



Koolearn Technology Holding Limited

新东方在线科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1797

2023
Interim Report



 **新东方在线**



LIVE

CONTENTS

- 2 Corporate Information
- 4 Financial Highlights
- 5 Business Overview and Outlook
- 13 Management Discussion and Analysis
- 20 Other Information
- 29 Report on Review of Condensed Consolidated Financial Statements
- 30 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 32 Condensed Consolidated Statement of Financial Position
- 33 Condensed Consolidated Statement of Changes in Equity
- 34 Condensed Consolidated Statement of Cash Flows
- 35 Notes to the Condensed Consolidated Financial Statements
- 59 Definitions





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 Zheyang (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 Zheyang (*appointed on 26 August 2022*)

Remuneration committee

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

Nomination committee

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

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 law and United States law

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC Laws

Tian Yuan Law Firm

As to Cayman Islands law

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

KEY FINANCIAL HIGHLIGHTS

	Six months ended 30 November 2022			Six months ended 30 November 2021		
	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Combined Total RMB'000 (unaudited)	Continuing operations RMB'000 (restated)	Discontinued operations RMB'000 (restated)	Combined Total RMB'000 (restated)
Revenue	2,080,073	–	2,080,073	301,361	272,148	573,509
Profit/(Loss) before tax	755,294	–	755,294	(106,835)	(435,308)	(542,143)
Income tax expense	(170,001)	–	(170,001)	(1,854)	–	(1,854)
Profit/(Loss) for the period	585,293	–	585,293	(108,689)	(435,308)	(543,997)
Profit/(Loss) for the period attributable to:						
– Owners of our Company	585,293	–	585,293	(108,689)	(435,308)	(543,997)
– Non-controlling interests	–	–	–	–	–	–
Earnings/(Loss) per share:						
– Basic (RMB)	0.58	–	0.58	(0.11)	–	(0.54)
– Diluted (RMB)	0.55	–	0.55	(0.11)	–	(0.54)
Non-IFRS measure:						
Adjusted Profit/(Loss) ⁽¹⁾	600,995	–	600,995	27,041	(445,996)	(418,955)
Non-IFRS measure:						
Adjusted EBITDA/(LBITDA) ⁽²⁾	686,246	–	686,246	38,606	(386,969)	(348,363)

- (1) Adjusted profit/(loss) for the period represents profit/(loss) for the period less gain on FVTPL — non-current plus share-based compensation expenses for the period.
- (2) Adjusted EBITDA/(LBITDA) (or earnings/losses before interest, taxes, depreciation, and amortisation) represents profit/(loss) for the period plus income tax expenses, 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 period.

BUSINESS OVERVIEW AND OUTLOOK

OUR BUSINESS

We are positioned as a livestreaming platform that focuses on selecting premium products for customers; an outstanding product and technology company that continuously provides agricultural products under our private label, “Dong Fang Zhen Xuan” (東方甄選), as its core product; as well as a cultural communication company that provides customers with pleasant experience. Through the provision of high-quality products and services, the dissemination of traditional Chinese culture and positive values, we hope to provide a better, healthy and quality life to every customer.

Since 2021, we have expanded our businesses in livestreaming e-commerce and established Dong Fang Zhen Xuan (東方甄選), which has become a well-known platform for selling top-quality and cost effective agricultural and other products. 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. Leveraging our deep understanding of customers’ needs, we help people select high quality agricultural and other products through our tight supply chain management and diversified cooperation with different third parties. We also create value for consumers by providing a number of private label products under the Dong Fang Zhen Xuan brand, which are designed to be healthy, top-quality and cost-effective, including fresh foods, juice, coffee, tea, bedding, etc. Through direct cooperation with producers and local enterprises, we aspire to promote high-quality products that originally lack sales channels and improve the operation efficiency of the industrial chain, so as to accelerate rural revitalisation and provide more valuable contributions in the long term.

Similar with our other extensive educational products, we continue to follow our “customer-focused” strategy and provide a unique and pleasant shopping experience to our customers with our extensive knowledge and cultural sharing, and through innovative livestreaming activities and premium services. We have a large team of talented livestreamers and have started different channels, such as *Dong Fang Zhen Xuan Beautiful Life* (東方甄選美麗生活), focusing on different product categories on Douyin to continually create positive, unique and interesting content to attract users and at the same time promote traditional Chinese culture. The Dong Fang Zhen Xuan brand has become increasingly prominent in the industry, thereby gaining millions of return and loyal customers and followers.

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

Business Overview and Outlook (Continued)

The key operating metrics in livestreaming e-commerce business for the periods indicated are summarised below:

	For the six months ended 30 November 2022
Key operating data	
GMV (RMB) (billion) ⁽¹⁾	4.8
Number of followers on Douyin (million)	35.2
Number of paid orders on Douyin (million)	70.2

Note:

(1) Include the paid GMV from all sales channels such as Douyin.

The number of student enrolments in each type of course offerings for the periods indicated is summarised below:

	For the six months ended 30 November 2022 Student enrolment '000	For the six months ended 30 November 2021 Student enrolment '000
Student enrolments		
College education	315	275
K-12 education ⁽¹⁾	–	1,867
Total	315	2,142

Note:

(1) The Company has ceased its pre-school and K-12 businesses during the FY2022 (see the Business Update Announcements).

Business Overview and Outlook (Continued)

The average spending per enrolment in each type of course offerings for the periods indicated is summarised below:

	For the six months ended 30 November 2022 RMB	For the six months ended 30 November 2021 RMB
Formal courses		
College education	1,545	1,249
K-12 education ⁽¹⁾	–	N/A ⁽²⁾
Sub-total average	1,545	1,130
Entry courses	13	9
Total average	1,058	127

Notes:

- (1) The Company has ceased its pre-school and K-12 businesses during FY2022 (see the Business Update Announcements).
- (2) There were tuition fee refunding due to 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.

BUSINESS DEVELOPMENTS

Our financial performance

During the Reporting Period, we achieved breakthroughs in both business operations and financial performance by proactively redesigning the long-term strategic planning and implementing a series of initiatives to strengthen the long-term sustainability. In light of the changes in both the market landscape and our business strategy, total net revenues from both the continuing and discontinued operations increased by 262.7% from RMB573.5 million for the six months ended 30 November 2021 to RMB2,080.1 million for the six months ended 30 November 2022. The net revenue from the continuing operations increased by 590.2% from RMB301.4 million for the six months ended 30 November 2021 to RMB2,080.1 million for the six months ended 30 November 2022. The net profit from both the continuing and discontinued operations increased by 207.6% from net loss of RMB544.0 million for the six months ended 30 November 2021 to net profit of RMB585.3 million for the six months ended 30 November 2022. The net profit from the continuing operations increased by 638.5% from net loss of RMB108.7 million for the six months ended 30 November 2021 to net profit of RMB585.3 million for the six months ended 30 November 2022. The rapid growth of the Company during the Reporting Period was a result of the significant progress that we have made in the strategic transformation from focusing on online education to private label products and livestreaming e-commerce.



Business Overview and Outlook (Continued)

Our business development has benefited from the maturity of China's social infrastructure and the contributions and support from the community. After decades of development, China's agricultural infrastructure, commercial infrastructure, network payment platforms and 5G networks have developed and matured immensely, thereby providing a good foundation and opportunity for the transformation and exploration of our Dong Fang Zhen Xuan brand. In addition, Dong Fang Zhen Xuan has benefited from the 29 years of accumulated brand recognition from our parent company, New Oriental. Leveraging New Oriental's brand, Dong Fang Zhen Xuan was able to lower the costs of branding and marketing, so as to devote more resources to improve its core competencies. In addition, we leverage New Oriental's corporate culture and its various forms of recruitment incentives, which are conducive to attracting and cultivating outstanding and long-term, stable talent, as a means to provide talent support for the continuing growth of Dong Fang Zhen Xuan. During the Reporting Period, Dong Fang Zhen Xuan and Douyin established a deep and long-term collaboration, as the interests and branding of the two parties are highly compatible. Dong Fang Zhen Xuan's content capability, branding, innovative capacity and product supply chain capability have attracted a large number of high-quality customers for the livestreaming e-commerce ecosystem. Leveraging our collaboration with Douyin, Dong Fang Zhen Xuan has also benefited from the comprehensive support offered by the Douyin platform.

Our transformation from online education to private label products and livestreaming e-commerce is consistent with our original intent. From the first day we launched Dong Fang Zhen Xuan, our positioning was to be a livestreaming platform that focuses on selecting premium products for customers; an outstanding product and technology company that continues to provide agricultural products under our private label, "Dong Fang Zhen Xuan", as its core product; as well as a cultural communication company that provides customers with pleasant experience. During the Reporting Period, we have focused on this positioning and continued to invest resources in our products, content and services.

In terms of private label products, we have continued to expand and enrich the selection and SKUs. In order to optimize the service experience of private label products, Dong Fang Zhen Xuan has entered into deep collaborations with S.F. Express Co., Ltd. and JD Logistics, Inc. to continuously improve the delivery quality and the scope of cold-chain delivery. The commodity experience and logistics experience of Dong Fang Zhen Xuan's private label products store reached 4.99 points, and the customer repurchase rate increased continually. The increased popularity of Dong Fang Zhen Xuan brand has encouraged more manufacturers, retailers, and national or international brands to embrace our business mode and initiate cooperation.

In terms of content, Dong Fang Zhen Xuan focuses on the livestreaming feature of "knowledge with goods" (知識帶貨), advocating the concept of national reading and healthy life, inviting cultural celebrities from all walks of life, including Mao Dun Literature Award-winning writer Liang Xiaosheng (梁曉聲) and Mai Jia (麥家), to participate in the livestreaming, and directly boosting book sales. Ni Ping's (倪萍) work "Grandma Quotes" (姥姥語錄) sold more than 248,000 copies within three hours from product launch, and the cumulative sales of Mao Dun Literature Award-winning work "The Right Bank of the Erguna River" (額爾古納河的右岸) exceeded 500,000 copies. The total number of books sales reached 12.4 million copies within six months from product launch.

Business Overview and Outlook (Continued)

While developing its business layout, the fast-growing Dong Fang Zhen Xuan also continues to give back to customers and the community. Since its launch, Dong Fang Zhen Xuan has insisted on establishing mutually beneficial long term collaborations with parties, so as to maximize benefits to our customers. In terms of private label products, Dong Fang Zhen Xuan also includes “healthy, tasty, high quality and cost-effective performance” (高性价比) in its development principle. In terms of livestreaming e-commerce, we create value for consumers by providing high quality products at affordable price, and create value for producers, agricultural groups and local enterprises through innovative livestreaming marketing. Dong Fang Zhen Xuan focuses on developing its cultural content, and has also begun to increase collaboration with local governments, so as to promote special agricultural products and contribute to cultural tourism. Since July 2022, Dong Fang Zhen Xuan has cooperated with authorities in Beijing, Heilongjiang, Shaanxi, Guizhou, Ningxia, Shandong and Hainan, and held a number of on-site livestreaming activities to promote good products and promoted local customs and culture to the public.

Private label products and livestreaming e-commerce

Since FY2022, we established, Dong Fang Zhen Xuan, an e-commerce platform for selling high-quality products (mainly focusing on agricultural products, daily necessities and books) through the use of livestreaming marketing, leveraging New Oriental’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.

Dong Fang Zhen Xuan has become a well-known product and technology company that provides agricultural products under our private label, “Dong Fang Zhen Xuan”, as its core product, 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. We set extremely stringent access standards to screen high-quality suppliers, so that each product has better craftsmanship and simpler ingredient lists. Leveraging the deep understanding of customers’ needs and feedback from customers, we continue to expand our product selection and SKUs through the fast development of 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.

As 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, GMV for the six months ended 30 November 2022 reached RMB4.8 billion. While the GMV from Douyin represented a large majority of our GMV, the total number of paid orders from our third-party products and our private label products on Douyin for the six months ended 30 November 2022 were 70.2 million.

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 adopted multi-channel marketing strategy and organised different events online and offline to attract a more diverse consumer base. Our average spending per enrolment in formal courses of domestic college test preparation business is stabilized at RMB1,025 for the Reporting Period, compared to RMB1,023 for the six months ended 30 November 2021. While in the process of optimizing our course portfolio and



Business Overview and Outlook (Continued)

offering a whole process solution to student customers, we continued to upgrade our marketing strategy for overseas test preparation, and focusing on exploring overseas market and active cooperation with upstream and downstream institutions. As those initiatives started to bear fruit and there was positive effect from recovering market demand and strengthening branding, our student enrolment numbers in the college education segment increased significantly by 14.5%, recording 315 thousand in the Reporting Period, compared to 275 thousand for the six months ended 30 November 2021.

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, 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. 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.

FUTURE OUTLOOK BEYOND THE REPORTING PERIOD

The performance of our private label products and livestreaming e-commerce business during the Reporting Period has made notable progress and our private label products and livestreaming e-commerce business has become our long term key growth driver. We are also very grateful for the love and support from all parties that gave us this opportunity. We had a very good start and is confident in establishing our private label products under Dong Fang Zhen Xuan brand and livestreaming e-commerce. Looking forward, we will unwaveringly uphold the strategy of being “customer-focused” and the spirit of “striver-oriented” (奮鬥者為本) in providing customers with safe and reliable, delicious and cost-effective products from our platform and relish a healthy and quality life. We believe that in strengthening our business focus on private label products and livestreaming e-commerce business, 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:

Private label products and livestreaming e-commerce business

To achieve our long-term goal, we will spare no effort in launching and promoting more top quality products from different origins in China through Dong Fang Zhen Xuan. We achieved strong results reflecting our strategic focus on products and supply chain management. Our product selection is mainly based on the nutritional value, and the taste of the product, and whether the product is good for value. We value the establishment of mutually beneficial and long-term relationships with third-party suppliers and manufacturers and we will continue to introduce and apply scientific and advanced technology to improve user experience and strictly control the whole process from product development to sales and after-sales services. We will rely on the development of Internet technology to further enhance the technological superiority of our products.

Business Overview and Outlook (Continued)

Our private label products are warmly welcomed by millions of members, giving us great encouragement in the long-term development of private label products. We realised that private label products has great potential in winning the market and gaining reputation by providing new value to customers. We will continue to establish and strengthen our product manager team which is committed in providing high quality products. Before the products can finally enter the livestreaming room, our team will be responsible for coordinating with suppliers and manufacturers, adopting our high standards in the production, quality inspection and packaging of products. By the end of November 2022, the number of private label products offered by the Company has reached 65, including black pork sausage in different flavors, Wuchang rice, blueberry puree, and other popular products. We have received a lot of valuable customer feedback, and product types and proportion of blockbuster products will continue to increase.

From its establishment, Dong Fang Zhen Xuan has insisted on cultural and knowledge dissemination, sharing our cultural knowledge while delivering positive values to our customers and the community. In the future, we will continue to give full play to the advantages of cultural content creation capabilities to provide customers with better experience and cultural knowledge in the integration and dissemination of Chinese traditional cultural resources.

Dong Fang Zhen Xuan has opened six livestreaming accounts on Douyin, forming a livestreaming matrix to better meet the needs of different consumer target groups, gradually expanding the products categories and SKUs, including agricultural products, food, books and household goods. Among these livestreaming accounts, Dong Fang Zhen Xuan has attracted nearly 28 million followers, and Dong Fang Zhen Xuan Book, Dong Fang Zhen Xuan Beautiful Life and Dong Fang Zhen Xuan Private Label (東方甄選自營產品) have collectively attracted more than 7 million followers.

We will continue to actively expand the development of our brand Dong Fang Zhen Xuan and strengthen customer recognition. Adhering to the mission of improving public welfare and creating values to the society, we will continue to pursue our “customer-focused” strategy and aim to improve customer services from all aspects and on all channels not only limited to Applications (APP), WeChat Mini programs (微信小程序), private label products or third party products. We will continue to make significant investment in products and content to pursue constant innovation in team building, content creation and cultural dissemination. Leveraging our deep understanding of customers accumulated over the years, continuous learning ability and rapid evolution of execution, our differentiated advantages will not only be limited to product and service quality in the field of education, but also in the continuous improvement in customer experience in the field of agricultural and other products in terms of any internal process. We will make use of more high-quality and affordable products, differentiated service experience and continuous content innovation to acquire more customers who need us.

College education

Whilst our educational offerings remains primarily focusing on courses for postgraduate entrance exams, we will also continue to focus on (i) the development of tailor-made courses targeting occupational students (which accounted for about 50% of the candidates taking postgraduate entrance exams); (ii) the development of tailor-made courses targeting students who are retaking the exam. During the examination season in 2022, the total number of student enrolments increased substantially, which demonstrates a huge potential for our product; (iii) expanding our product offering to include high-end English learning products, given that the overall performance of English learning products during the Reporting Period has increased mainly due to the



Business Overview and Outlook (Continued)

popularity of new concepts and oral courses. In addition, we have created a professional account on Douyin, the GMV of which is expected to be a new source of growth; and (iv) the building of the overall online traffic pool through advancement from multiple dimensions. In December 2022, our account development and operation was on track and the multi-account matrix of Xiaohongshu (小紅書) was built and operational. In addition, we will launch activities to attract new users, mainly through the omni-channel official website courses, new media and promotion activities, and social fission marketing activities.

Overseas test-preparation

With the optimization of internal and external environment and the strengthening of our product and marketing capabilities, our overseas test-preparation business has accelerated its growth during the Reporting Period. In terms of products, we have developed a complete learning system including language training, covering international disciplines and background improvement to provide personalised and efficient solutions for users with different needs. In terms of marketing, we have continued to focus on New Oriental's brand recognition in the area of overseas test-preparation and to promote our product emphasising on official endorsements, exclusive content resources and learning effects. We will also continue to optimize customer acquisition efficiency and reduce customer acquisition costs through exclusive licensed content. In terms of organisation, we completed the organisational restructuring in FY2022 and will focus on the management of our teaching teams in different business lines in FY2023 in order to continuously optimize our teaching quality and enhance our competitiveness. In terms of external collaborations, our overseas test-preparation business will continue to maintain close collaborations with upstream and downstream institutions, closely interact with test organisers such as IELTS and TOEFL, and establish exclusive collaboration with them for exclusive past exam questions, so as to increase our competitive advantage.

Institutional cooperation

During the Reporting Period, we continued to deepen the cooperation with different schools and institution. In terms of vocational education, we have conducted research and communication with a number of universities and colleges on the "Craftsmen in the New Era Institution" (新時代工匠學院) project and the new energy and smart building project, and planned to implement in-depth research and planning with some of the vocational schools and undergraduate colleges on the construction of industrial research institutes and new talent training programmes. In the field of primary and secondary schools and urban libraries, we will further improve the "Oriental Tree" (東方樹) quality education platform, integrate high-quality content in science and technology, programming, aesthetic education, sports and humanities, and cooperate with schools and training institutions.

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 business line in private label products and livestreaming e-commerce, we remain confident that, we are able to continue to grow and consolidate our market share in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our total revenues from both the continuing and discontinued operations increased by 262.7% from RMB573.5 million in the six months ended 30 November 2021 to RMB2,080.1 million in the six months ended 30 November 2022.

Our revenue from the continuing operations increased by 590.2% from RMB301.4 million in the six months ended 30 November 2021 to RMB2,080.1 million in the six months ended 30 November 2022.

Private label products and livestreaming e-commerce business

Revenue from our private label products and livestreaming e-commerce segment was RMB1,765.8 million for the six months ended 30 November 2022, among which revenue from our private label products amounted to more than RMB1 billion. Although we began pilot livestreaming events on some famous short-video platform such as Douyin since December 2021, a large number of users appreciate our model and urge us to be fully committed into this business with determination. During the Reporting Period, we have been working on strengthening the supply chain management system, expanding our product categories, and increasing the number of products and SKUs, especially our private label products.

College education

Revenue from our college education segment increased by 10.3% from RMB267.6 million in the six months ended 30 November 2021 to RMB295.1 million in the six months ended 30 November 2022. The increase was mainly due to our initiatives in core products and marketing strategies. The student enrolments in the college education segment increased from 275 thousand in the six months ended 30 November 2021 to 315 thousand in the six months ended 30 November 2022.

Institutional customers

Revenue from our institutional customers decreased by 43.2% from RMB33.7 million in the six months ended 30 November 2021 to RMB19.2 million in the six months ended 30 November 2022.

COST OF REVENUE, GROSS PROFIT/LOSS AND GROSS MARGIN

Our total cost of revenue from continuing and discontinued operations increased by 174.0% from RMB400.5 million in the six months ended 30 November 2021 to RMB1,097.6 million in the six months ended 30 November 2022, primarily due to substantial growth in our private label products and livestreaming e-commerce business.

Our total cost of revenue from continuing operations increased by 804.4% from RMB121.4 million in the six months ended 30 November 2021 to RMB1,097.6 million in the six months ended 30 November 2022, primarily due to substantial growth in our private label products and livestreaming e-commerce business.

Our gross profit from continuing and discontinued operations increased by 467.9% from RMB173.0 million in the six months ended 30 November 2021 to RMB982.5 million in the six months ended 30 November 2022. Our gross profit margin from continuing and discontinued operations increased from 30.2% in the six months ended 30 November 2021 to 47.2% in the six months ended 30 November 2022, primarily due to the cessation of K-12 business and substantial growth in our private label products and livestreaming e-commerce business.



Management Discussion and Analysis (Continued)

Our gross profit from continuing operations increased by 445.8% from RMB180.0 million in the six months ended 30 November 2021 to RMB982.5 million in the six months ended 30 November 2022. Our gross profit margin from continuing operations decreased from 59.7% in the six months ended 30 November 2021 to 47.2% in the six months ended 30 November 2022, primarily due to the investment in new businesses.

Private label products and livestreaming e-commerce business

Cost of revenue for our private label products and livestreaming e-commerce segment was RMB1,016.0 million for the six months ended 30 November 2022. Segment gross profit for our private label products and livestreaming e-commerce was RMB749.8 million, and the gross profit margin was 42.5% in the six months ended 30 November 2022.

College education

Cost of revenue for our college education segment decreased by 33.5% from RMB116.8 million in the six months ended 30 November 2021 to RMB77.6 million in the six months ended 30 November 2022, primarily due to the decrease in staff cost.

Segment gross profit for our college education business increased by 44.2% from RMB150.9 million in the six months ended 30 November 2021 to RMB217.5 million in the six months ended 30 November 2022, and the segment gross profit margin increased from 56.4% in the six months ended 30 November 2021 to 73.7% in the six months ended 30 November 2022.

Institutional customers

Cost of revenue for services to institutional customers decreased by 12.8% from RMB4.6 million in the six months ended 30 November 2021 to RMB4.0 million in the six months ended 30 November 2022.

Segment gross profit for our services to institutional customers decreased by 47.9% from RMB29.1 million in the six months ended 30 November 2021 to RMB15.2 million in the six months ended 30 November 2022, and the gross profit margin decreased from 86.4% to 79.2%. This was primarily due to the development of new courses in vocational education.

OTHER INCOME, GAINS AND LOSSES

Our other income, gains and losses from continuing operations and discontinued operations increased by 877.5% from RMB12.4 million in the six months ended 30 November 2021, to RMB121.3 million in the six months ended 30 November 2022, primarily due to the increase in exchange gain.

Our other income, gains and losses from continuing operations increased by 582.2% from RMB17.8 million for the six months ended 30 November 2021, to RMB121.3 million for the six months ended 30 November 2022, primarily due to the increase in exchange gain.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses from continuing operations and discontinued operations decreased by 33.2% from RMB340.8 million in the six months ended 30 November 2021 to RMB227.8 million in the six months ended 30 November 2022, primarily due to the decrease in staff costs as we ceased the K-12 business in FY2022.

Our selling and marketing expenses from continuing operations increased by 96.7% from RMB115.8 million for the six months ended 30 November 2021 to RMB227.8 million for the six months ended 30 November 2022.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses from continuing operations and discontinued operations decreased by 69.2% from RMB156.8 million in the six months ended 30 November 2021 to RMB48.3 million in the six months ended 30 November 2022, primarily due to the decrease in staff costs as we ceased the K-12 business in FY2022.

Our research and development expenses from continuing operations increased by 56.2% from RMB30.9 million for the six months ended 30 November 2021 to RMB48.3 million for the six months ended 30 November 2022.

ADMINISTRATIVE EXPENSES

Our administrative expenses from continuing operations and discontinued operations decreased by 72.6% from RMB227.1 million in the six months ended 30 November 2021 to RMB62.3 million in the six months ended 30 November 2022, primarily due to the decrease in share-based compensation expenses.

Our administrative expenses from continuing operations decreased by 60.8% from RMB158.7 million in the six months ended 30 November 2021 to RMB62.3 million in the six months ended 30 November 2022.

SHARE OF RESULT OF ASSOCIATES

Our share of profit of associates from continuing operations decreased by 488.6% from a gain of RMB2.3 million in the six months ended 30 November 2021 to a loss of RMB9.1 million in the six months ended 30 November 2022, primarily due to the change from profit to loss in Beijing Shidai Yuntu Book Co., Ltd. (北京時代雲圖圖書有限責任公司) and Beijing Edutainment World Education Technology Co., Ltd. (北京寓科未來智能科技有限公司).

INCOME TAX EXPENSES

From the six months ended 30 November 2021 to the six months ended 30 November 2022, our income tax expenses from continuing operations increased by 9,069.4% from RMB1.9 million to RMB170.0 million, primarily due to the rapid growth of new business.

NET PROFIT FOR THE PERIOD

As a result of the above, our net profit from both the continuing and discontinued operations increased by 207.6% from a loss of RMB544.0 million in the six months ended 30 November 2021 to a profit of RMB585.3 million in the six months ended 30 November 2022. The net profit from the continuing operations increased from a loss of RMB108.7 million for the six months ended 30 November 2021 to a profit of RMB585.3 million for the six months ended 30 November 2022.

NON-IFRS MEASURES

To supplement our financial information presented in accordance with IFRS, we also use Adjusted Profit/(Loss) for the period 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 period as profit/(loss) for the period less (loss)/gain on fair value changes of financial assets at FVTPL – non-current plus share-based compensation expenses for the period. We define Adjusted EBITDA/(LBITDA) as profit/(loss) for the period 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 period.

Management Discussion and Analysis (Continued)

The following table reconciles our profit/loss from continuing operations for the period to Adjusted Profit from continuing operations for the period:

	Six months ended 30 November 2022 RMB'000 (unaudited)	Six months ended 30 November 2021 RMB'000 (unaudited) (restated)
Reconciliation of our profit/loss for the period to Adjusted Profit:		
Profit/(Loss) from continuing operations for the period	585,293	(108,689)
Less:		
Gain/(Loss) on fair value changes of financial assets at FVTPL	13,007 ⁽¹⁾	8,142 ⁽¹⁾
Add:		
Share-based compensation expenses	28,709	143,872
Adjusted Profit from continuing operations for the period	600,995	27,041

The following table reconciles our profit/loss from continuing operations for the period to Adjusted EBITDA from continuing operations:

	Six months ended 30 November 2022 RMB'000 (unaudited)	Six months ended 30 November 2021 RMB'000 (unaudited)
Reconciliation of profit/loss for the period to EBITDA		
Profit/(Loss) from continuing operations for the period	585,293	(108,689)
Add:		
Income tax expense	170,001	1,854
Share-based compensation expenses	28,709	143,872
Finance costs	923	1,665
Impairment losses recognised/(reversed) under expected credit loss model, net	112	(83)
Depreciation of property and equipment	9,301	8,379
Depreciation of right-of-use assets	13,168	9,383
Less:		
Other income, gain and losses	121,261	17,775
Adjusted EBITDA from continuing operations	686,246	38,606

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 Share Subscription. We had cash and cash equivalents of RMB793.7 million as at 30 November 2022 compared to RMB547.4 million as at 31 May 2022 and RMB626.6 million as at 30 November 2021. We had term deposits of RMB743.5 million as at 30 November 2022 compared to RMB682.6 million as at 31 May 2022 and RMB658.7 million as at 30 November 2021. We also had financial assets (current) at FVTPL was RMB716.1 million as at 30 November 2022, compared to RMB359.0 million as at 31 May 2022 and RMB298.3 million as at 30 November 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, net proceeds from the Share Subscription.

Capital expenditure

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

	Six months ended 30 November 2022 RMB'000 (unaudited)	Six months ended 30 November 2021 RMB'000 (unaudited)
Purchase of property and equipment	4,755	18,742

Our capital expenditures were primarily for purchases of property and equipment in the six months ended 30 November 2021 and 2022, respectively. Our purchases of property and equipment were RMB18.7 million and RMB4.8 million for the six months ended 30 November 2021 and 2022, respectively.

Off-balance sheet commitments and arrangements

As of 30 November 2022, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As of 30 November 2022, we did not have any other foreseeable plans for material investments and capital assets.

Management Discussion and Analysis (Continued)

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.

Significant investments held

Save as disclosed above, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 30 November 2022) during the six months ended 30 November 2022.

Employees and remuneration policy

As at 30 November 2022, we had 1,260 full-time employees and 410 part-time employees (30 November 2021: 1,224 full-time employees and 679 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, including share based compensation expense incurred by the Group for the six months ended 30 November 2022 was RMB233.4 million, representing a period on period decrease of 68%.

Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of our operating entities. We operate in the PRC with most of the transactions settled in RMB. During the Reporting Period, we had assets and liabilities denominated in United States dollars and HK\$. 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 borrowings. 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 Share Subscription to fund our operations and expansion, therefore, we do not plan to incur any borrowings in the 12 months from the date of this report.

Pledge of assets

As at 30 November 2022, none of our Group's assets were pledged.

Contingent liabilities

As of 30 November 2022, we did not have any material contingent liabilities.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors and chief executives

As at 30 November 2022, the interests and short positions of our Directors and the Company's chief executive 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 the Company's chief executive 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 Shares interested	Approximate percentage of shareholding in our Company ⁽¹⁾
Mr. Sun Dongxu ⁽²⁾ ("Mr. Sun")	Beneficial owner		15,843,000	1.58%
Mr. Yu Minhong ⁽³⁾ ("Mr. Yu")	Beneficial owner		22,695,285	2.26%
	Interest in a controlled corporation	Tigerstep	27,182,832	2.70%
Ms. Sun Chang ⁽⁴⁾ ("Ms. Sun")	Interest in a controlled corporation	First Bravo	151,000	0.02%
Mr. Yin Qiang ⁽⁵⁾ ("Mr. Yin")	Beneficial owner		4,100,000	0.41%
	Interest in a controlled corporation	Perfect Go	1,000,000	0.10%

Notes:

- (1) The percentages are calculated based on our Company's total number of issued shares, being 1,005,789,456 Shares, as at 30 November 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 Developments Limited ("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 Asia Limited ("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.

Other Information (Continued)

- (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 Industries Limited (“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.

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	201,788,600	12.1%

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 7 February 2023), this interest represents: (i) 169,235,000 Shares held by Tigerstep, a company wholly-owned by Mr. Yu, and (ii) 3,255,360 ADSs (each representing ten underlying common shares), which consist of 3,215,054 ADSs held by Tigerstep and 40,306 ADSs held by Mr. Yu. On 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⁾	50,000,000	50%



Other Information (Continued)

Notes:

- (1) Beijing Century Friendship Education Investment Co., Ltd. (“**Century Friendship**”) and New Oriental Education & Technology Group Co., Ltd. (“**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 dated 15 March 2019), 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) Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.) (“**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 30 November 2022, 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	55.40%

Note:

- (1) The percentages are calculated based on our Company’s total number of issued shares, being 1,005,789,456 Shares, as at 30 November 2022.

SHARE OPTION SCHEMES

The Company has two existing share schemes, namely the Pre-IPO ESOP and the Post-IPO ESOP, (collectively, 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.

Other Information (Continued)

From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and comply with the new Chapter 17 of the Listing Rules accordingly (effective from 1 January 2023).

Pre-IPO ESOP

As at 30 November 2022, (a) our Directors held unexercised options under the Pre-IPO ESOP to subscribe for a total of 26,795,285 Shares, representing approximately 2.66% of the issued share capital of our Company (being 1,005,789,456 Shares), and (b) the other 31 grantees held unexercised options under the Pre-IPO ESOP to subscribe for a total of 5,075,100 Shares, representing approximately 0.50% of the issued share capital of our Company (being 1,005,789,456 Shares), details of which are as follows:

Name or category of grantee	Date of grant	Vesting period	Maximum period during which options are exercisable	Exercise price	Outstanding as at 1 June 2022	Number of options		
						Exercised during the Reporting Period	Cancelled/ lapsed during the Reporting Period	Outstanding as at 30 November 2022
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	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	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	2,100,000
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	9,116,700	4,041,600	Nil	5,075,100
Total					35,911,985	4,041,600	Nil	31,870,385

Further details of movements in the Pre-IPO ESOP is set out in Notes 21 to the condensed consolidated financial statements.



Other Information (Continued)

Post-IPO ESOP

Maximum number of new Shares available for issue

The maximum number of Shares that may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other schemes (the “**All Share Option Schemes**”) must not exceed the 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 Shares in issue on the Listing Date (being 913,959,102 Shares) (the “**Scheme Mandate**”).

As of 1 June 2022, 45,395,817 options were available for grant under the Scheme Mandate. During the Reporting Period, no options were granted to eligible participants pursuant to the Post-IPO ESOP and it follows that as of 30 November 2022, 46,069,782 options (including options lapsed/cancelled during the Reporting Period) were available for grant under the Scheme Mandate.

Details of option grants

As of 30 November 2022, (a) our Directors held unexercised options under the Post-IPO ESOP to subscribe for a total of 12,500,000 Shares, representing approximately 1.24% of the issued share capital of our Company, and (b) other 177 grantees held unexercised options under the Post-IPO ESOP to subscribe for a total of 31,796,374 Shares, representing approximately 3.16% of the issued share capital of our Company, the details of which are set out below:

Other Information (Continued)

Name or category of grantee	Role	Date of grant	Vesting period	Exercisable Period	Exercise price	Outstanding as of 1 June 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 30 November 2022	Closing price of the Shares immediately before the date of grant	Fair value of option at the date of grant ⁽²⁾	Weighted average closing price of the Share immediately before the date of exercise ⁽³⁾
Mr. Yu	Non-executive Director and chairman of the Board	15 November 2021	(1) One-third of the options to vest on the date immediately before the first anniversary of the date of grant (the "First Vesting Date");	Ten years from the date of grant	HK\$5.22 per Share	6,000,000	Nil	Nil	Nil	Nil	6,000,000	HK\$5.22	N/A	N/A
Mr. Sun	Executive Director	15 November 2021	(2) One-third of the options to vest on the date immediately before the first anniversary of the First Vesting Date (the "Second Vesting Date"); and		HK\$5.22 per Share	4,500,000	Nil	Nil	Nil	Nil	4,500,000	HK\$5.22	N/A	N/A
Mr. Yin	Executive Director	15 November 2021	(3) One-third of the options to vest on the date immediately before the first anniversary of the Second Vesting Date.		HK\$5.22 per Share	2,000,000	Nil	Nil	Nil	Nil	2,000,000	HK\$5.22	N/A	N/A
Other grantees in category Employee Participants⁽¹⁾		15 November 2021			HK\$5.22 per Share	33,494,093	Nil	1,023,754	Nil	673,965	31,796,374	HK\$5.22 per Share	N/A	HK\$40.10
Total						45,994,093	Nil	1,023,754	Nil	673,965	44,296,374			

Notes:

- (1) Employee Participants other than Mr. Yu, Mr. Sun and Mr. Yin as disclosed above, on individual basis.
- (2) No options were granted during the Reporting Period.
- (3) Refer to note 21 to the condensed consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

On 5 January 2023, the Board proposed to change the English name of our Company from “Koolearn Technology Holding Limited” to “East Buy Holding Limited” and the dual foreign name of the Company from “新東方在綫科技控股有限公司” to “東方甄選控股有限公司” (the “**Proposed Change of Company Name**”) to better reflect the direction in which the Company’s current business is developing and future outlook. The resolution was duly passed as a special resolution by our shareholders approving the Proposed Change of Company Name at the extraordinary general meeting of the Company held on Tuesday, 31 January 2023. For details, please refer to the announcements of the Company dated 5 January 2023 and 31 January 2023, the circular of the Company dated 13 January 2023.

Save as disclosed in this report, no significant events affecting our Company have occurred since the end of the Reporting Period to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Company was incorporated in the Cayman Islands on 7 February 2018 with limited liability, and our Shares were listed on the Main Board of the Stock Exchange on 28 March 2019.

We are committed to maintaining and promoting stringent corporate governance. The principle of our Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

During the Reporting Period, the Company has adopted and complied with all the applicable code provisions of the Corporate Governance 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. The requirements under the New CG Code applies to corporate governance reports for financial years commencing on or after 1 January 2022. Accordingly, for this Reporting Period, which began on 1 June 2022, our Company began being governed under the New CG Code.

We will continue to regularly review and monitor our corporate governance practices to ensure compliance and alignment with the latest measures and standards set out in the New CG Code, and maintain a high standard of corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

We have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regulating our Directors’ dealings in our Company’s securities. To the best of our Directors’ knowledge and belief, all our Directors confirm that they have complied with the required standards set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

Our Board has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of our Group, to review and approve connected transactions (as defined in the Listing Rules) and to provide advice and comments to the Board. The Audit Committee consists of three members: Mr. TONG Sui Bau (as the Audit Committee's chairperson), Mr. KWONG Wai Sun Wilson and Mr. LIN Zheyang. Mr. LIN Zheyang has been appointed as a member of the Audit Committee following the resignation of Mr. WU Qiang on 26 August 2022.

The Audit Committee, together with our external auditor, Deloitte Touche Tohmatsu, have reviewed our Group's unaudited condensed consolidated financial statements for the six months ended 30 November 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control measures with senior management members.

OTHER BOARD COMMITTEES

In addition to our Audit Committee, our Company has also established a nomination committee and a remuneration committee.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

During the Reporting Period, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

MATERIAL LITIGATION

During the Reporting Period, our Company was not involved in any material litigation or arbitration, nor were the Directors aware of any material litigation or claims that were pending or threatened against our Company as at 30 November 2022.

INTERIM DIVIDEND

Our Board does not recommend the distribution of an interim dividend for the Reporting Period (six months ended 30 November 2021: nil).

CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below;

1. Ms. LEUNG Yu Hua Catherine has resigned from her position as a non-executive Director with effect from 26 August 2022;

Other Information (Continued)

- Mr. WU Qiang has resigned from his position as a non-executive Director and a member of the Audit Committee with effect from 26 August 2022; and
- Mr. LIN Zheyang has been appointed as a member of the Audit Committee with effect from 26 August 2022.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. On 21 January 2022, the Board has resolved to change the use of the remaining net proceeds as at the same date and the Group had used the net proceeds in accordance with the intended use as set out in the announcement of the Company dated 21 January 2022. We will gradually utilise the net proceeds, in accordance with the table set out below, within three years from 21 January 2022.

The utilisation of the net proceeds for the six months ended 30 November 2022 are summarised as follows:

	Unutilised amount as at 1 June 2022	Utilised during the six months ended 30 November 2022	Remaining amount
<i>HK\$ million</i> ⁽¹⁾			
Sales and marketing	272.1	6.4	265.7
Technology infrastructure	76.4	39.0	37.4
Teachers and other business related staff	225.7	4.6	221.1
Working capital	249.4	18.2	231.2
Total	823.6	68.2	755.4

Notes:

- The amounts "utilised during the six months ended 30 November 2022" are based on the exchange rate of HK\$1.12:RMB1. The "remaining amount" is calculated as the "unutilised amount as at 1 June 2022" less the amounts "utilised as at 30 November 2022".
- The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Koolearn Technology Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 58, which comprise the condensed consolidated statement of financial position as of 30 November 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 January 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

	NOTES	Six months ended 30 November	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited) (restated)
Continuing operations			
Revenue	4	2,080,073	301,361
Cost of revenue		(1,097,600)	(121,356)
Gross profit		982,473	180,005
Other income, gains and losses	6	121,261	17,775
Impairment losses (recognised)/reversed under expected credit loss model, net	17	(112)	83
Selling and marketing expenses		(227,816)	(115,813)
Research and development expenses		(48,253)	(30,901)
Administrative expenses		(62,259)	(158,655)
Share of results of associates		(9,077)	2,336
Finance costs		(923)	(1,665)
Profit/(loss) before tax		755,294	(106,835)
Income tax expense	7	(170,001)	(1,854)
Profit/(loss) for the period	9	585,293	(108,689)
Profit/(loss) and total comprehensive income/(expense) for the period from continuing operations		585,293	(108,689)
Discontinued operations			
Loss and total comprehensive expense for the period from discontinued operations	8	–	(435,308)
Profit/(loss) and total comprehensive income/(expense) for the period		585,293	(543,997)
Profit/(loss) for the period attributable to owners of the Company			
– from continuing operations		585,293	(108,689)
– from discontinued operations		–	(435,308)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
 FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

	NOTES	Six months ended 30 November	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited) (restated)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		585,293	(543,997)
Earnings/(loss) per share			
From continuing and discontinued operations			
– Basic (RMB)	10	0.58	(0.54)
– Diluted (RMB)	10	0.55	(0.54)
From continuing operations			
– Basic (RMB)	10	0.58	(0.11)
– Diluted (RMB)	10	0.55	(0.11)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 NOVEMBER 2022

	NOTES	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
Non-current Assets			
Property and equipment	12	31,182	34,409
Right-of-use assets	12	40,237	48,107
Interests in associates	13	169,074	178,151
Financial assets at fair value through profit or loss	14	106,965	99,429
Deposits for acquisition of property and equipment		103	72
Refundable rental deposits		8,701	7,744
Deferred tax assets		3,161	–
		359,423	367,912
Current Assets			
Inventories	15	291,591	4,633
Trade and other receivables	16	206,763	37,568
Prepayments		60,508	60,198
Financial assets at fair value through profit or loss	14	716,066	359,049
Term deposits		743,467	682,588
Bank balances and cash		793,713	547,445
		2,812,108	1,691,481
Current Liabilities			
Lease liabilities		30,112	27,529
Contract liabilities	18	226,607	163,240
Refund liabilities		17,121	13,926
Trade payables	19	363,125	23,598
Accrued expenses and other payables		173,737	163,236
Income tax payables		52,311	1,798
		863,013	393,327
Net Current Assets		1,949,095	1,298,154
Total Assets less Current Liabilities		2,308,518	1,666,066
Capital and Reserves			
Share capital	20	130	129
Reserves		2,291,065	1,640,879
Total Equity		2,291,195	1,641,008
Non-current Liabilities			
Deferred tax liabilities		4,571	3,818
Lease liabilities		12,752	21,240
		17,323	25,058
Net Assets		2,291,195	1,641,008

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 June 2021 (audited)	129	4,020,049	23,978	220	436,852	(140,767)	(2,331,589)	2,008,872
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(543,997)	(543,997)
Recognition of equity-settled share-based payments	-	-	-	-	133,184	-	-	133,184
Exercise of share options (Note 20)	-	1,628	-	-	(507)	-	-	1,121
Forfeiture and cancellation of share options (Note 21)	-	-	-	-	(445,307)	-	445,307	-
At 30 November 2021 (unaudited)	129	4,021,677	23,978	220	124,222	(140,767)	(2,430,279)	1,599,180
At 1 June 2022 (audited)	129	4,021,677	23,978	220	154,477	(140,767)	(2,418,706)	1,641,008
Profit and total comprehensive income for the period	-	-	-	-	-	-	585,293	585,293
Recognition of equity-settled share-based payments	-	-	-	-	28,709	-	-	28,709
Exercise of share options (Note 20)	1	52,036	-	-	(15,852)	-	-	36,185
At 30 November 2022 (unaudited)	130	4,073,713	23,978	220	167,334	(140,767)	(1,833,413)	2,291,195

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		
from continuing operations	537,580	(191,908)
from discontinued operations	–	(673,444)
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	802,455	1,489,547
Purchases of financial assets at fair value through profit or loss	(1,154,000)	(1,136,476)
Proceeds on disposal of property and equipment	3	3,647
Interest received from term deposits	845	1,144
Purchase of property and equipment	(4,755)	(18,742)
Payments for early termination of lease contracts	–	(634)
Payments for rental deposits	(1,484)	(29)
Refund of rental deposits	604	7,124
Placement of term deposits	(176,283)	(654,336)
Withdrawal of term deposits	173,307	320,432
Placement of restricted cash	–	(7,749)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(359,308)	3,928
FINANCING ACTIVITIES		
Proceeds from issuance of shares upon exercise of share options	35,866	1,121
Repayment of lease liabilities	(11,302)	(31,181)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	24,564	(30,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	202,836	(891,484)
CASH AND CASH EQUIVALENTS AT 1 JUNE	547,445	1,519,564
Effect of exchange rate changes	43,432	(1,432)
CASH AND CASH EQUIVALENTS AT 30 NOVEMBER, REPRESENTED BY BANK BALANCES AND CASH	793,713	626,648

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

1. GENERAL INFORMATION

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. New Oriental Education & Technology Group Inc. (“New Oriental Group”) is the ultimate controlling shareholder of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are providing online education services to pre-school children, primary and middle school students (such businesses were discontinued during the year ended 31 May 2022 (Note 8)), college students and other occupational people in the People’s Republic of China (the “PRC”). The Group provides education and related services to institutional customers such as public libraries and universities in the PRC. The Group also operates private label products and livestreaming e-commerce business for sales of private label products to individual customers and commission services.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 28 March 2019.

The condensed 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 6 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 Group’s annual financial statements for the year ended 31 May 2022. Accordingly, the comparative figures of the interim financial statements has also been re-presented.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 November 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 May 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 June 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Accounting policies which became relevant to the Group

Revenue – membership program

The Group operates a membership program through which customers can earn membership points from qualified purchases. The membership points can be used to redeem coupons that can be applied against amounts owed to the Group in future purchases. The membership points awarded are accounted for as a separate performance obligation and the transaction price is allocated between the products sold and the membership points awarded on a relative stand-alone selling price basis. The standalone selling price of each award membership point is estimated based on the right to be given when the award membership points are redeemed by the customers as evidenced by the Group’s historical experience. The amount allocated to the award membership points is deferred as contract liability and recognised as revenue when the customers apply the coupons redeemed in future purchases.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

4. REVENUE

Disaggregation of revenue from contracts with customers from continuing operations

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Timing of revenue recognition		
At a point in time	1,779,621	18,055
Over time	300,452	283,306
Total	2,080,073	301,361
Type of customer		
Customers and others for private label products and livestreaming e-commerce	1,765,803	–
Students for online education service	295,103	267,641
Institutional customers for online education service	19,167	33,720
Total	2,080,073	301,361
Type of goods or services		
Sales of products	1,088,838	–
Commission services	676,965	–
Live online course services provided to students	112,405	99,228
Pre-recorded online course services provided to students	168,880	150,358
Pre-recorded online education package services to institutional customers	19,167	33,720
Sales of online testing packages	4,424	8,185
Others	9,394	9,870
Total	2,080,073	301,361

All revenues of the Group from continuing operations were generated from online education services, private label products and 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

5. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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 during the year ended 31 May 2022. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 8.

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. Private Label Products and Livestreaming E-Commerce (formerly known as “Livestreaming E-Commerce”) – online live commerce with private label products sold to individual customers and commission services.

The following is an analysis of the Group’s revenue and results by reportable segments:

For the six months ended 30 November 2022 (unaudited)

Continuing operations

	College Education RMB’000	Institutional Customers RMB’000	Private Label Products and Livestreaming E-Commerce RMB’000	Total RMB’000
Revenue	295,103	19,167	1,765,803	2,080,073
Cost of revenue	(77,614)	(3,993)	(1,015,993)	(1,097,600)
Segment gross profit	217,489	15,174	749,810	982,473
Unallocated income and expenses:				
Other income, gains and losses				121,261
Impairment losses recognised under expected credit loss model, net				(112)
Selling and marketing expenses				(227,816)
Research and development expenses				(48,253)
Administrative expenses				(62,259)
Share of results of associates				(9,077)
Finance costs				(923)
Profit before tax				755,294

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 November 2021 (unaudited and restated)

Continuing operations

	College Education RMB'000	Institutional Customers RMB'000	Private Label Products and Livestreaming E-Commerce RMB'000	Total RMB'000
Revenue	267,641	33,720	–	301,361
Cost of revenue	(116,778)	(4,578)	–	(121,356)
Segment gross profit	150,863	29,142	–	180,005
Unallocated income and expenses:				
Other income, gains and losses				17,775
Impairment losses reversed under expected credit loss model, net				83
Selling and marketing expenses				(115,813)
Research and development expenses				(30,901)
Administrative expenses				(158,655)
Share of results of associates				2,336
Finance costs				(1,665)
Loss before tax				(106,835)

Segment gross profit is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Segment gross profit is gross profit earned by each segment and other income, gains and losses, impairment losses (recognised)/reversed 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 result.

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

All of the Group's revenue from continuing operations were generated from external customers in the PRC during the six months ended 30 November 2022 and 2021. The Group's non-current assets are all located in the PRC.

No service provided to a single customer exceeds 10% or more of the total revenue of the Group from continuing operations for the six months ended 30 November 2022 (six months ended 30 November 2021: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Net foreign exchange gain	96,617	3,133
Interest income from bank balances	2,350	1,568
Interest income from term deposits	5,348	4,702
Interest income from rental deposits	181	141
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL")	13,007	8,142
Loss on disposal of property and equipment	(793)	–
Additional value added tax ("VAT") input deduction (i)	469	678
Gain on early termination of lease contracts	935	–
Others	3,147	(589)
	121,261	17,775

Note:

- (i) Additional VAT input deduction amounting to RMB469,000 (six months ended 30 November 2021: RMB678,000) was recognised in profit or loss in the current interim period. In accordance with VAT Reformation Article No.39, the Group was eligible for VAT credits of 10% additional VAT input deduction from 1 April 2019 to 31 December 2021 upon meeting all applicable criteria. The implementation period was further extended to 31 December 2022 according to announcement No. 11 by General Department of Taxation in March 2022.

7. INCOME TAX EXPENSE

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
PRC enterprise income tax	172,409	1,958
Deferred tax	(2,408)	(104)
	170,001	1,854

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

7. INCOME TAX EXPENSE (Continued)

The Company and Dong Fund Co., Ltd. were incorporated in the Cayman Islands. Both are tax exempted under the tax laws of the Cayman Islands, as no business is carried out in the Cayman Islands. There was no material change of tax status of the Group during the six months ended 30 November 2022. 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 tax rate of the PRC subsidiaries is 25% (six months ended 30 November 2021: 25%) during the six months ended 30 November 2022.

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. In 2020, Beijing New Oriental Xuncheng Network Technology Inc. renewed the "high and new technology enterprise" (the "HNTE") status and continued to enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. In 2020, Beijing Dexin Dongfang Network Technology Co., Inc. obtained the HNTE status and enjoyed the preferential tax rate of 15% from calendar year 2020 to 2022. In the subsequent years, the tax authority will make reassessment on the Group's HNTE status or other tax concessions.

According to the EIT Law, qualified research and development expenses can be deducted at 175% (six months ended 30 November 2021: 175%) of such expenses for income tax deduction purposes upon approval from the relevant tax authority during the six months ended 30 November 2022.

The State Taxation Administration of the PRC announced in September 2022 that enterprises that currently apply 175% deduction in qualified research and development expenses would be entitled to claim 200% of their qualified research and development expenses as super deduction from 1 October 2022 to 31 December 2022.

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% (six months ended 30 November 2021: 15%) during the six months ended 30 November 2022.

8. DISCONTINUED OPERATIONS

In order to fully comply with the Opinion, the Group ceased the K12 and pre-school businesses which were classified as discontinued operations in the Group's annual financial statements for the year ended 31 May 2022.

The comparative figures in the condensed 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. The results for the six months ended 30 November 2021 from the discontinued K12 and pre-school operations are set out below.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

8. DISCONTINUED OPERATIONS (Continued)

	Six months ended 30 November 2021 RMB'000 (unaudited)
Revenue	272,148
Cost of revenue	(279,158)
Other income, gains and losses	(5,370)
Selling and marketing expenses	(225,031)
Research and development expenses	(125,857)
Administrative expenses	(68,484)
Finance costs	(3,556)
Loss before tax	(435,308)
Income tax expense	–
Loss for the period	(435,308)

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

Depreciation of property and equipment	20,578
Depreciation of right-of-use assets	29,523
Loss on disposal of property and equipment	15,122
Gain on early termination of lease contracts	(17,485)
Share-based payment expenses	(10,688)
Expense of short-term leases	736

	Six months ended 30 November 2021 RMB'000 (unaudited)
Cash flows used in discontinued operations	
Net cash outflows from operating activities	(673,444)
Net cash inflows from investing activities	4,903
Net cash outflows from financing activities	(23,661)
Net cash outflows	(692,202)

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

9. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Depreciation of property and equipment	9,301	8,379
Depreciation of right-of-use assets	13,168	9,383
Cost of inventories recognised as expenses	751,704	–
Share-based payment expenses	28,709	143,872

10. EARNINGS/(LOSS) PER SHARE

For continuing operations

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

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Earnings/(loss):		
Earnings/(loss) for the period attributable to owners of the Company	585,293	(543,997)
Less:		
Loss for the period from discontinued operations attributable to owners of the Company	–	(435,308)
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share from continuing operations	585,293	(108,689)

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

10. EARNINGS/(LOSS) PER SHARE (Continued)

Number of shares:

	Six months ended 30 November	
	2022 (unaudited)	2021 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,003,695,178	1,000,690,478
Effect of dilutive potential ordinary shares:		
Share options	59,297,507	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,062,992,685	1,000,690,478

The calculation of diluted loss per share for the six months ended 30 November 2021 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 basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Six months ended 30 November	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited) (restated)
Earnings/(loss):		
Earnings/(loss) for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	585,293	(543,997)

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

From discontinued operations

During the six months ended 30 November 2021, both basic and diluted loss per share for the discontinued operations were RMB0.43 per share based on loss for the period from the discontinued operations of approximately RMB435,308,000 and the denominators detailed above for both basic and diluted loss per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 November 2022 (six months ended 30 November 2021: nil). The board of directors of the Company has determined that no dividend will be paid in respect of the six months ended 30 November 2022 (six months ended 30 November 2021: nil).

12. MOVEMENTS IN PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain office equipment with an aggregate carrying amount of RMB796,000 (six months ended 30 November 2021: RMB18,769,000) for cash proceeds of RMB3,000 (six months ended 30 November 2021: RMB3,647,000), resulting in a loss on disposal of RMB793,000 (six months ended 30 November 2021: RMB15,122,000).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 to 3 years (six months ended 30 November 2021: one to two years). On lease commencement date, the Group recognised right-of-use assets of RMB11,298,000 (six months ended 30 November 2021: RMB2,199,000) and lease liabilities of RMB11,172,000 (six months ended 30 November 2021: RMB2,195,000) after consideration of lease payments made at or before the commencement date.

During the six months ended 30 November 2022, the Group terminated several lease agreements and derecognised right-of-use assets and lease liabilities of RMB6,009,000 and RMB6,705,000 (six months ended 30 November 2021: RMB182,160,000 and RMB201,444,000), respectively, resulting in a gain on termination of RMB935,000 (six months ended 30 November 2021: RMB17,485,000).

13. INTERESTS IN ASSOCIATES

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
Cost of investment in associates	172,470	172,470
Share of results and other comprehensive income	(3,396)	5,681
	169,074	178,151

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
Non-current assets		
Financial assets at FVTPL		
– unlisted equity investments ^(a)	106,965	99,429
Current assets		
Financial assets at FVTPL		
– wealth management products ^(b)	716,066	359,049

- (a) Included in the equity investments are the Group's investments in preferred shares of EEO Group ("EEO") incorporated in PRC.

During the six months ended 30 November 2021, the Group made purchases of online classroom related services from EEO amounting to RMB4,678,000 (six months ended 30 November 2022: nil).

- (b) Wealth management products are purchased from various banks with expected rate of return ranging from 2.05 % to 7.16 % per annum (31 May 2022: 2.25 % to 3.55 %), and maturity period ranging from 1 day to 192 days (31 May 2022: 1 day to 60 days). The principals and returns of these wealth management products are not guaranteed.

15. INVENTORIES

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
Products	258,476	4,600
Products in transit	33,115	33
	291,591	4,633

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

16. TRADE AND OTHER RECEIVABLES

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
Trade receivables	52,792	25,884
Less: allowance for credit losses	(10,359)	(11,315)
	42,433	14,569
Other receivables		
Receivables from third-party payment platforms	151,380	15,134
Others	12,950	7,865
Trade and other receivables	206,763	37,568

The credit terms granted to the institutional customers are within 90 days from the date of invoice.

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

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
1 – 90 days	23,343	11,749
91 – 180 days	14,406	921
181 – 365 days	2,835	1,503
over 365 days	1,849	396
	42,433	14,569

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
Impairment loss recognised (reversed) in respect of:		
Trade receivables	112	(83)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 November 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 May 2022.

18. CONTRACT LIABILITIES

	30 November	31 May
	2022	2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Contract liabilities in relation to:		
Students for online education service	152,381	139,595
Institutional customers for online education service	29,296	23,645
Membership points	44,930	–
	226,607	163,240

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

	30 November	31 May
	2022	2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Expected to be recognised within one year		
Students for online education service	126,693	129,567
Institutional customers for online education service	19,299	23,003
Membership points	44,930	–
Expected to be recognised over one year		
Students for online education service	25,688	10,028
Institutional customers for online education service	9,997	642
Total	226,607	163,240

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

19. TRADE PAYABLES

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

	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)
1 – 90 days	342,668	11,900
91 – 180 days	12,489	2,503
181 days – 1 year	4,113	5,629
1 year – 2 years	3,565	3,316
> 2 years	290	250
	363,125	23,598

Included in trade payables, RMB6,320,000 as at 30 November 2022 (31 May 2022: RMB7,600,000) were amounts due to related parties (details as set out in Note 23), among which RMB2,958,000 (31 May 2022: RMB5,978,000) were aged 1-90 days, RMB2,913,000 (31 May 2022: RMB929,000) were aged 91-180 days, RMB281,000 (31 May 2022: RMB525,000) were aged 181 days-1 year, RMB100,000 (31 May 2022: RMB100,000) were aged 1 year-2 years, and RMB68,000 (31 May 2022: RMB68,000) were aged over 2 years based on the invoice date.

20. 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\$'000	RMB'000
At 1 June 2021	1,000,570,602			20	129
Exercise of share options ^(a)	153,500	0.00002	0.00013	–	–
At 30 November 2021 (unaudited)	1,000,724,102			20	129
At 1 June 2022	1,000,724,102			20	129
Exercise of share options ^(a)	5,065,354	0.00002	0.00014	–	1
At 30 November 2022 (unaudited)	1,005,789,456			20	130

- (a) As a result of exercise of share options, 5,065,354 ordinary shares were issued by the Company during the six months ended 30 November 2022 (six months ended 30 November 2021: 153,500 ordinary shares). Upon the exercise of share options, RMB52,036,000 (six months ended 30 November 2021: RMB1,628,000) was credited to share premium and RMB15,852,000 (six months ended 30 November 2021: RMB507,000) was debited to share option reserve.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

21. SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

On 13 July 2018, the Directors approved an employee's share option plan (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives to directors and eligible employees. The options will expire on 28 March 2025.

The table below discloses movement of the Company's share options under the Pre-IPO Share Option Scheme:

	Number of share options
Outstanding as at 1 June 2021	36,902,985
Forfeited during the period	(280,250)
Exercised during the period	(153,500)
Outstanding as at 30 November 2021 (unaudited)	36,469,235
Outstanding as at 1 June 2022	35,911,985
Exercised during the period	(4,041,600)
Outstanding as at 30 November 2022 (unaudited)	31,870,385

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$29.02 (equivalent to RMB25.46) during the six months ended 30 November 2022 (six months ended 30 November 2021: HK\$10.70, equivalent to RMB8.80).

Post-IPO Share Option Scheme

Post-IPO Share Option I

On 30 January 2019, the Directors approved an employee's share option plan (the "Post-IPO Share Option Scheme") for the purpose of providing incentives to directors and eligible employees. On 29 January 2020, the Company granted a total of 40,000,000 options (the "Post-IPO Share Option I") to directors and employees, pursuant to the Post-IPO Share Option Scheme. The Post-IPO Share Option I will expire on 28 January 2030.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options under 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 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 profit or loss during the six months ended 30 November 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

21. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option I (Continued)

The table below discloses movement of the Company's share options under the Post-IPO Share Option I:

	Number of share options
Outstanding as at 1 June 2021	29,541,815
Forfeited during the period	(10,085,192)
Cancelled during the period	(19,456,623)
<hr/>	
Outstanding as at 30 November 2021 (unaudited)	–

Post-IPO Share Option II

On 25 August 2020, the Company granted a total of 25,000,000 options (the "Post-IPO Share Option II") to employees, pursuant to the Post-IPO Share Option Scheme. The Post-IPO Share Option II will expire on 25 August 2030.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options under the Post-IPO Share Option II 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 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 profit or loss during the six months ended 30 November 2021.

The table below discloses movement of the Company's share options under the Post-IPO Share Option II:

	Number of share options
Outstanding as at 1 June 2021	20,848,000
Forfeited during the period	(6,445,000)
Cancelled during the period	(14,403,000)
<hr/>	
Outstanding as at 30 November 2021 (unaudited)	–

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

21. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option III

On 15 November 2021, the Company granted 48,411,590 options (the “Post-IPO Share Option III”) for the purpose of providing incentives to directors and employees, pursuant to the Post-IPO Share Option Scheme. For the Post-IPO Share Option III, 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 Post-IPO Share Option III will expire on 15 November 2031.

The table below discloses movement of the Company’s share options under the Post-IPO Share Option III:

	Number of share options
Granted on 15 November 2021 and outstanding as at 30 November 2021 (unaudited)	48,411,590
Outstanding as at 1 June 2022	45,994,093
Forfeited during the period	(673,965)
Exercised during the period	(1,023,754)
Outstanding as at 30 November 2022 (unaudited)	44,296,374

The Group recognised the total expense of RMB28,709,000 during the six months ended 30 November 2022 in relation to Post-IPO Share Option III granted by the Company (six months ended 30 November 2021:nil).

The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised was HK\$40.10 (equivalent to RMB36.19) during the six months ended 30 November 2022 (six months ended 30 November 2021:nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

22. 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 at the end of each reporting period. 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 30 November 2022 (unaudited)

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity securities	–	106,965	106,965
Financial assets at FVTPL			
Wealth management products	716,066	–	716,066

Fair value hierarchy as at 31 May 2022 (audited)

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

22. 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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 November 2022 RMB'000 (unaudited)	31 May 2022 RMB'000 (audited)			
Wealth management products issued by banks classified as financial assets at FVTPL	716,066	359,049	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
Private equity investments classified as financial assets at FVTPL	106,965	99,429	Level 3	Income approach – 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 weighted average cost of capital ("WACC").	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 3% (Note I). WACC determined using a Capital Asset Pricing Model is 25% (Note II).
					Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (Note III).



Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

22. 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)

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 RMB280,000 as at 30 November 2022 (31 May 2022: RMB260,000).

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 RMB2,675,000 as at 30 November 2022 (31 May 2022: RMB1,604,000).

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 RMB7,131,000 as at 30 November 2022 (31 May 2022: RMB6,629,000).

The following table represents the reconciliation of level 3 fair value measurements of private equity investments during the six months ended 30 November 2022 and 2021.

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
At the beginning of the period	99,429	207,497
Changes in fair value	7,536	(1,036)
At the end of the period	106,965	206,461

The total gains or losses for the period included an unrealised gain of RMB7,536,000 relating to private equity investments that are measured at fair value at the end of the reporting period (six months ended 30 November 2021: an unrealised loss of RMB1,036,000). Such gains or losses on fair value changes are included in "other income, gains and losses".

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

23. RELATED PARTY TRANSACTIONS

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

	Relationship	Nature of transactions	Six months ended 30 November	
			2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
New Oriental Group	Controlling shareholder of the Company	Trade sales	15,344	8,709
		Trade purchases	22,750	16,556
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding")	A company wholly owned by the Chairman of the Company	Interest expenses on lease liabilities	31	266
		Management fee expenses	102	937
Tencent Holdings Limited ("Tencent" and with its Subsidiaries, collectively "Tencent Group") ^(a)	Non-controlling shareholder of the Company	Trade purchases	3,329	6,739
Beijing Shidai Yuntu Book Co., Ltd. ("Shidai Yuntu")	Associate	Trade sales	–	1,208
		Trade purchases	5	426
Beijing Edutainment World Education Technology Co., Ltd ("Edutainment World") ^(b)	Associate of the Group	Trade sales	1,354	–
		Trade purchases	27	743

- (a) On 15 June 2022 and 16 June 2022, Tencent reduced its shareholding in the Company and ceased to have significant influence over the Company. Tencent Group are no longer related parties of the Group since 16 June 2022.
- (b) 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

23. RELATED PARTY TRANSACTIONS (Continued)

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

Nature of balance		30 November	31 May
		2022	2022
		RMB'000	RMB'000
		(unaudited)	(audited)
New Oriental Group	Trade and other receivables	2,104	1,629
	Prepayments	–	3
	Trade payables	4,625	5,500
	Accrued expenses and other payables	12,491	13,716
Metropolis Holding ^(a)	Leases liabilities	750	2,007
	Trade and other receivables	732	658
	Prepayments	21	24
Tencent Group	Prepayments	81	83
	Trade payables	1,359	1,769
	Accrued expenses and other payables	232	232
Shidai Yuntu	Trade payables	236	231
Edutainment World	Trade and other receivables	1,897	1,447
	Trade payables	100	100

- (a) During the six months ended 30 November 2021, the Group early terminated several lease agreements with Metropolis Holding, a company owned and controlled by Mr. Yu Minhong, Chairman of board of the directors of the Company, and derecognised right-of-use assets and lease liabilities of RMB7,389,000 and RMB8,054,000 (six months ended 30 November 2022: nil and nil), respectively, with a gain of RMB676,000 recognised on termination (six months ended 30 November 2022: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

23. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 November 2022 and 2021 are as follows:

	Six months ended 30 November	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	1,621	1,596
Retirement benefits	60	54
Equity-settled share-based expense	9,239	10,541
	10,920	12,191

The remuneration of directors and key executives is determined by the Directors having regard to the performance of individuals and market trends.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 5 January 2023, the Director proposed to change the English name of the Company from "Koolearn Technology Holding Limited" to "East Buy Holding Limited" and the dual foreign name of the Company from "新東方在線科技控股有限公司" to "東方甄選控股有限公司" (the "Proposed Change of the Company Name") to better reflect the direction in which the Company's current business is developing and the future outlook. The Proposed Change of the Company Name is subject to, among others, the passing of a special resolution at the extraordinary general meeting of the Company held on 31 January 2023.

DEFINITIONS

“Adjusted EBITDA/(LBITDA)”	adjusted EBITDA/(LBITDA) for the period represents profit/(loss) for the period plus income tax expenses, 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 period
“Adjusted Profit/(Loss)”	adjusted profit/(loss) for the period represents profit/(loss) for the period less gain on FVTPL – non-current plus share-based compensation expenses for the period
“ADS(s)”	representing the same number of underlying common shares of New Oriental
“Audit Committee”	the audit committee of the Board
“Beijing Xuncheng”	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 incorporated under the Laws of the PRC on 11 March 2005 and a Consolidated Affiliated Entity
“Board”	the board of Directors
“Business Update Announcement”	the announcement of the Company published on 25 October 2021
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this interim 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
“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
“Consolidated Affiliated Entity”	an entity controlled by the Company through the contractual arrangements
“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 <i>Corporate Governance Code</i> , Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of our Company



Definitions (Continued)

“Employee Participants”	any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the date of grant
“FVTPL”	fair value through profit or loss
“FY2022”	the financial year ended 31 May 2022
“GMV”	gross merchandise volume
“Group” or “our 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
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“K-9”	Kindergarten to Grade Nine
“K-12”	Kindergarten to Grade Twelve
“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 Securities and Futures Commission of Hong Kong) of all relevant jurisdictions, whether at the city, provincial, state or federal level (as appropriate)
“Listing Date”	28 March 2019
“Listing Rules”	the <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> , as amended, supplemented or otherwise modified from time to time
“Model Code”	the <i>Model Code for Securities Transactions by Directors of Listed Issuers</i> set out in Appendix 10 to the Listing Rules

“New Oriental”	New Oriental Education & Technology Group Inc., a company incorporated under the Laws of the Cayman Islands on 16 March 2006, which is dual listed on the New York Stock Exchange (NYSE: EDU) and the Stock Exchange (HKEX: 9901) our Controlling Shareholder
“New Oriental Group”	New Oriental and its subsidiaries
“Post-IPO ESOP”	the share options scheme adopted by our Company on 30 January 2019 and amended from time to time, the details of which are set out in the section headed “Statutory and general information” in Appendix IV to the Company’s prospectus dated 15 March 2019
“Pre-IPO ESOP”	the share options scheme adopted by our Company on 13 July 2018 and amended from time to time, the details of which are set out in the section headed “Statutory and general information” in Appendix IV to the Company’s prospectus dated 15 March 2019. The Pre-IPO ESOP is not subject to Chapter 17 of the Listing Rules
“Prospectus”	the prospectus of our Company dated 15 March 2019 issued in relation to the listing of our Shares on the Main Board of the Stock Exchange
“Reporting Period”	the six months ended 30 November 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SFO”	<i>Securities and Futures Ordinance</i> (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 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, which was completed on 24 December 2020, 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
“SKU”	stock-keeping units
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



Definitions (Continued)

**“subsidiary” or
“subsidiaries”**

has the meaning ascribed to it in the Listing Rules and includes consolidated affiliated entities controlled

“United States”

United States of America, its territories, its possessions and all areas subject to its jurisdiction

“US\$”

United States dollars, the lawful currency of the United States

“%”

per cent