorporate energy consumption factors into product optimization plans to reduce product energy consumption. • Obtain information on prices from supplier companies on a timely manner, and actively optimize products to reduce cost pressure.
	Reputation risk	• Actively abide by the relevant policies and requirements of sustainable development to protect the Company's reputation. • Obtain external comments on a timely manner, solve and respond to such comments. • Attach importance to the sustainability of supply chain sectors and strengthen the identification and management of climate risk factors in each sector.
Physical risk	Acute risk	• Based on the frequency and scale of extreme weather in the region, strengthen building safety assessment and inspection, and formulate relevant emergency plans.
	Chronic risk	• Timely monitor the time spent on cooling equipment and evaluate the cost impact of increased energy consumption.

3. Improving Innovation Services

3.1 Branded Education Services

As a leading online education service provider in China, the Group strictly follows the requirements of laws and regulations such as the Law for Promoting Private Education of the People's Republic of China, the Opinions of the General Office of the State Council on Regulating the Development of After-School Tutoring Institutions, among others, to strengthen the management of the teaching platform, improve the quality of teaching and provide quality curriculum, and strive to provide first-rate educational services to all students.

- **Management of the teaching platform**
  Focusing on user experience, the Group establishes a professional platform operation system and adopts ISO9001 quality management system standards as the quality assurance basis for our platform development; strictly controls the stable operation of online platform to ensure smooth playback of course videos; records lecture videos in a professional manner to improve students' learning experience, and reviews the content after recording is completed to ensure that all aspects shall meet the required standards. Take preventive measures, early warning mechanism to improve the rapid response capability to accidents and the stability of teaching platform.

- **Control of teaching quality**
  The Group has always insisted on taking teaching products and teaching quality as its core. In terms of the quality of courses, we have a professional course research and development team, which constantly polish the quality of teaching content centering on "select the courses — prepare the courses — polish the courses — record the courses — evaluate the courses", and insists on providing teaching and learning content with the highest quality. In terms of the quality of teachers, we have established strict teacher selection and recruitment standards, as well as a comprehensive assessment system from professional level to classroom effectiveness, and create diverse training channels, while then equipped with teaching quality supervision to ensure high-quality teacher resources and teaching quality. In addition, we have also developed systems such as "Course Preparation Standards for Teachers" and "Trial Lecture and Course Preparation Framework for Teachers" to further standardize and clarify the standards and requirements for teachers' lectures and improve the quality of course services.

- **Responsible marketing**
  The Group strictly complies with the Advertising 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, the Trademark Law of the People's Republic of China and other laws and regulations, uniformly designs various promotional materials, reasonably regulates advertising and publicity, and eliminates false publicity. We have formulated the Quality Monitoring of Marketing Services, which clarifies that both parties of advertising-type marketing need to fulfill the contractual agreement and prohibits the illegal use of Koolearn brand.

- **Customer complaint and communication**
  The Group insists on obtaining in-depth understanding of the needs and demands of our customers, and enhancing the customer experience is always the direction we are striving for and moving forward. Through customer communication and feedback, we continuously improve product quality, supporting facilities and means of service. In order to further standardize and improve the means and efficiency of handling customers' service issues, we have formulated the General Rules for Handling After-Sales Disputes to strengthen the team's service awareness and improve customer satisfaction.

In response to customer complaints, a first-call responsibility system has been established to improve complaint handling efficiency and customer satisfaction. The Group has set up various complaint channels such as service hotline, complaint email and WeChat official account, etc., through which we conduct surveys on customers on a regular or irregular basis, and keeps abreast of customers' opinions and suggestions.

3.2 Quality LiveStreaming Platform

The Group created a new e-commerce platform which mainly provides agricultural products under the brand of DONG FANG ZHEN XUAN and is committed to becoming an e-commerce platform for high-quality agricultural products in China. Since its first broadcast at the end of 2021, DONG FANG ZHEN XUAN has become a well-known livebroadcast platform to promote a better, healthy and quality life, and the platform formed part of a tight supply chain management and after sale services system which strictly abides by a series of relevant laws and regulations, such as "Provisions on the Administration of Internet Live Broadcasting Services" and "Product Quality Law of the People's Republic of China", focusing on providing quality products to bring a better Life to customers.

- **High-value and compliant content distribution**
  The Group strictly complies with the relevant laws and regulations such as the Advertising Law of the People's Republic of China, the Interim Measures for the Administration of Internet Advertising, among others, formulates advertising systems, processes and objectives, and strictly screens and approves information to provide high-quality information to our customers.

- **Premium selection**
  Adhering to the concept of "Enable people to eat safe and reliable high-quality agricultural products at every meal and enjoy a healthy and quality life", the Group has formulated the "DONG FANG ZHEN XUAN Self-supply Product Management System", "DONG FANG ZHEN XUAN Food Safety Management System", among others, covering the entire life cycle of products from selection to obsolete, standardizing the management of DONG FANG ZHEN XUAN livestreaming e-commerce platform and ensuring that private labels products are in line with the concept of DONG FANG ZHEN XUAN. In FY2022, the Company did not have any product quality incidents.

Product selection	• **Screening:** The products need to be in line with the concept of DONG FANG ZHEN XUAN and have obtained the required qualifications. Carry out comprehensive supplier assessments to reduce the risk of product quality problems. • **Assessment:** Conduct site visits to the proposed manufacturing partners to ensure that their production equipment, production links, etc. meet the requirements of the state and the Group. • **Review:** The product team submits the selection process and findings to management for approval.

Product inspection	• **Products shipped from factory:** Require the factory to provide outgoing test report. • **Products placed on shelf:** Evaluate the conformity of a company's products before each product hits the shelves. • **Regular inspection:** Determine a regular inspection cycle. • **Special inspection:** When a risk arises in a business, unannounced inspection and external inspection sampling shall be carried out.

- **Premium service**

  The Group strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, and formulates the General Principles of After-sales Service which are in line with relevant national laws to manage and enhance the whole process of service of the Company.

  In the pre-sales stage, we prepare for product launch, improve the response rate and other indicators, and set up targets for the corresponding indicators to continuously improve the service level. In the after-sales stage, strict standards are put forward for after-sales management, and all indicators shall meet the requirements. We carry out performance appraisal of relevant personnel on a regular basis. We communicate in advance about product return and exchange policies, compensation standards, answers to questions and solutions to issues. We set up responsible maintenance staff, in case of customer complaints, relevant information will be collected and then synchronized with customer service specialists.

3.3 Information security management

The Group attaches great importance to information security and improves our data security through multiple protective measures to safeguard confidential information of customers. Following the requirements of laws and regulations such as Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, etc., we seriously carry out information security-related work, implement information security responsibilities, establish and improve management systems such as Measures for Management and Protection of Information Security and Privacy Protection Policy of Koolearn, Data Security Management Specification, etc., and regulate data acquisition and use.

- **Customer privacy**
  We strictly abide by the requirements of the Provisions on the Protection of Personal Information of Telecommunications and Internet Users and other laws and regulations, and formulated the Measures for Management and Protection of Information Security and Privacy Protection Policy of Koolearn. We avoid collecting and processing irrelevant personal information, and adopt security protection measures to protect personal information provided by users, use encryption technology to ensure the confidentiality of sensitive data, and develop emergency plans for information security. We set up different permission levels for different ranks or positions, and improve employee awareness of the importance of protecting users' personal information. During FY2022, there were no lawsuits filed against the Company for invasion of customer privacy.

- **Data security**
  The Group has formulated the Data Security Management Specification to ensure data security from various aspects such as data collection, storage, access, distribution, transmission, destruction and security protection, and to comprehensively improve our ability of data security protection.

3.4 Promote scientific and technological research and development

Innovation is the source of the growth and development of an enterprise. The Group continues to increase the development of scientific research every year, closely linking the established advantages of the enterprise with the direction of market development, continuously introducing innovative products and services, establishing an innovation incentive mechanism, strengthening the protection and accumulation of intellectual property rights, encouraging staff innovation, so as to meet the diversified needs of users, and provide eternal power for the sustainable development of the enterprise.

- **Innovation system**

Teaching Innovation	**Teaching and training system innovation:** Combined with the training system of the University of Cambridge, we carry out localized innovation of the overall teaching method and teaching practice, and adopt the "seven-step teaching method", connects layers of knowledge learning to each other in a tightly knitted chain, and helps students to achieve all-round improvement of their learning ability and comprehensive quality. **Talent training model innovation:** We have created a talent pooling and training path to safeguard the Company's talent pool; break through the traditional teacher training lecture mode and adding a new training mode of "workshop". **Online video course innovation:** Based on students' preferences, the version of recorded video lessons is upgraded from Video 1.0 of the traditional classrooms to 2.0, with the improvements to PPT design, reducing the interference of handwriting on the video and its impact on the aesthetics, and enhancing the fluency and fun level of the class.

LiveStreaming Innovation	In the operation of the livestreaming e-commerce business, innovations are made according to market demand and business development needs. At the same time, each employee's innovative initiatives will be positively responded and attempted, and various types of material and spiritual rewards will be given after the implementation is determined.   
Resources Innovation	Closely following the national "double reduction" policy, the service resources released from the transformation business have been sorted out and integrated. We have restructured part of the original network structure to simplify maintenance and reduce costs.

- **Innovation Results**

Koolearn IELTS Pro	The one-stop preparation tool of IELTS test designed to provide college students preparing for the IELTS test with effective practice tools and help those preparing for the test to do better.
Koolearn TOEFL Pro	The one-stop preparation tool of TOEFL test that allows users to practice test questions and access resources via mobile phones, and help those preparing for the test to do better.
Homework System	An online tool for teachers to assign homework to students after class, which can efficiently assist teachers to improve the assignment, automatic correction and manual review of homework before and after each class, students are able to receive homework, complete homework, view solutions and teacher's review online, meanwhile data of students' homework is integrated, so that teachers and school administrators can quickly understand the homework status of students at each stage.

- **Intellectual property protection**

  The Group attaches great importance to the protection of intellectual property rights and strictly follows relevant laws and regulations such as the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Opinions on Strengthening the Protection of Intellectual Property. At the same time, we also have a mature and complete system of internal control of intellectual property rights, including Confidentiality Classification System, Trademark Management Measures, Administrative Measures of Technology Contracts of the Company, Intellectual Property Confidentiality Agreement, Intellectual Property Management System, Intellectual Property Reward and Punishment System, Copyright Management Measures and Patent Management Measures.

  In addition, we signed the Agency Agreement on *Network Infringement Governance and Rights Protection Service* with brand management agency to monitor and manage the infringement information of the network 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 Group.

Key performance table — Product responsibilities:

Indicators	Unit	FY2022	FY2021	FY2020
Number of customer complaints	(case)	**289**	725	617
Percentage of customer complaints being handled	(%)	**100**	100	100
Service satisfaction	(%)	**97**	99	95
Number of livestreaming E-commerce customer complaints	(case)	**5**	—	—
Percentage of livestreaming E-commerce customer complaints being handled	(%)	**100**	—	—
Service satisfaction of livestreaming E-commerce customers	(%)	**98**	—	—
Number of members of the R&D team	(person)	**149**	737	956
R&D expense	(RMB million)	**196**	444	317
Percentage of R&D expense over operating income	(%)	**22**	31	29
Number of patent application	(case)	**0**	1	1
Number of institutions in partnership with Koolearn Education Cloud	(quantity)	**459**	449	567

4. Insisting on the "human-based" philosophy

4.1 Protecting employees' rights and benefits

The Group adheres to the principle of equal employment, strictly implements the requirements of national laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, and has formulated sound internal management initiatives to protect all basic rights and interests of employees, focuses on their physical and mental health, and fully supports their growth and development in the Group.

- **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 ID, salary or other property, and there is no forced labour or other illegal act. At the same time, we have developed the Leave and Attendance Management System to provide lawful and reasonable regulation for working hours, and strictly review overtime work, ensure employees' right to rest, not encouraging for overtime work.

  In line with the State Council's Provisions on Prohibition of Child Labour, the Labour Law of the People's Republic of China, among other laws, we strictly review the employees' information during recruitment, employment, induction and other processes, requiring the applicants to show their valid personal identity certificates, ensuring no child labour. At the same time, we prohibit the employment of minors or underaged labour.

  During the reporting period, there is no child labour or forced labour or other act within the Group in breach of national laws, regulations and rules or those of our location of operations.

- **Equal employment and diversification**

  We strictly follow the requirements of the Labour Law of the People's Republic of China for employment regulations and formulated the Recruitment Management System to unify and standardize the staff recruitment process, absorb and introduce outstanding talents in an equitable manner. In the recruitment information and channels targeted at external parties, we regulate and strictly require that no employment discriminatory wordings shall appear. In the actual recruiting and interview process, we fully respect the candidates and carry out fair and just selection of talents. We value diversity in the composition of our workforce and resolutely eliminate any discrimination based on gender, age, race, religion, etc., ensuring equal employment opportunities for all employees.

- **Protection of employees' rights and benefits**
  In accordance with the requirements of national laws and regulations, we developed the Salary and Benefits Management System, the Leave and Attendance Management System and other company systems to reasonably regulate employee salaries, working hours and various benefit policies, and established a complete compensation and benefit system, in order to protect the legitimate rights and interests of employees, improve employee work efficiency and promote the common development of employees and the Company.

Remuneration system	• Set up a remuneration structure covering basic salary, subsidy and year end bonus etc., set up multilevel employees' salary hierarchy. Implement 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	• Standard working hour system is implemented, and an irregular working hours system and a comprehensive working hour system are set up according to employees' needs; employees can apply for payment or leave as the return on overtime work. • Statutory holidays such as paid annual leave, marriage leave, bereavement leave, sick leave, personal leave, maternity leave, medical leave, parental leave and nursing leave are established for employees in accordance with the law.
Employees' benefits	• We make contributions to "five social insurances and one housing provident fund" for employees that have entered into labour contracts with us in accordance with the law and provide supplementary medical insurance to ensure their labour rights and benefits. Employees can also purchase insurance policies for their children at a discount. • We provide employees with benefits such as transportation allowance, meal allowance and communication allowance, gift distribution on traditional holidays, among others.

Key performance table — Employment[1]:

Indicators	Unit	FY2022	FY2021	FY2020
Total number of employees	(person)	**1,300**	11,481	13,777
Number of employees by type of employment				
Full-time	(person)	**910**	6,437	7,094
Part-time	(person)	**390**	5,044	6,683
Number of employees by age group				
Below 30	(person)	**783**	9,442	11,910
30–50	(person)	**516**	2,030	1,848
Above 50	(person)	**1**	9	19
Number of employees by gender				
Male	(person)	**494**	3,670	4,390
Female	(person)	**806**	7,811	9,387
Number of employees by province				
Beijing	(person)	**1,235**	3,811	4,490
Tianjin	(person)	**1**	253	2,330
Shandong	(person)	**2**	526	494
Hubei	(person)	**5**	598	1,666
Shaanxi	(person)	**6**	838	2,095
Henan	(person)	**4**	788	1,102
Other	(person)	**47**	4,667	1,600
Number and percentage of employees by title				
Employees	(person)	**967**	10,172	12,437
Supervisor and manager	(person)	**293**	1,230	1,263
Controller and above	(person)	**40**	79	77

1: in compliance with "Double reduction policy", the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB.

Key performance table — Employee turnover rate[1]:

Indicators	Unit	FY2022
Turnover rate by gender		
Male	(%)	73
Female	(%)	75
Turnover rate by age group		
Below 30	(%)	69
30–50	(%)	97
Above 50	(%)	0
Turnover rate by geographical region		
Beijing	(%)	59
Shanghai	(%)	40
Other regions	(%)	91

4.2 Personal growth and development of staff

The Group strives to create a working environment in which the potential and skills of its staff can be fully utilized. The Group actively provides various skills training to staff at all levels, strengthens the development of relevant knowledge and abilities of staff, and strives to equip all staff with the necessary professional knowledge to keep abreast of the times.

- **Staff training**

  We have established the Training Management System and Administrative Measures for New Employee Training, among other regulations, to provide staff with rich learning resources, 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.

1: in compliance with the "double reduction" policy, the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB. Business restructuring leads to increased employee turnover rate. Annual employee turnover rate = total number of full-time employees in this category who left during the fiscal year / (total number of full-time employees in this category at the beginning of the fiscal year + number of onboarding full-time employees in this category during the fiscal year) * 100%.

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.
General force training	On the one hand, we 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 carry out personal further education and training, 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.

- **Cultivation of Livestreamer**
  The livestreamer team of DONG FANG ZHEN XUAN upholds the principles of "sincerity, openness, equality and truthfulness" to carry out various tasks. In terms of livestreamer cultivation, we are gradually establishing a relevant training system. After livestreamer onboarding, we will develop "1V1" training programs and growth paths for new livestreamers according to their specific styles. Through various training and guidance, we will improve the livestreamers ability and form a livestreamer style with the characteristics of DONG FANG ZHEN XUAN. In terms of promotion path, we have built upward and smooth career paths for livestreamers.

- **Staff appraisal and promotion**
  We are committed to offering a smooth career path for staff, providing staff with clear assessment and promotion plans, and encouraging employees' growth in the principles of legality, fairness, competition, incentive, cost-effective and transparency.

  We set up a 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 specialized technology.

To help staff seek their own career path, we set up shift mechanism to help improve the overall ability of employees while assisting in their development.

We conduct staff performance appraisals on an annual basis, assess the achievement of performance targets for the positions in which our staff are employed, and set different assessment priorities for each position, such as teachers and technical personnel, according to the type of position.

Key performance table — Development and training[1]:

Indicators	Unit	FY2022	FY2021	FY2020
Percentage of employees trained by gender				
Male	(%)	**94**	96	92
Female	(%)	**94**	99	94
Percentage of employees trained by rank				
Staff	(%)	**93**	100	93
Supervisor and manager	(%)	**98**	64	96
Controller and above	(%)	**100**	100	86
Employee training				
Total number of employee training sessions	(session)	**45[2]**	1,049	1,101
Total number of trained employees	(person-time)	**10,890**	52,629	146,422
Average training hours per employee	(hour/person)	**8**	23	37
Average training hours of employees by gender				
Male	(hour/person)	**6**	29	35
Female	(hour/person)	**8**	29	38
Average training hours of employees by rank				
Staff	(hour/person)	**8**	25	39
Supervisor and manager	(hour/person)	**5**	8	15
Controller and above	hour/person	**5**	12	27

1: in compliance with the "double reduction" policy, the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB.

2: Due to the large turnover of personnel at the beginning and end of the year, as well as the impact of the pandemic, it is not convenient to conduct offline training.

4.3 Staff health and safety

- **Safeguard Occupational Health and Safety**

  The health and safety of our staff is one of the Group's priorities to enhance sustainability. We strictly comply with laws and regulations in the field of labour safety, such as the Civil Code and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases. At the same time, we have established internal safety and health policies that comply with relevant laws and regulations to ensure the occupational health and safety of our staff.

Staff occupational health	• The Company's Staff Handbook stipulates that: the Company effectively protects the health and rest rights of staff, and does not encourage employees to work overtime. In case of overtime work, the Company will offer the same length of time off or overtime payment in accordance with the law. • Established annual physical examination mechanism. In FY2022, we adopted commercial insurance, and staff will be reimbursed for the second time after medical check-ups, with a reimbursement rate of 90%. • We have purchased commercial medical insurance for our staff to mitigate the financial burden of sick staff.

Staff safety

- Any act that may pose a risk to staff safety is strictly prohibited.
- 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 on a standing basis, 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.
- Team members of each branch office shall maintain communication with local government and office area property management company, and cooperate with local infrastructure safety inspection, maintenance and relevant rehearsal.
- Regularly conduct fire safety inspections and housing safety inspections to identify and eliminate potential safety hazards in a timely manner.
- Regularly organize safety trainings, like earthquake, fire safety drills, safety equipment operation, first-aid methods and practical operation etc., to help employees to get familiar with safety management system, grasp first aid knowledge and learn the methods and approaches of prevention, self-help, rescue, escape and emergency evasion, among others.
- Propose flexible working hours or off-peak commuting in rainstorm or other extreme weather conditions.

Key performance table — Health and safety[1]:

Indicators	**Unit**	**FY2022**	FY2021	FY2020
Number of people suffered from work-related fatalities	(person)	**0**	0	0
Number of days lost due to work-related injury	(day)	**125[2]**	23	23

1: in compliance with the "double reduction" policy, the Company has ceased the relevant businesses under DFUB in FY2022, so the following data does not include the data of DFUB.

2: In FY2022, one employee was involved in a traffic accident that was not his primary responsibility on his way to work, resulting in injuries such as a fracture of the right tibiofibular bone, which was recognized as a work-related injury. In accordance with the relevant regulations, the employee was suspended from work with salary paid for a total of six months.

- **Caring for the lives of staff**
  We care for the physical and mental health of our staff on an on-going basis, encourage them to participate in various cultural and sports activities and team building activities, and enrich their spare time through various featured cultural activities. We actively listen to the voices and opinions of our staff, set up a livelihood protection mechanism for our staff, and send warmth to our staff through staff assistance in difficulties and staff blessings on holidays, and strive to create a positive, united and harmonious working and development environment.

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. • Publicize the case of role model to establish the power of example, and enhance employees' sense of belonging to the enterprise.
Staff care	• We developed 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. • Provide benefits for newlyweds, new-borns, 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. • Hold investment lecture, explain the concept of asset allocation to the introduction of various tools available in the market, 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. • Conduct special activities on special holidays, such as evaluate and select the best performers on Teacher's Day.
Cultural & sports activities	• Regularly organize internal employees to hold teaming events, which are widely praised by staff. • Organize sports activities such as badminton competitions and swimming competitions from time to time, to encourage employees to take good rest after work.

5. Creating value in the industry

5.1 Suppliers management

The Group values mutually beneficial and long-lasting relationships with suppliers. Therefore, we carefully select, evaluate and assess all suppliers. We have established policies such as the Code of Conduct for Suppliers of Dongfang Youxuan to implement thorough supplier management.

We are concerned about the environmental and social risks in the supply chain and continue to improve the environmental and social risk management mechanism for our suppliers. When selecting suppliers, we will consider their environmental and social performance. We also attach great importance to the disclosure of environmental protection and social responsibility information in the supply chain, and actively promote cooperation and information sharing among brand companies to achieve sustainable management of the supply chain.

- **Process management**

Selection of supplier	• Conduct supplier quality review, and conduct preliminary screening of qualified suppliers based on various quality and data information comparisons. • Carry out multi-dimensional screening to formulate a list of suppliers, and conduct comprehensive ranking of suppliers for each category. • Compare the supply volume and production capacity of each supplier, which is used as the basis for screening. • Regularly evaluate and review suppliers' fulfilment of environmental and social responsibilities, and suppliers with significant risks will be excluded from our consideration.
Supplier evaluation and review	• Obtain dynamic and progressive in-depth understanding of the supplier's production status, business reputation, delivery capacity, etc., and eliminate unqualified suppliers.
Supplier capacity building	• Promote the Code of Conduct for Dongfang Youxuan Suppliers, Explanation of Dongfang Youxuan Product Selection Standards and Explanation of the Use of Electronic Signing Platform to suppliers to help them improve their overall strength and efficiency. • To improve the environmental and social risk management of suppliers, active measures are taken to encourage suppliers to prevent, mitigate and remediate actual and potentially significant negative environmental and social impacts.

- **Environmental and Social Risk Management**

  We attach importance to the environmental and social risk management of our supply chain and have established an environmental and social assessment and investigation mechanism for suppliers in accordance with management systems such as ISO14001 and EMAS standards, and have established an assessment process to identify and evaluate the actual and potential significant impact of our supply chain on the environment. For environmental risks of suppliers, we require suppliers to comply with our environmental requirements, and carry out grading and classification of suppliers' environmental protection systems. For social risks of suppliers, we require suppliers to be responsible for their shareholders, customers and other stakeholders, actively participate in social welfare, accept supervision, guidance or management from relevant departments, and consciously accept the supervision of public opinion.

Supplier environmental protection level classification

Grade A (low risk supplier)	Suppliers with a well-established environmental protection system, their products meet the requirements of environmental protection and have stable quality: eligible for long-term and in-depth cooperation.
Grade B (low to medium risk supplier)	Suppliers with a relatively established environmental protection system, are able to provide products that meet the requirements of environmental protection and have stable quality: eligible for in-depth cooperation.
Grade C (medium risk supplier)	Suppliers with a relatively established environmental protection system yet targeted improvements shall be made, are able to provide products that meet the requirements of environmental protection and have relatively stable quality: may be eligible for cooperation.
Grade D (high risk supplier)	Suppliers without an established environmental protection system: not eligible for cooperation.

- **Green procurement**
  In terms of procurement, we integrate the concept of environmental protection and consider the environmental impact of our products in the procurement process, take the reverse logistics of the supply chain as one of the important criteria for selecting suppliers' environmental protection capability, and trace the whole process of production, transportation and consumption of products. We adopt differentiated strategies for different types of suppliers:

  — **Primary agricultural products:** we pay attention to the production and planting process of agricultural products to ensure that the products are healthy and harmless, achieve quality control of agricultural products through testing, thereby ensuring that the selected agricultural products in the planting process can achieve minimize or even zero pollution to the environment.

  — **Processed foods and other products:** we conduct on-site visits and inspections of suppliers' production processes and production procedures to control the implementation of environmental management in the process, thereby meeting our requirements for environmental protection.

  — **Food packaging:** we are concerned about the packaging materials of food and realize environmental protection.

  — **Logistics and transportation:** we pay attention to the pollutant emissions brought by the transportation process, and choose the optimal logistics transportation.

Key performance table — Supply chain management:

Indicators	Unit	FY2022[1]	FY2021	FY2020
Total number of suppliers	(quantity)	399	135	81
Number of suppliers by geographical region				
Beijing	(quantity)	117	127	54
Other regions	(quantity)	282	8	27
Number of suppliers where the practices are being implemented	(quantity)	399	135	81
Annual evaluation rate of best practices implemented over suppliers	(%)	100	100	100

5.2 Agents management

The Group strictly controls the mechanism for agent access and cooperation. For qualified agents who have been granted access, we will continuously update product information and categories to ensure that the products provided meet the supply chain requirements in terms of price, mechanism and quality. For products that do not meet the selection requirements, we will provide feedback accordingly. In addition, we regularly evaluate our agents in terms of sales volume and service.

5.3 Develop industrial cooperation

On the basis of maintaining close cooperation with our partners and achieving mutual benefits, the Group is committed to promoting industrial exchanges, facilitating industrial empowerment and realizing the synergistic development of the industrial chain.

Case: Koolearn Receives Official Certification as Huawei HarmonyOS Application Service Partner

In October 2021, Koolearn was officially certified by Huawei as a HarmonyOS application service partner. Both parties will carry out in-depth and long-term cooperation in the construction, promotion, operation and marketing of HarmonyOS atomized services to provide excellent youth cultural products to users.

Signing Ceremony

Case: Koolearn being awarded "Platinum Level IELTS Partner of the IELTS Partnership Programme"

On 3 March 2022, the IELTS test organizer British Council announced the "Rating of IELTS Partnership Programme for 2021". With its outstanding performance in the field of IELTS education and close cooperation with the official organizer of IELTS, Koolearn was awarded the title of "Platinum Level IELTS Partner of the IELTS Partnership Programme". This is also a further official recognition for Koolearn, following the "Gold Level IELTS Partner" awarded in 2020 and 2021.


BRITISH COUNCIL IELTS

新东方在线
雅思考试合作伙伴项目白金级合作伙伴
2022年01月 - 2022年12月

Platinum Level IELTS Partner of the IELTS Partnership Programme
January 2022 – December 2022

Steve Adams 史迪夫·亚当斯
Director Examinations East Asia 考试部东亚区业务总监
British Council 英国文化教育协会

PLATINUM LEVEL

Case: actively exploring a new model for cultivating craftsmen talents in vocational education

In December 2021, the Macroeconomic Management Editorial Department of the National Development and Reform Commission and the China National Defense Post and Telecommunications Workers Technical Association jointly initiated a research project on "Integration of Industry and Education of Craftsmanship in the New Era". As an enterprise organization, Koolearn was responsible for the recording, promotion, operation and service of the online courses related to the research project, so as to jointly develops teaching courses for more than 30 majors such as intelligent manufacturing, fine processing, electromechanical integration, CNC processing, precision machinery assembly, CNC programming, etc. to support the construction of vocational institutions at various levels in China.

6. Bearing Social Responsibilities

6.1 Promoting universal education

The Group is committed to uniting power with love and actively giving back to the community. We have always believed that education is one of the most important forces for sustainable development. During this period of business restructuring, we continue to invest in education for the public good, helping more people to gain access to equitable education opportunities through various educational activities.

Donations to public goods	• In August 2021, together with the Tianjin University School of Education, we carried out directed support of two schools in Dangchang County, Longnan Municipality, Gansu Province, supplemented quality educational resources for children in mountainous areas through a two-pronged approach of the support of teacher training and the sharing of educational resources. • In November 2021, we participated in the New Oriental Rural School Desk and Chair Donation Campaign, donating 100,000 sets of learning materials and various spare materials to rural schools that lack resources. • In January 2022, we donated 59,000 sets of self-developed and customized teaching materials to more than 50 schools and libraries in provinces and municipalities such as Anhui, Shandong, Guangdong, Guangxi, Jilin, Hebei, among others.
Dissemination of knowledge	• We regularly publish knowledge about English learning through our WeChat official account and recommend quality courses before important tests to help college students pass exams and develop good learning habits. • We provide 10 free live broadcasts throughout the year for all our cooperative customers, covering topics such as CET4 and CET6, National Entrance Test for MA/MS, TOEFL, IELTS, and learning literacy improvement, etc. • To welcome the World Book Day, we jointly organized the activities of "Space Adventure and Reading" and "April in the Flowers, Taste the Classics" with more than 100 partner libraries to provide readers with online learning platforms and contents. During the event, the number of page visits reached 325,021 person-time.

Donation to public goods

Thank you letter for public donation

6.2 Contribute to the revitalization of the rural areas

In December 2021, we began pilot livestreaming events on some famous short-video platform such as Douyin. through which we facilitated trade of commodity by livestreaming and contributed to the revitalization of the rural areas by integration of upstream and downstream resources and promoting high-quality agricultural products from their original production areas. Since the launch of the livestreaming, DONG FANG ZHEN XUAN has organized public welfare livestreaming for a variety of agricultural products, helping to open the market for agricultural products with good quality but lacking sales channels, which has effectively promoted rural revitalization.

Case: DONG FANG ZHEN XUAN launched the normalized livestreaming for the assistance of farmers

In December 2021, Mr. YU Minhong, the founder of New Oriental, officially opened a livestreaming show dedicated for the assistance of farmers in Douyin. At the same time, Mr. SUN Dongxu, CEO of Koolearn, launched livestreaming in Douyin under DONG FANG ZHEN XUAN, recommending high-quality and cost-effective agricultural products for customers, and many products were bought out as soon as they hit the shelves. In the future, DONG FANG ZHEN XUAN will become a normalized livestreaming platform for the assistance of farmers, to promote agricultural products in its full strength and explore more development paths in the form of livestreaming.

livestreaming with the assistance of farmers

Key performance table — Community Investment[1]:

Indicators	Unit	FY2022	FY2021	FY2020
Number of public welfare campaigns	(session)	**216**	1,715	279
Number of staff participating in public welfare campaigns	(times/person)	**2,308**	7,968	4,147
Hours spent by staff in participating in public welfare campaigns	(hours)	**273**	1,715	3,042

1: Due to the impact of the COVID-19 pandemic, the number of public service events and employee participation were reduced.

ESG Indicator 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.	2.1
	A1.1 The types of emissions and respective emissions data.	2.1
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.5 Description of emission target(s) set and steps taken to achieve them.	2.1
	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.	2.1
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	2.2
	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).	2.2

No.	Indicator Description	Section
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2
	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.	2.2
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group's principal activities do not involve finished products and packaging material
A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	2.2
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.2
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.	2.4
	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.	2.4

No.	Indicator Description	Section
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.	4.1
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1
	B1.2 Employee turnover rate by gender, age group and geographical region.	4.1
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 providing a safe working environment and protecting employees from occupational hazards.	4.3
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	4.3
	B2.2 Lost days due to work injury.	4.3
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3

No.	Indicator Description	Section
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Description of training activities.	4.2
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2
	B3.2 The average training hours completed per employee by gender and employee category.	4.2
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 preventing child and forced labour.	4.1
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	4.1
	B4.2 Description of steps taken to eliminate such practices when discovered.	4.1
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	5.1
	B5.1 Number of suppliers by geographical region	5.1
	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.	5.1

No.	Indicator Description	Section
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1
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.	3.1, 3.2
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's principal activities do not involve recall products for safety and health reasons
	B6.2 Number of products and service related complaints received and how they are dealt with.	3.1, 3.2, 3.4
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	3.4
	B6.4 Description of quality assurance process and recall procedures.	3.1, 3.2
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.3

No.	Indicator Description	Section
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.	1.1
	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.	1.1
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.1
	B7.3 Description of anti-corruption training provided to directors and staff.	1.1
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
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1, 6.2
	B8.2 Resources contributed (e.g. money or time) to the focus area.	6.2

INDEPENDENT AUDITOR'S REPORT

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 204, which comprise the consolidated statement of financial position as at 31 May 2022, 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 2022, 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.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
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 20 to the consolidated financial statements, as at 31 May 2022, the investment in unlisted equity securities classified as financial assets at fair value through profit or loss and categorised as Level 3 measurement amounted to RMB99,429,000. Details of the key estimation uncertainty and the valuation techniques and unobservable inputs of unlisted equity securities are set out in Notes 4 and 39 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; • Assessing the qualification and experience of the independent valuer who performs the valuation; • Evaluating the valuation methodology and technique 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 discount for lack of marketability.

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
26 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Continuing operations			
Revenue	5	**600,526**	623,630
Cost of revenue		**(209,674)**	(188,602)
Gross profit		**390,852**	435,028
Other income, gains and losses	7	**70,665**	(99,207)
Impairment losses recognised under expected credit loss model, net	21	**(2,635)**	(5,702)
Selling and marketing expenses		**(270,113)**	(319,908)
Research and development expenses		**(64,427)**	(121,787)
Administrative expenses		**(214,146)**	(148,461)
Share of results of associates	19	**3,085**	7,788
Finance costs	8	**(2,580)**	(2,736)
Loss before tax		**(89,299)**	(254,985)
Income tax credit	9	**18,305**	1,000
Loss and total comprehensive expense for the year from continuing operations		**(70,994)**	(253,985)
Discontinued operations			
Loss and total comprehensive expense for the year from discontinued operations	10	**(462,970)**	(1,404,407)
Loss and total comprehensive expense for the year	11	**(533,964)**	(1,658,392)
Loss and total comprehensive expense for the year attributable to owners of the Company			
— from continuing operations		**(70,984)**	(253,985)
— from discontinued operations		**(462,970)**	(1,404,407)
		(533,954)	(1,658,392)
Loss and total comprehensive expense for the year attributable to non-controlling interests			
— from continuing operations		**(10)**	—
— from discontinued operations		**—**	—
		(10)	—

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 May 2022

	Notes	**2022** **RMB'000**	2021 RMB'000 (Restated)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(533,954)**	(1,658,392)
Non-controlling interests		**(10)**	—
		(533,964)	(1,658,392)
Loss per share			
From continuing and discontinued operations			
Basic and diluted (RMB)	14	**(0.53)**	(1.72)
From continuing operations			
Basic and diluted (RMB)	14	**(0.07)**	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 May 2022

	Notes	At 31 May 2022 RMB'000	 2021 RMB'000
Non-current Assets			
Property and equipment	16	**34,409**	113,552
Right-of-use assets	17	**48,107**	302,622
Interests in associates	19	**178,151**	90,246
Financial assets at fair value through profit or loss	20	**99,429**	207,497
Deposits for acquisition of property and equipment		**72**	4,188
Refundable rental deposits		**7,744**	20,467
		367,912	738,572
Current Assets			
Inventories		**4,633**	—
Trade and other receivables	21	**37,568**	30,881
Prepayments	23	**60,198**	55,417
Financial assets at fair value through profit or loss	20	**359,049**	624,235
Term deposits	24	**682,588**	316,649
Bank balances and cash	24	**547,445**	1,519,564
		1,691,481	2,546,746
Current Liabilities			
Lease liabilities	29	**27,529**	104,316
Contract liabilities	25	**163,240**	397,461
Refund liabilities	26	**13,926**	93,293
Trade payables	27	**23,598**	42,909
Accrued expenses and other payables	28	**163,236**	404,863
Income tax payables		**1,798**	—
		393,327	1,042,842
Net current assets		**1,298,154**	1,503,904
Total assets less current liabilities		**1,666,066**	2,242,476

Consolidated Statement of Financial Position (Continued)

At 31 May 2022

		At 31 May	
	Notes	**2022** **RMB'000**	2021 RMB'000
Capital and Reserves			
Share capital	30	**129**	129
Reserves		**1,640,879**	2,008,743
Equity attributable to owners of the Company		**1,641,008**	2,008,872
Non-controlling interests		**—**	—
Total Equity		**1,641,008**	2,008,872
Non-current Liabilities			
Deferred tax liabilities	31	**3,818**	24,092
Lease liabilities	29	**21,240**	209,512
		25,058	233,604
Net assets		**1,641,008**	2,008,872

The consolidated financial statements on pages 110 to 204 were approved and authorised for issue by the board of directors of the Company (the "**Directors**") on 26 August 2022 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 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve[(i)]	Translation reserve	Share option reserve	Other reserves[(i)&(ii)]	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 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 32)	—	—	—	—	280,738	—	—	280,738	—	280,738
Issue of shares (Note 30)	8	1,510,816	—	—	—	—	—	1,510,824	—	1,510,824
Transaction costs attributable to issue of shares	—	(835)	—	—	—	—	—	(835)	—	(835)
Exercise of share options (Note 30)	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
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(533,954)**	**(533,954)**	**(10)**	**(533,964)**
Recognition of equity-settled share-based payments (Note 32)	**–**	**–**	**–**	**–**	**164,969**	**–**	**–**	**164,969**	**–**	**164,969**
Exercise of share options (Note 30)	**–**	**1,628**	**–**	**–**	**(507)**	**–**	**–**	**1,121**	**–**	**1,121**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**10**
Forfeiture and cancellation of share options (Note 32)	**–**	**–**	**–**	**–**	**(446,837)**	**–**	**446,837**	**–**	**–**	**–**
Changes in equity for the year	**–**	**1,628**	**–**	**–**	**(282,375)**	**–**	**446,837**	**166,090**	**10**	**166,100**
At 31 May 2022	**129**	**4,021,677**	**23,978**	**220**	**154,477**	**(140,767)**	**(2,418,706)**	**1,641,008**	**–**	**1,641,008**

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) Other reserves represent (a) the difference between the amount by which the non-controlling interests are adjusted and the consideration to acquire additional interests in subsidiaries; and (b) the difference between the capital contribution from non-controlling interests and its respective share of the carrying amounts of the net assets of a subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Loss before tax		
— from continuing operations	**(89,299)**	(254,985)
— from discontinued operations	**(462,970)**	(1,404,407)
	(552,269)	(1,659,392)
Adjustments for:		
Depreciation of property and equipment	**35,131**	45,830
Depreciation of right-of-use assets	**54,107**	103,659
Loss on disposal of property and equipment	**45,784**	747
Impairment losses recognised under expected credit loss model, net	**2,635**	5,702
Impairment for property and equipment	**—**	62,588
Impairment for right-of-use assets	**—**	16,678
Share-based compensation expenses	**164,969**	280,738
Interest income from bank balances	**(2,471)**	(7,469)
Interest income from term deposits	**(8,361)**	(5,425)
Interest income from rental deposits	**(606)**	(873)
Finance costs	**6,671**	15,099
Gain on early termination of lease contracts	**(18,617)**	(5,434)
Net foreign exchange (gain) loss	**(46,868)**	162,242
Gain on fair value changes of financial assets at fair value through profit or loss	**(9,119)**	(40,417)
Share of results of associates	**(3,085)**	(7,788)
Operating cash flows before movements in working capital	**(332,099)**	(1,033,515)
Increase in inventories	**(4,633)**	—
(Increase) decrease in trade and other receivables	**(18,303)**	8,716
(Increase) decrease in prepayments	**(5,838)**	15,421
Decrease in contract liabilities	**(234,221)**	(22,642)
(Decrease) increase in refund liabilities	**(79,367)**	56,802
(Decrease) increase in trade payables	**(19,311)**	8,842
(Decrease) increase in accrued expenses and other payables	**(228,566)**	47,757
Cash used in operating activities	**(922,338)**	(918,619)
Income tax paid	**(171)**	(556)
Interest received	**4,441**	5,500
NET CASH USED IN OPERATING ACTIVITIES	**(918,068)**	(913,675)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 May 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	**2,366,030**	3,550,513
Purchases of financial assets at fair value through profit or loss	**(2,068,476)**	(3,880,700)
Proceeds on disposal of property and equipment	**9,616**	108
Interest received from term deposits	**5,476**	48,524
Purchases of property and equipment	**(20,333)**	(118,131)
Payments for right-of-use assets	**—**	(214)
Proceeds from (payments for) early termination of lease contracts	**196**	(1,926)
Payments for rental deposits	**(3,495)**	(6,560)
Refund of rental deposits	**18,519**	689
Placement of term deposits	**(654,335)**	(675,043)
Withdrawal of term deposits	**320,432**	1,741,854
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(26,370)**	659,114
FINANCING ACTIVITIES		
Proceeds from issuance of shares upon exercise of share options	**1,121**	12,409
Proceeds from issue of shares	**—**	1,510,824
Transaction costs attributable to issue of shares	**—**	(835)
Repayments of lease liabilities	**(46,529)**	(110,251)
Capital contribution from non-controlling interests	**10**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(45,398)**	1,412,147
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(989,836)**	1,157,586
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,519,564**	480,251
Effect of exchange rate changes	**17,717**	(118,273)
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY BANK BALANCES AND CASH	**547,445**	1,519,564

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 Education & Technology Group Inc ("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 (such business was discontinued during the year ended 31 May 2022 (Note 10)), college students and other occupational people. The Group 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. During the current year, the Group has started livestreaming e-commerce business for sales of products to individual customers and others.

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.

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 six years and middle school education of 3 years, together as the "Compulsory Stage Education")" (the "Opinion"). The Opinion has a material adverse impact on the Group's after-school tutoring services relating to academic subjects in the PRC's Compulsory Stage Education, which is part of the Group's K12 education business. In order to fully comply with the Opinion, the Group ceased its K12 and pre-school businesses during the year ended 31 May 2022, which were presented as discontinued operations in the consolidated financial statements. Accordingly, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2021 has been restated to present such businesses as discontinued operations.

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

Basis of preparation of consolidated financial statements

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 Consolidated Affiliated Entities 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

- 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.

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.

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 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 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of 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.

New and amendments to IFRSs in issue 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[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 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 Significant Accounting Policies

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 *Leases*, 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 Significant Accounting Policies (Continued)

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 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 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 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 or 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 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.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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 and sales products to individual customers and others through live broadcast.

3 Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

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.

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 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.

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.

3 Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

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

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.

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.

3 Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

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

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.

Livestreaming e-commerce for sales of products to individual customers (revenue recognised at a point in time)

For livestreaming e-commerce, the Group conducts live broadcast in Douyin platform, where by hosts of the live broadcast introduce and recommend products to viewers who can order products during the live broadcast.

In relation to the products sold during the livestreaming, when the Group obtains control of the good before that good is transferred to a customer, the Group acts as a principal and recognises revenue in the gross amount of consideration to which the Group expects to be entitled in exchange for the specified good transferred. Revenue is recognised when the customer receives the good, at which time, the customer obtains control of such good. When the Group's performance obligation is to arrange for the provision of the specified good by another party, the Group acts as an agent and recognises revenue in the amount of any fee or commission to which the Group expects to be entitled in exchange for arranging for the specified good to be provided by the other party.

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.

3 Significant Accounting Policies (Continued)

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 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 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 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 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 assets. 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 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.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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 accumulated losses.

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognises the cancellation of share options as an acceleration of vesting as share based payment expenses and the relevant amount recognised in share option reserve will be transferred to accumulated losses.

3 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3 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.

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.

3 Significant Accounting Policies (Continued)

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.

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.

3 Significant Accounting Policies (Continued)

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

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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 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 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. Assessments 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 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 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 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 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.

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs at the date at which the operation is abandoned.

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.

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

Critical judgements in applying accounting policies (Continued)

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 assesses 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 conclude 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.

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 2022.

Key sources of estimation uncertainty

The following is 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.

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, weighted average cost of capital ("WACC") and discount for lack of marketability. As at 31 May 2022, the carrying amounts of the investments in unlisted equity securities classified as financial assets at FVTPL are RMB99,429,000 (2021: RMB207,497,000). 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 from continuing operations

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Timing of revenue recognition		
Over time	**542,739**	579,261
At a point in time	**57,787**	44,369
Total	**600,526**	623,630
Type of customer		
Students for online education service	**517,533**	548,825
Institutional customers for online education service	**58,413**	74,805
Customers and others for livestreaming e-commerce	**24,580**	—
Total	**600,526**	623,630
Type of service		
Pre-recorded online course services provided to students	**326,258**	324,823
Pre-recorded online education package services to institutional customers	**58,413**	74,805
Live online course services provided to students	**158,068**	179,633
Livestreaming e-commerce	**24,580**	—
Sales of online testing packages	**12,494**	15,464
Others	**20,713**	28,905
Total	**600,526**	623,630

All revenues of the Group from continuing operations were generated from online education services, livestreaming e-commerce and other related services.

There were no adjustments or eliminations between the revenue 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 or products provided.

Operating segments regarding the online education service targeted to the Compulsory Stage Education and the high school education ("K12 Education") and online education service targeted to pre-school children ("Pre-school Education") were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 10.

During the year, the Group commenced the business of livestreaming e-commerce which is considered as a new operating and reportable segment by the CODM.

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

3. Livestreaming E-Commerce — online live commerce with goods sold to individual customers and others.

6 Segment Information (Continued)

For the year ended 31 May 2022

Continuing operations

	College Education RMB'000	Institutional Customers RMB'000	Livestreaming E-Commerce RMB'000	Total RMB'000
Revenue	**517,533**	**58,413**	**24,580**	**600,526**
Cost of revenue	**(183,590)**	**(10,787)**	**(15,297)**	**(209,674)**
Segment gross profit	**333,943**	**47,626**	**9,283**	**390,852**
Unallocated income and expenses:				
Other income, gains and losses				**70,665**
Impairment losses recognised under expected credit loss model, net				**(2,635)**
Selling and marketing expenses				**(270,113)**
Research and development expenses				**(64,427)**
Administrative expenses				**(214,146)**
Share of results of associates				**3,085**
Finance costs				**(2,580)**
Loss before tax				**(89,299)**

6 Segment Information (Continued)

For the year ended 31 May 2021 (restated)

Continuing operations

	College Education RMB'000	Institutional Customers RMB'000	Livestreaming E-Commerce RMB'000	Total RMB'000
Revenue	548,825	74,805	—	623,630
Cost of revenue	(180,339)	(8,263)	—	(188,602)
Segment gross profit	368,486	66,542	—	435,028
Unallocated income and expenses:				
Other income, gains and losses				(99,207)
Impairment losses recognised under expected credit loss model, net				(5,702)
Selling and marketing expenses				(319,908)
Research and development expenses				(121,787)
Administrative expenses				(148,461)
Share of results of associates				7,788
Finance costs				(2,736)
Loss before tax				(254,985)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment gross profit is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Segment gross profit is gross profit earned by each segment, other income, gains and losses, impairment losses recognised under expected credit loss model, net, selling and marketing expenses, research and development expenses, administrative 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 operating and reportable segments are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities by operating and reportable segments and other segment information is presented.

The Company is domiciled in the PRC and all of the Group's revenues from continuing operations were generated from external customers in the PRC. The Group's non-current assets are all located in the PRC. Therefore, no geographical information is presented.

No service or product provided to a single customer exceeds 10% or more of the total revenue of the Group from continuing operations for the year ended 31 May 2022 (2021: Nil).

7 Other Income, Gains and Losses

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000 (Restated)
Continuing operations		
Net foreign exchange gain (loss)	**46,868**	(162,242)
Interest income from term deposits	**8,361**	5,425
Interest income from bank balances	**2,471**	7,469
Interest income from rental deposits	**234**	158
Gain on fair value changes of financial assets at FVTPL	**9,119**	40,417
Government grants[i]	**1,347**	2,538
Additional value added tax ("VAT") input deduction[ii]	**2,542**	7,268
Others	**(277)**	(240)
	70,665	(99,207)

Notes:

(i) Government grants amounted to RMB1,243,500 (2021: Nil) and RMB71,000 (2021: RMB1,489,000) have been recognised for the subsidies relating to business development in Wuhan and Beijing and job stabilization respectively during the year ended 31 May 2022. For the year ended 31 May 2021, government grants amounted to RMB1,000,000 (2022: Nil) have been recognised for the subsidies relating to enterprise research and development expenditure. 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 amounted to RMB2,542,000 (2021: RMB7,268,000) was recognised in profit or loss due to the VAT reform. 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. The implementation period was further extended to 31 December 2022 according to announcement No. 11 by General Department of Taxation in 2022.

8 Finance Costs

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000 (Restated)
Continuing operations		
Interest on lease liabilities	**2,580**	2,736

9 Income Tax Credit

	Year ended 31 May	
	2022 **RMB'000**	2021 RMB'000 (Restated)
Continuing operations		
Current tax:		
PRC enterprise income tax	**1,969**	556
Deferred tax (Note 31)	**(20,274)**	(1,556)
	(18,305)	(1,000)

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. Under the two-tiered profits tax rates regime of Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. 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 2022 (2021: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. In 2020, Beijing Xuncheng renewed the certificate of the "high and new technology enterprise" (the "HNTE") status and enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. 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, 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 those subsidiaries' 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 2022 (2021: 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% (2021: 15%).

9 Income Tax Credit (Continued)

The income tax credit 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	
	2022	2021
	RMB'000	RMB'000 (Restated)
Loss before tax (from continuing operations)	**(89,299)**	(254,985)
Tax at applicable income tax rate of 15% (2021: 15%)	**(13,395)**	(38,248)
Tax effect of share of results of associates	**(463)**	(3,132)
Reversal of taxable temporary differences previously recognised	**(18,801)**	—
Tax effect of expenses not deductible for tax purposes	**543**	245
Tax effect of 175% (2021: 175%) deduction on certain research and development expenses	**(6,049)**	(7,435)
Tax effect of tax losses and deductible temporary differences not recognised	**57,156**	112,739
Utilisation of tax losses previously not recognised	**(7,500)**	—
Effect of different tax rates of PRC subsidiaries	**(17,347)**	(89,805)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(12,449)**	24,636
Income tax credit for the year (relating to continuing operations)	**(18,305)**	(1,000)

10 Discontinued Operations

In order to fully comply with the Opinion, the Group ceased the K12 and pre-school businesses which were classified and accounted for as discontinued operations during the year ended 31 May 2022.

The results for the year from the discontinued K12 and pre-school operations are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the K12 and pre-school businesses as discontinued operations.

	Year ended 31 May	
	2022 **RMB'000**	2021 RMB'000
Revenue	**298,009**	795,025
Cost of revenue	**(275,370)**	(817,845)
Other income, gains and losses	**(37,142)**	12,321
Impairment for property and equipment	**—**	(62,588)
Impairment for right-of-use assets	**—**	(16,678)
Selling and marketing expenses	**(234,731)**	(869,059)
Research and development expenses	**(131,510)**	(322,600)
Administrative expenses	**(78,135)**	(110,620)
Finance costs	**(4,091)**	(12,363)
Loss before tax	**(462,970)**	(1,404,407)
Income tax expense	**—**	—
Loss for the year	**(462,970)**	(1,404,407)

10 Discontinued Operations (Continued)

Loss for the year from discontinued operations has been arrived at after charging (crediting) the following items:

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000
Staff cost		
— Salaries, allowances and benefits in kind	**555,301**	1,403,222
— Retirement benefit scheme contributions	**37,881**	63,564
— Equity-settled share-based payments	**(10,752)**	43,061
Total staff cost	**582,430**	1,509,847
Depreciation of property and equipment	**21,464**	36,290
Depreciation of right-of-use assets	**33,179**	83,413
Loss on disposal of property and equipment	**45,784**	747
Gain on early termination of lease contracts	**(18,617)**	(5,434)
Expense of short-term leases	**1,939**	13,752

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000
Cash flows from discontinued operations		
Net cash outflows from operating activities	**(923,580)**	(1,051,097)
Net cash inflows (outflows) from investing activities	**8,295**	(96,623)
Net cash outflows from financing activities	**(28,533)**	(90,275)

11 Loss for the Year

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

	Year ended 31 May	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Staff cost, including directors' and chief executive's remuneration		
— Salaries, allowances and benefits in kind	**252,940**	246,400
— Retirement benefit scheme contributions	**24,504**	13,740
— Equity-settled share-based payments	**175,721**	237,677
Total staff cost	**453,165**	497,817
Depreciation of property and equipment	**13,667**	9,540
Depreciation of right-of-use assets	**20,928**	20,246
Expense of short-term leases	**1,223**	3,338
Auditor's remuneration[(i)]	**3,100**	4,250

Note:

(i) During the year ended 31 May 2022, auditor's remuneration includes RMB2,300,000 (2021: RMB3,250,000) in relation to annual audit and RMB800,000 (2021: RMB1,000,000) in relation to interim review.

12 Directors' and Chief Executive's Emoluments

The emoluments paid or payable to directors and the chief executive for the year were as follows:

For the year ended 31 May 2022

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses[i] RMB'000	Equity-settled share-based payments RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Sun Dongxu[v]	**1,010**	**800**	**8,626**	**54**	—	**10,490**
Mr. Yin Qiang	**641**	**555**	**5,742**	**54**	—	**6,992**
Subtotal	**1,651**	**1,355**	**14,368**	**108**	—	**17,482**
Non-Executive Directors						
Mr. Yu Minhong[ii]&[iii]	—	—	**10,875**	—	—	**10,875**
Ms. Sun Chang	—	—	—	—	—	—
Mr. Wu Qiang[iii]&[vi]	—	—	**730**	—	—	**730**
Ms. Leung Yu Hua Catherine[iv]	—	—	—	—	—	—
Subtotal	—	—	**11,605**	—	—	**11,605**
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	**1,651**	**1,355**	**25,973**	**108**	**360**	**29,447**

12 Directors' and Chief Executive's Emoluments (Continued)

For the year ended 31 May 2021

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses[i] RMB'000	Equity-settled share-based payments RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Sun Dongxu[v]	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[ii]&[iii]	—	—	11,172	—	—	11,172
Ms. Sun Chang	—	—	—	—	—	—
Mr. Wu Qiang[iii]	—	—	903	—	—	903
Ms. Leung Yu Hua Catherine[iv]	—	—	—	—	—	—
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

12 Directors' and Chief Executive's 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. Yu Minhong serves as the chairman of the Directors. He serves as the non-executive director of the Company.

(iii) Excluding the equity-settled share-based expenses, the directors' emoluments were paid by New Oriental Group during both years.

(iv) The emoluments of Ms. Leung Yu Hua Catherine was paid by Tencent Group (as defined in Note 40) during both years. Ms. Leung Yu Hua Catherine resigned subsequently in August 2022.

(v) Mr. Sun Dongxu was appointed as the chief executive officer of the Company in January 2020.

(vi) Mr. Wu Qiang resigned subsequently in August 2022.

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 both years.

During the year ended 31 May 2022, 12,800,000 (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.

13 Five Highest Paid Employees

The five highest paid employees of the Group during the year ended 31 May 2022 include no directors (2021: Nil). Details of the remuneration for the year ended 31 May 2022 of the five highest paid employees (2021: five) who are neither a director nor the chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**3,411**	2,750
Performance related bonuses	**2,600**	1,386
Equity-settled share-based expenses[i]	**157,126**	73,228
Retirement benefits	**180**	85
Total	**163,317**	77,449

Note: During the year ended 31 May 2022, equity-settled share-based expenses include RMB150,014,000 (2021: Nil) in relation to the cancellation of unvested share options of the Post-IPO Share Option I and Post-IPO Share Option II, please refer to Note 32 for details.

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:

	2022 **No. of employees**	2021 No. of employees
Hong Kong dollar ("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$26,000,001 to HK$26,500,000	**1**	—
HK$27,500,001 to HK$28,000,000	**1**	—
HK$28,500,001 to HK$29,000,000	**1**	—
HK$29,500,001 to HK$30,000,000	**—**	1
HK$36,000,001 to HK$36,500,000	**1**	—
HK$71,500,001 to HK$72,000,000	**1**	—
Total	**5**	5

Note: The remuneration of top five highest paid employees who are neither a director nor a chief executive includes share-based expenses in relation to the cancellation of unvested share options of the Post-IPO Share Option I and Post-IPO Share Option II amount to RMB150,014,000 (2021: Nil).

During the year ended 31 May 2022, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining of the Group or as compensation for loss of office (2021: Nil). None of the directors has waived any emoluments during the year ended 31 May 2022 (2021: Nil).

14 Loss Per Share

For continuing operations

The calculation of the basic and diluted loss per share from continuing operation attributable to owners of the Company is based on the following data:

	2022 **RMB'000**	2021 RMB'000 (Restated)
Loss:		
Loss for the year attributable to owners of the Company	**(533,954)**	(1,658,392)
Less:		
Loss for the year from discontinued operations attributable to owners of the Company	**(462,970)**	(1,404,407)
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(70,984)**	(253,985)

	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,000,706,916**	966,045,935

The diluted loss per share for both years 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.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2022 **RMB'000**	2021 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(533,954)**	(1,658,392)

The denominators used to calculate loss per share of continuing and discontinued operations are the same as those detailed above for both basic and diluted loss per share.

14 Loss Per Share (Continued)

From discontinued operations

Basic loss per share for the discontinued operations is RMB0.46 per share (2021: RMB1.46 per share) based on the loss for the year from the discontinued operations of approximately RMB462,970,000 (2021: RMB1,404,407,000) and the denominators detailed above for both basic and diluted loss per share.

15 Dividends

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period.

16 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 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
Additions	7,064	3,987	337	—	11,388
Transfer upon completion	—	879	—	(879)	—
Disposals	(75,141)	(89,061)	(14,997)	(1,304)	(180,503)
At 31 May 2022	**65,366**	**17,450**	**8,519**	**—**	**91,335**
DEPRECIATION AND IMPAIRMENT					
At 1 June 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
Provided for the year	19,446	13,709	1,976	—	35,131
Eliminated on disposals	(40,062)	(75,010)	(8,727)	(1,304)	(125,103)
At 31 May 2022	**43,385**	**10,078**	**3,463**	**—**	**56,926**
CARRYING VALUES					
At 31 May 2022	**21,981**	**7,372**	**5,056**	**—**	**34,409**
At 31 May 2021	69,442	30,266	12,965	879	113,552

16 Property And Equipment (Continued)

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 18 for details.

17 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:	
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	(16,678)
At 31 May 2021	302,622
Additions	28,283
Decreases due to terminations	(218,337)
Lease modifications	(10,354)
Depreciation charges	(54,107)
At 31 May 2022	**48,107**
For the year ended 31 May 2021	
Expense relating to short-term leases	17,090
Total cash outflow for leases	127,555
For the year ended 31 May 2022	
Expense relating to short-term leases	**3,162**
Total cash outflow for leases	**49,691**

The Group leases buildings for its operations. Lease contracts were entered into for fixed terms of 1 year to 5 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 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17 Right-of-Use Assets (Continued)

Extension and termination options

During the year ended 31 May 2022, 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 RMB18,617,000 (2021: RMB5,434,000) was recognised in other income, gains and losses from discontinued operations.

Leases committed

As at 31 May 2022, the Group entered into one new lease for building that has not yet commenced, with a non-cancellable period for 2 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB1,143,000 (2021: RMB636,000).

18 Impairment Testing on Long-Term Assets

As a result of the changes in regulatory environment in the online education industry, combined with financial performance of the Group's K12 Education segment during the year ended 31 May 2021, 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. Based on the result of the assessment, impairment losses of RMB62,588,000 and RMB16,678,000 have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively, during the year ended 31 May 2021.

During the year ended 31 May 2022, the management of the Group concluded that there was no further impairment or reversal of impairment in relation to its long-term assets.

19 Interests in Associates

Details of the Group's investment in associates are as follows:

	2022 **RMB'000**	2021 RMB'000
Cost of investment in associates	**172,470**	76,044
Share of results and other comprehensive income	**5,681**	14,202
	178,151	90,246

19 Interests in Associates (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group At 31 May		Proportion of voting rights held by the Group At 31 May		Principal activities
			2022	2021	**2022**	2021	
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
Beijing Edutainment World Education Technology Co., Ltd. ("Edutainment World")	PRC	Beijing	**22.77%**	(c)	**22.77%**	(c)	Education business
Tianjin Xuncheng Shangyue Education and Technology Ltd.[(a)] ("Shangyue") (天津迅程尚悅教育科技有限公司)	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 decisions 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.

19 Interests in Associates (Continued)

Notes: (Continued)

(c) Edutainment World is a company which focuses on education industry related business, selling intelligent teaching hardware and software and laboratory supplies to public schools and providing vocational training to students. Prior to 5 April 2022, the Group's investment in Edutainment World's preferred shares with redemption rights and liquidation preference were recognised as financial assets at FVTPL. On 5 April 2022, the Group entered into a new shareholder agreement which replaces the original investment agreements with Edutainment World and its other shareholders, according to which, certain preferred rights including redemption rights and liquidation preference were removed. The management of the Group concludes that such preferred shares are in-substance ordinary shares under the new shareholder agreement and accounted for the investment in Educational World as investment in associate using equity method considering that the Group can also exercise significant influence over Edutainment World.

Summarised financial information of Shidai Yuntu

	2022 RMB'000	2021 RMB'000
Current assets	**197,375**	156,155
Non-current assets	**4,403**	4,652
Current liabilities	**(55,437)**	(72,259)
Non-current liabilities	**(56,196)**	(3,257)
Net assets	**90,145**	85,291

	2022 RMB'000	2021 RMB'000
Revenue	**115,484**	166,259
Profit and total comprehensive income for the year	**4,854**	19,054

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:

	2022 RMB'000	2021 RMB'000
Net assets of Shidai Yuntu	**90,145**	85,291
Proportion of the Group's ownership interest in Shidai Yuntu	**24.75%**	24.75%
The Group's share of net assets of Shidai Yuntu	**22,311**	21,110
Goodwill[(a)]	**8,079**	8,079
Carrying amount of the Group's interest in Shidai Yuntu	**30,390**	29,189

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 2022 (2021: Nil).

19 Interests in Associates (Continued)

Summarised financial information of Edutainment World

	2022 RMB'000
Current assets	**168,135**
Non-current assets	**92,047**
Current liabilities	**(84,507)**
Non-current liabilities	**(12,328)**
Net assets	**163,347**

	From 5 April 2022 to 31 May 2022 RMB'000
Revenue	**12,979**
Loss and total comprehensive expense for the period	**(3,592)**

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:

	2022 RMB'000
Net assets of Edutainment World	**163,347**
Proportion of the Group's ownership interest in Edutainment World	**22.77%**
The Group's share of net assets of Edutainment World	**37,194**
Goodwill[(b)]	**64,787**
Carrying amount of the Group's interest in Edutainment World	**101,981**

Note:

(b) For the investment in Edutainment World, 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.

19 Interests in Associates (Continued)

Summarised financial information of New Venture

	2022 RMB'000	2021 RMB'000
Current assets	**92,509**	84,779
Non-current assets	**—**	38,547
Net assets	**92,509**	123,326

	2022 RMB'000	2021 RMB'000
Revenue	**—**	—
Profit and total comprehensive income for the year	**5,512**	32,656

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:

	2022 RMB'000	2021 RMB'000
Net assets of New Venture	**92,509**	123,326
Proportion of the Group's ownership interest in New Venture	**49%**	49%
Carrying amount of the Group's interest in New Venture	**45,329**	60,430

In July 2021, New Venture transferred its preferred share investment in Beijing Xizi Education Technology Co., Ltd ("Xizi Education") in proportion to its investors, and 5% equity interest of Xizi Education was transferred to the Group at a consideration of RMB2,475,000 which equals the cost of investment of the proportionate interest in Xizi Education incurred by New Venture, immediately after which Xizi Education repurchased those preferred shares held by the Group for a consideration of US$3,161,000 (equivalent to RMB20,453,000). The above arrangements were determined to be a linked transaction and accounted for as deemed distribution from New Venture to the Group and the amount in excess of accumulated share of profits was accounted for as a return of investment to the Group.

19 Interests in Associates (Continued)

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of profit (loss)	**1**	(12,929)
The Group's share of total comprehensive income (expense)	**1**	(12,929)
Aggregate carrying amount of the Group's interests in these associates	**451**	627

20 Financial Assets at Fair Value Through Profit or Loss

	2022 RMB'000	2021 RMB'000
Non-current assets		
Financial assets at FVTPL		
— Unlisted equity investments(i)	**99,429**	207,497
Current assets		
Financial assets at FVTPL		
— Wealth management products(ii)	**359,049**	624,235

Notes:

(i) The unlisted equity investment as at 31 May 2021 is the Group's investment in preferred shares of Edutainment World and EEO Education Technology Co., Ltd. ("EEO") incorporated in the PRC and the Cayman Islands respectively. During the current year, the investment in Edutainment World was transferred from financial assets at FVTPL to investment in associate as detailed in Note 19.

(ii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.25 % to 3.55 % (2021: 2.7% to 3.9%) per annum, and maturity period ranging from 1 day to 60 days (2021: 1 day to 182 days). The principals and returns of these wealth management products are not guaranteed.

During the year ended 31 May 2022, the Group did not make any sales to EEO (2021: Nil).

During the year ended 31 May 2022, the Group made purchases from EEO amounting to RMB4,638,000 (2021: RMB17,507,000).

21 Trade and Other Receivables

	2022 RMB'000	2021 RMB'000
Trade receivables	**25,884**	15,893
Less: allowance for credit losses	**(11,315)**	(9,445)
	14,569	6,448
Other receivables:		
Receivables from third-party payment platforms	**15,134**	9,667
Deductible input on VAT	**3,069**	4,331
Institutional customers business deposits	**3,018**	3,118
Rental deposits[i]	**194**	5,738
Advances to employees	**739**	755
Others	**845**	824
	22,999	24,433
Trade and other receivables	**37,568**	30,881

Note:

(i) The rental deposits represent refundable rental deposits that are due within one year.

Settlement related to College Education, K12 Education, Pre-school Education and livestreaming e-commerce

Customers of College Education, K12 Education, Pre-school Education and livestreaming e-commerce 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.

21 Trade and Other Receivables (Continued)

Settlement related to College Education, K12 Education, Pre-school Education and livestreaming e-commerce (Continued)

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date:

	2022 RMB'000	2021 RMB'000
1–90 days	**11,749**	3,309
91–180 days	**921**	1,290
181 days–1 year	**1,503**	1,810
1–2 years	**396**	39
	14,569	6,448

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 the management of the Group regularly.

As at 31 May 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB13,072,000 (2021: RMB11,806,000) which are past due. Out of the past due balance, RMB1,948,000 (2021: RMB1,881,000) 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, RMB3,069,000 as at 31 May 2022 (2021: RMB2,859,000) were amounts due from related parties (details as set out in Note 40), which were aged 1–90 days based on the invoice date.

21 Trade and Other Receivables (Continued)

Settlement related to College Education, K12 Education, Pre-school Education and livestreaming e-commerce (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach for the year:

	ECL (not credit-impaired) RMB'000	ECL (credit-impaired) RMB'000	Total RMB'000
At 1 June 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	(575)	6,188	5,613
New financial assets originated	84	5	89
At 31 May 2021	109	9,336	9,445
Changes due to financial instruments recognised as at 1 June 2021:			
Transfer to credit impaired	(9)	9	—
Impairment losses (reversed) recognised, net	(39)	2,651	2,612
Write-offs	—	(765)	(765)
New financial assets originated	23	—	23
At 31 May 2022	**84**	**11,231**	**11,315**

Details of impairment assessment of trade and other receivables are set out in Note 22.

22 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.

22 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 RMB7,984,000 as at 31 May 2022 (2021: RMB5,330,000) 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 2022, trade receivables with carrying amount of RMB765,000 had been written off (2021: 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

22 Overview of the Group's Exposure to Credit Risk (Continued)

At 31 May 2022

	Expected credit loss rate %	Gross carrying amount RMB'000	Credit loss allowance RMB'000
Low risk type customers			
Trade receivables	**0.25**	**13,981**	**34**
Normal risk type customers			
Trade receivables	**7.39**	**672**	**50**
Credit-impaired customers			
Trade receivables	**100.00**	**3,247**	**3,247**

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

22 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 both years, the Group concluded the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

As at 31 May 2022, the Group provided RMB3,331,000 (2021: RMB4,115,000) impairment allowance for trade receivables, based on the provision matrix and impairment allowance of RMB7,984,000 (2021: RMB5,330,000) were made on credit-impaired debtors based on individual assessment.

There has been no change in the estimation technique or significant assumptions made during both years.

23 Prepayments

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	**27,806**	—
Prepaid teachers' commission fee and course fee	**11,620**	9,706
Prepaid courseware production costs	**9,835**	11,378
Prepaid marketing expenses	**3,924**	15,943
Prepaid office system fee	**2,727**	3,994
Prepaid commercial insurance	**534**	2,652
Prepaid rental expenses	**293**	1,590
Prepaid travel expenses	**85**	3,374
Prepaid property management fee	**2**	2,597
Others	**3,372**	4,183
	60,198	55,417

Included in prepayments, RMB110,000 (2021: RMB473,000) were amounts due from related parties (details as set out in Note 40) as at 31 May 2022.

24 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 2.25% (2021: 0.00% to 1.20%) per annum as at 31 May 2022.

Bank balances that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2022 **RMB'000**	2021 RMB'000
HK$	**426,752**	942,153
United States dollars ("US$")	**79,760**	527,271

Term deposits

Term deposits represent fixed term deposits with a commercial bank with an original maturity of over three months but within one year. As at 31 May 2022, term deposits carry fixed rate of 1.15% (2021: 0.72%) per annum.

Term deposits that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2022 **RMB'000**	2021 RMB'000
HK$	**682,588**	316,649

25 Contract Liabilities

	2022 **RMB'000**	2021 RMB'000
Contract liabilities in relation to:		
Students for online education service	**139,595**	368,692
Institutional customers for online education service	**23,645**	28,769
	163,240	397,461

The following table shows how much of the revenue recognised for the year relates to carried-forward contract liabilities.

	2022 **RMB'000**	2021 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Students for online education service	**358,717**	364,449
Institutional customers for online education service	**28,423**	36,276
Total	**387,140**	400,725

The following table shows the unsatisfied contracts at the end of the reporting period and the expected timing of recognising revenue.

	2022 **RMB'000**	2021 RMB'000
Expected to be recognised within one year:		
Students for online education service	**129,567**	358,717
Institutional customers for online education service	**23,003**	28,423
Expected to be recognised over one year:		
Students for online education service	**10,028**	9,975
Institutional customers for online education service	**642**	346
Total	**163,240**	397,461

26 Refund Liabilities

	2022 **RMB'000**	2021 RMB'000
Refund liabilities		
Arising from right of refund	**13,926**	93,293

The refund liabilities relate to customers' right of refund prepaid course fee or course fee where related service is already provided. The Group uses its historical experience to estimate returns on a portfolio level using the expected value method.

27 Trade Payables

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

	2022 **RMB'000**	2021 RMB'000
1–90 days	**11,900**	33,937
91–180 days	**2,503**	5,650
181 days–1 year	**5,629**	2,399
1 year–2 years	**3,316**	123
>2 years	**250**	800
	23,598	42,909

Included in trade payables, RMB7,600,000 as at 31 May 2022 (2021: RMB1,747,000) were amounts due to related parties (details as set out in Note 40), among which RMB5,978,000 (2021: RMB1,677,000) were aged 1–90 days, RMB929,000 (2021: RMB2,000) were aged 91–180 days, RMB525,000 (2021: Nil) were aged 181 days–1 year, RMB100,000 (2021: RMB67,000) were aged 1 year–2 years, RMB68,000 (2021: RMB1,000) were aged over 2 years based on the invoice date.

28 Accrued Expenses and Other Payables

	2022 RMB'000	2021 RMB'000
Accrued payroll and welfare	**48,604**	180,103
Accrued marketing expenses	**30,685**	85,264
Accrued teachers' commission fees and course fees	**37,752**	54,183
Accrued office expenses	**11,452**	17,579
Advance payments received from students	**8,767**	10,069
Refundable business deposits received from sales agents	**4,547**	8,994
Advance payments received from sales agents	**4,247**	8,656
Refundable individual income tax	**3,688**	2,700
Other tax payables	**2,815**	9,019
Social insurance expenses payable	**1,659**	7,587
Payables for property and equipment	**1,365**	14,426
Others	**7,655**	6,283
	163,236	404,863

Included in accrued expenses and other payables, RMB13,948,000 as at 31 May 2022 (2021: RMB9,988,000) were amounts due to related parties (details as set out in Note 40).

29 Lease Liabilities

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	**27,529**	104,316
Within a period of more than one year but not more than two years	**21,240**	73,345
Within a period of more than two years but not more than five years	**—**	136,167
	48,769	313,828
Less: Amount due for settlement with 12 months shown under current liabilities	**27,529**	104,316
Amount due for settlement after 12 months shown under non-current liabilities	**21,240**	209,512

The weighted average incremental borrowing rates applied to lease liabilities range from 4.2% to 4.7% (2021: from 4.2% to 5.0%) per annum.

30 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 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
Exercise of share options[i]	153,500	0.00002	0.00013	3	20
At 31 May 2022	**1,000,724,102**			**20,014**	**128,708**

Notes:

(i) In the current year, as a result of exercise of share options, 153,500 ordinary shares (2021: 1,674,000 ordinary shares) were issued by the Company. Upon the exercise of share options, RMB1,628,000 (2021: RMB18,405,000) was credited to share premium and RMB507,000 (2021: RMB5,569,000) 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 Developments Limited, 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 was completed on 24 December 2020.

31 Deferred Tax Liabilities

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax liabilities	**(3,818)**	(24,092)

31 Deferred Tax Liabilities (Continued)

The followings are the deferred tax liabilities recognised and movements thereon during the current and prior year:

	Changes in fair value of financial assets at FVTPL RMB'000	Total RMB'000
At 1 June 2020	(25,648)	(25,648)
Credited to profit or loss	1,556	1,556
At 31 May 2021	(24,092)	(24,092)
Credited to profit or loss	20,274	20,274
At 31 May 2022	**(3,818)**	**(3,818)**

As at 31 May 2022, the Group has deductible temporary differences of RMB1,233,930,000 (2021: RMB1,228,742,000). 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 2022, the Group has unused tax losses of RMB2,569,062,000 (2021: RMB1,796,062,000), which are available for offset against future profits. No deferred tax asset has been recognised in relation to these unused tax losses. Included in unrecognised tax losses are losses of approximately RMB2,460,734,000 (2021: RMB1,792,456,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2022 RMB'000	2021 RMB'000
2022	**2,434**	2,434
2023	**17,408**	17,408
2024	**52,726**	52,726
2025	**466,702**	516,704
2026	**1,203,184**	1,203,184
2027	**718,280**	—
	2,460,734	1,792,456

32 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.

32 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 7 March 2019 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 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
Forfeited during the year	(837,500)	8.88
Exercised during the year	(153,500)	8.88
Outstanding as at 31 May 2022	35,911,985	8.88
Exercisable as at 31 May 2021	27,179,989	
Exercisable as at 31 May 2022	35,911,985	

The Group recognised the total expense of RMB11,549,000 (2021: RMB25,959,000) for the year ended 31 May 2022 in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB8.80 (2021: RMB20.01).

32 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.

32 Share-Based Payment Transactions (Continued)

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

The estimated fair value of the share options granted on 29 January 2020 was RMB429,734,000.

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$)
Outstanding as at 1 June 2020	38,199,000	25.35
Forfeited during the year	(8,621,185)	25.35
Cancelled during the year	(30,000)	25.35
Exercised during the year	(6,000)	25.35
Outstanding as at 31 May 2021	29,541,815	25.35
Forfeited during the year	(10,088,192)	25.35
Cancelled during the year	(19,453,623)	25.35
Outstanding as at 31 May 2022	—	
Exercisable as at 31 May 2021	10,909,167	
Exercisable as at 31 May 2022	—	

32 Share-Based Payment Transactions (Continued)

Post-IPO Share Option I (Continued)

The Group recognised the total expense of RMB154,340,000 for the year ended 31 May 2021 in relation to Post-IPO share options I granted by the Company.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options of the Post-IPO Share Option I due to the sharp decrease of the Company's share price since the release of the Opinion, and accounted for the cancellation as an acceleration of vesting. Upon the cancellation, net share-based payment expense of RMB11,900,000 which otherwise would have been recognised for the services received over the remainder of the vesting period after considering the employee resignation was recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

In respect of the share options exercised during the year ended 31 May 2021, the weighted average share price at the dates of exercise was RMB22.68. No share options were exercised during the current year.

Post-IPO Share Option II

On 25 August 2020, pursuant to Post-IPO Share Option Scheme 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. 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	34.00	14.79	The Post-IPO Share Option II has two kind of vesting schedule: (1) 30% vested on the first anniversary of the grant date, 30% vested on the second anniversary of the grant date, 30% vested on the third anniversary of the grant date and 10% vested the fourth anniversary of the grant date; (2) 20% vested on the second anniversary of the grant date, 40% vested on the third anniversary of the grant date and 40% vested on the fourth anniversary of the grant date.

32 Share-Based Payment Transactions (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 period	(4,152,000)	34.00
Outstanding as at 31 May 2021	20,848,000	34.00
Forfeited during the year	(6,445,000)	34.00
Cancelled during the year	(14,403,000)	34.00
Outstanding as at 31 May 2022	—	
Exercisable as at 31 May 2021	—	
Exercisable as at 31 May 2022	—	

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%

32 Share-Based Payment Transactions (Continued)

Post-IPO Share Option II (Continued)

The Group recognised the total expense of RMB100,439,000 for the year ended 31 May 2021 in relation to Post-IPO Share Option II granted by the Company.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options of the Post-IPO Share Option II. Upon cancellation, net share-based payment expense of RMB113,602,000 which otherwise would have been recognised for the services received over the remainder of the vesting period after considering the employee resignation was recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Post-IPO Share Option III

On 15 November 2021, pursuant to the Post-IPO Share Option Scheme the Company further granted 48,441,590 options to 236 employees (the "Post-IPO Share Option III") for the purpose of providing incentives to directors and employees. The details of the Post-IPO Share Option III 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
48,441,590	15 November 2021	From the first anniversary to the 10 anniversary of the grant date	5.22	2.20	One third vested on the first anniversary of the grant date, one third vested on the second anniversary of the grant date and one third vested on the third anniversary of the grant date

The movements of share options under the Post-IPO Share Option III are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Granted on 15 November 2021	48,441,590	5.22
Forfeited during the period	(2,447,497)	5.22
Outstanding as at 31 May 2022	45,994,093	5.22
Exercisable as at 31 May 2022	—	

The estimated fair value of the share options granted on 15 November 2021 was RMB106,571,000.

32 Share-Based Payment Transactions (Continued)

Post-IPO Share Option III (Continued)

Fair value of share options under the Post-IPO Share Option III:

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. The binomial option-pricing model has been used to estimate the fair value of the Post-IPO Share Option III. 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.

	15 November 2021 Post-IPO Share Option III
Weighted average share price	HK$5.22
Exercise price	HK$5.22
Expected volatility	61.10%
Expected life	10 years
Risk-free rate	1.63%
Expected dividend yield	0.00%

The Group recognised the total expense of RMB27,918,000 for the year ended 31 May 2022 in relation to Post-IPO Share Option III granted by the Company.

33 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 RMB62,385,000 for the year ended 31 May 2022 (2021: RMB77,304,000), represent contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 May 2022, contributions of RMB2,343,000 (2021: RMB9,156,000) 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 2022 (2021: Nil) to reduce the contribution payable in the future years.

34 Capital Commitments

	2022 **RMB'000**	2021 RMB'000
Capital commitments in respect of the acquisition of equipment contracted for but not provided in the consolidated financial statements	**–**	22,081

35 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 29, 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.

36 Categories of Financial Instruments

	At 31 May	
	2022 **RMB'000**	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**1,271,537**	1,882,475
Financial assets at FVTPL	**458,478**	831,732
Financial liabilities		
Financial liabilities measured at amortised cost	**133,756**	251,063
Lease liabilities	**48,769**	313,828

37 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	Total RMB'000
As at 1 June 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
Financing cash flows	(46,529)	(46,529)
New leases entered/lease modified/lease terminated	(225,201)	(225,201)
Interest expenses	6,671	6,671
At 31 May 2022	**48,769**	**48,769**

38 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.

38 Financial Risk Management Objectives and Polices (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities and intra-group balances at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Assets		
US$	**2,171,307**	2,524,549
HK$	**1,815,551**	2,027,076
	3,986,858	4,551,625
Liabilities		
US$	**2,091,547**	1,997,278
HK$	**706,109**	767,572
	2,797,656	2,764,850

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2021: 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% (2021: 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. 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.

	2022 RMB'000	2021 RMB'000
US$	**(11,985)**	(30,792)
HK$	**(55,882)**	(64,811)

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 both years.

38 Financial Risk Management Objectives and Polices (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (Note 24) and lease liabilities (Note 29). The Group is exposed to cash flow interest risk in relation to variable rate bank balances (Note 24), which carry prevailing market interest rates and investments in wealth management products (Note 20). 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.

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 39. 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

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.

Except for investments in wealth management products at FVTPL, the Group performed impairment assessment for financial assets under ECL model. The Group's credit risk is primarily attributable to its trade and other receivables.

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 with significant balances individually. Details of impairment assessment of trade and other receivables are set out in Note 21 and Note 22.

The credit risk on bank balances and term deposits is limited because the counterparties are banks with high credit ratings. Trade and other receivables consist of a large number of customers or parties, the Group does not have any significant concentration of credit risk on trade and other receivables.

38 Financial Risk Management Objectives and Polices (Continued)

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 2022 RMB'000
As at 31 May 2022							
Non-derivative financial liabilities							
Trade payables	–	23,598	–	–	–	23,598	23,598
Accrued expenses and other payables	–	110,158	–	–	–	110,158	110,158
Lease liabilities	4.20%–4.70%	8,956	20,913	21,304	–	51,173	48,769
		142,712	20,913	21,304	–	184,929	182,525

	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
		275,353	92,004	220,421	—	587,778	564,891

39 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.

Fair value hierarchy as at 31 May 2022

	Level 2 RMB'000	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL			
Unlisted equity securities	**—**	**99,429**	**99,429**
Wealth management products	**359,049**	**—**	**359,049**

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

39 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 as at				
Financial assets	**31 May 2022 RMB'000**	**31 May 2021 RMB'000**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
Wealth management products issued by banks classified as financial assets at FVTPL	Wealth management products issued by banks 359,049	Wealth management products issued by banks 624,235	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

39 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 2022 RMB'000	Fair value as at 31 May 2021 RMB'000	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 is engaged in development of computer platforms used in online education services 99,429	5.61% equity investment in EEO which is engaged in development of computer platforms used in online education services 114,157	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 2% (2021: 3%) (Note I). WACC determined using a capital asset pricing model is 25% (2021: 25%) (Note II). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (2021: 25%) (Note III).

39 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 2022 RMB'000	Fair value as at 31 May 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL	N/A	23.84% equity investment in Edutainment World which is engaged in education research, product development and education services 93,340	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 IV).

39 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 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 RMB260,000 as at 31 May 2022 (2021: RMB373,000).

Note II: An increase in 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 WACC holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB1,604,000 as at 31 May 2022 (2021: RMB3,121,000).

Note III: 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 RMB6,629,000 as at 31 May 2022 (2021: RMB7,580,000).

Note IV: 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.

The following table represents the reconciliation of level 3 fair value measurements during the year.

	2022 **RMB'000**	2021 RMB'000
At the beginning of the year	**207,497**	183,328
Changes in fair value	**(5,270)**	24,169
Transfer (Note 19)	**(102,798)**	—
At the end of the year	**99,429**	207,497

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.

40 Related Party Transactions

During the year, the Group entered into the following transactions with related parties:

	Relationship	Nature of transactions	**2022** **RMB'000**	2021 RMB'000
New Oriental Group	Controlling shareholder of the Group	Trade sales	**18,780**	15,978
		Trade purchases	**40,717**	16,578
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding")[(a)]	A company wholly owned by the chairman of the Directors	Interest expenses on lease liabilities	**326**	1,166
		Property management fee	**1,300**	1,250
Tencent Holdings Limited ("Tencent" and with its subsidiaries, "Tencent Group")	Shareholder of the Group	Trade purchases	**10,554**	17,370
Beijing Shidai Yuntu Book Co., Ltd. ("Shidai Yuntu")	Associate of the Group	Trade sales	**—**	748
		Trade purchases	**1,595**	5,927
Beijing Edutainment World Education Technology Co., Ltd ("Edutainment World")[(b)]	Associate of the Group	Trade sales	**1,281**	—
		Trade purchases	**1,206**	1,575

The following balances represent outstanding balance with related parties at the end of the reporting period:

	Nature of Balance	**31/05/2022** **RMB'000**	31/05/2021 RMB'000
New Oriental Group	Trade and other receivables	**1,629**	2,123
	Prepayments	**3**	32
	Trade payables	**5,500**	1,087
	Accrued expenses and other payables	**13,716**	9,552
Metropolis Holding[(a)]	Leases liabilities	**2,007**	14,217
	Trade and other receivables	**658**	4,448
	Prepayments	**24**	226
	Accrued expenses and other payables	**—**	53
Tencent Group	Prepayments	**83**	215
	Trade payables	**1,769**	488
	Accrued expenses and other payables	**232**	383
Shidai Yuntu	Trade and other receivables	**—**	738
	Trade payables	**231**	172
Edutainment World[(b)]	Trade and other receivables	**1,447**	21
	Trade payables	**100**	100

40 Related Party Transactions (Continued)

Notes:

(a) During the year ended 31 May 2022, the Group early terminated several lease agreements with Metropolis Holding, a company owned and controlled by Mr. Yu Minhong, chairman of the Directors, and derecognised right-of-use assets and lease liabilities of RMB7,389,000 (2021: Nil) and RMB8,054,000 (2021: Nil), respectively, with a gain of RMB676,000 recognised on termination (2021: Nil).

(b) Edutainment World became an associate of the Group since April 2022 as detailed in Note 19.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**3,366**	3,181
Post-employment benefits	**108**	98
Share-based payments	**25,973**	27,003
	29,447	30,282

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

41 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 2022 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		
				2022 %	2021 %	**2022 %**	2021 %	**2022 %**	2021 %	**2022 %**	2021 %	
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	3 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	**–**	—	**100**	100	**–**	—	Provision of online education
New Oriental Wuyou Online (HK) Education & Technology Co., Ltd.	Hong Kong	20 Aug 2020	HK$1	**100**	100	**–**	—	**100**	100	**–**	—	Provision of online education

41 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		
				2022 %	2021 %	**2022 %**	2021 %	**2022 %**	2021 %	**2022 %**	2021 %	
Subsidiaries-structured entities[i]:												
Beijing Xuncheng	PRC	11 Mar 2005	RMB164,242,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education
Kuxue Huisi	PRC	1 Feb 2013	RMB10,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education
Dongfang Youbo	PRC	23 Jun 2016	RMB10,000,000	**–**	—	**100**	100	**–**	—	**100**	100	Provision of online education
Beijing Xinyuanfang Human Resources Service Co., Ltd.	PRC	21 Oct 2021	RMB2,000,000	**–**	—	**100**	—	**–**	—	**100**	—	Provide human resources and related services
Dongfang Youxuan (Beijing) Technology Co., Ltd.	PRC	27 Oct 2021	RMB10,000,000	**–**	—	**100**	—	**–**	—	**100**	—	Engaged in e-commerce services
Nanjing Kuxueyanxuan Technology Co., LTD	PRC	3 Dec 2021	RMB1,000,000	**–**	—	**68**	—	**–**	—	**68**	—	Engaged in e-commerce services
Dongfang Zhenxuan (Beijing) Technology Co., LTD	PRC	7 Dec 2021	RMB10,000,000	**–**	—	**55**	—	**–**	—	**55**	—	Engaged in e-commerce services

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 through its legal owned subsidiary has power over these structured entities, has 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 2022 (2021: None).

42 Event After the Reporting Period

The Group has no significant event took place subsequent to the end of the reporting period that needs to be disclosed.

43 Statement of Financial Position and Reserves of the Company

	2022 **RMB'000**	2021 RMB'000
Non-current Assets		
Amounts due from subsidiaries	**2,502,850**	2,160,984
Interests in subsidiaries	**1,197,081**	906,483
	3,699,931	3,067,467
Current Assets		
Other receivables	**—**	546
Term deposits (Note 24)	**682,588**	316,649
Bank balances and cash	**16,649**	668,887
	699,237	986,082
Current Liability		
Accrued expenses and other payables	**5,584**	6,314
Net current assets	**693,653**	979,768
Net assets	**4,393,584**	4,047,235
Capital and Reserves		
Share capital	**129**	129
Reserves	**4,393,455**	4,047,106
Total Equity	**4,393,584**	4,047,235

43 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 2020	2,327,421	161,683	163,754	2,652,858
Loss and total comprehensive expense for the year	—	—	(409,307)	(409,307)
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	(245,553)	4,047,106
Profit and total comprehensive income for the year	**–**	**–**	**180,259**	**180,259**
Recognition of equity-settled share-based payments	**–**	**164,969**	**–**	**164,969**
Exercise of share options	**1,628**	**(507)**	**–**	**1,121**
Forfeiture and cancellation of share options	**–**	**(446,837)**	**446,837**	**–**
Change in equity for the year	**1,628**	**(282,375)**	**446,837**	**166,090**
At 31 May 2022	**3,857,435**	**154,477**	**381,543**	**4,393,455**

DEFINITIONS

Unless otherwise stated or set out below, capitalised terms have the same meanings as those defined in the Prospectus (defined below).

"2021 EDU Framework Agreements"	the 2021 New Oriental Framework Agreement and the Supplemental New Oriental Framework Agreement as described in "Continuing Connected Transactions — New Oriental Framework Agreements" in this report
"2022 EDU Framework Agreement"	a framework agreement dated 27 May 2022 between 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) as described in "Continuing Connected Transactions — New Oriental Framework Agreements" in this report
"2021 New Oriental Framework Agreement"	a framework agreement dated 14 May 2021 between 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) as described in "Continuing Connected Transactions — New Oriental Framework Agreements" in this report
"Adjusted EBITDA/(LBIDTA)"	adjusted EBITDA/(LBIDTA) for the year represents profit/(loss) for the year plus income tax credit, share-based compensation expenses, finance costs, impairment losses recognised under expected credit loss model, net, depreciation of property and equipment, depreciation of right-of-use assets, less other income, gains and losses for the financial year
"Adjusted Profit/(Loss)"	adjusted profit/(loss) for the year represents profit/(loss) for the year less gain on FVTPL — non-current plus share-based compensation expenses for the financial year
"ADS(s)"	representing the same number of underlying common shares of New Oriental
"AGM"	our Company's annual general meeting to be held on November 3, 2022
"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"	Listing Rules requirements 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, the Remuneration Committee and the Nomination Committee, 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
"Chairman"	Mr. YU Minhong, the chairman of the Board
"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**"
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"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 "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*, Appendix 14 to the Main Board Listing Rules, as amended, supplemented or otherwise modified from time to time
"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
"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 shareholder of our Company (as defined in the SFO) and a subsidiary of Tencent
"K-9"	Kindergarten to Grade Nine
"K-12"	Kindergarten to Grade Twelve
"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)

"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 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 Listing Rules

"New Oriental" or "New Oriental Group" New Oriental Education & Technology Group Inc., a company incorporated 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 under the symbol "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

"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 "Connected Transactions — New Oriental Framework Agreement" in the Prospectus

"New Regulations"	the "Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education" published in July 2021 by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC and the related implementation rules, regulations and measures promulgated by competent authorities
"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
"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 and amended from time to time
"PRC Legal Adviser"	Tian Yuan Law Firm
"Pre-IPO ESOP"	share option scheme adopted by our Company on 13 July 2018 and subsequently amended on 29 September 2018
"Previous Period" or "FY2021"	the financial year ended 31 May 2021
"Prospectus"	the prospectus of the Company in relation to the Listing and the Global Offering dated 15 March 2019
"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 Company"	a company operating the Relevant Business
"Relevant VIE Entities"	Beijing Xuncheng and Kuxue Huisi
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period" or "FY2022"	the financial year ended 31 May 2022, or FY2022
"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, the further details of which are contained in the Company's circular dated 14 October 2020 and our Company's interim report for the six months ended 30 November 2021, both of which are available for viewing the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.koolearn.hk**
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	New Oriental Group 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
"Supplemental New Oriental Framework Agreement"	a supplemental agreement to the 2021 New Oriental Framework Agreement dated 21 January 2022 between 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) as described in the section headed "Continuing Connected Transactions — New Oriental Framework Agreements" in this report
"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) and a connected person of the Company

"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
"Zhuhai Chongsheng"	Zhuhai Chongsheng Heli Network Technology Co., Ltd. (珠海崇勝合力網絡科技有限公司)

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