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## KOOLEARN TECHNOLOGY HOLDING LIMITED

新東方在綫科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1797)

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2022, RESIGNATION OF NON-EXECUTIVE DIRECTORS AND CHANGE IN THE COMPOSITION OF AUDIT COMMITTEE

Our Board is pleased to announce the consolidated results of our Group for the Reporting Period, being the financial year ended 31 May 2022. These annual results have been audited by our Company's external auditor, Deloitte Touche Tohmatsu, and reviewed by the Audit Committee.

In this announcement: (a) "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group; and (b) our consolidated financial statements are presented in Renminbi unless otherwise stated, which is our Group's primary functional currency.

### FINANCIAL HIGHLIGHTS

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

Notes:

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

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

## BUSINESS OVERVIEW

### Our business

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

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

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

	<u>FY2022</u>	<u>FY2021</u>
	<u>Student enrolments</u>	<u>Student enrolments</u>
	<u>'000</u>	<u>'000</u>
<b>Students</b>		
College education	<b>546</b>	573
K-12 education <sup>(1)</sup>	<b>1,864</b>	3,315
Pre-school education <sup>(1)</sup>	<u>—</u>	<u>4</u>
<b>Total</b>	<b><u>2,410</u></b>	<b><u>3,892</u></b>

Note:

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

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

	<u>FY2022</u>	<u>FY2021</u>
	<i>RMB</i>	<i>RMB</i>
<b>Formal courses</b>		
College education	<b>1,308</b>	1,303
K-12 education <sup>(1)</sup>	<b>(172)</b> <sup>(2)</sup>	881
Pre-school education <sup>(1)</sup>	<b>—</b>	1,000
	<hr/>	<hr/>
<b>Sub-total average</b>	<b>1,244</b>	1,020
	<hr/>	<hr/>
<b>Entry courses</b>	<b>9</b>	45
	<hr/>	<hr/>
<b>Total average</b>	<b>221</b>	380
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

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

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

## **DEVELOPMENTS DURING THE REPORTING PERIOD**

### **Industry developments**

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

## **Business developments**

### ***Overall financial performance***

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

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

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

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

## ***College education***

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

## ***K-12 education and pre-school education***

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

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

## ***Institutional customers***

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

## *Livestreaming e-commerce*

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

## **FUTURE OUTLOOK BEYOND THE REPORTING PERIOD**

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

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

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

- (b) **Overseas test-preparation:** during the Reporting Period, we have upgraded our three major platforms, including (1) user growth platforms, such as our official e-commerce platform, Koolearn TOEFL and IELTS APP, TOEFL and IELTS mock test platform and the AI test system platform, etc. (2) course delivery platforms, such as Zhixin adaptive learning system (知心自適應學習系統), livestreaming course platform, and learning analysis system, etc.; and (3) user analysis platforms, including various real-time data analysis boards, tips grading systems, etc. In the future, we will continue to improve our product quality and expand the range of our products. In particular, we will develop and offer (a) products with a larger range of international disciplines and background improvement, with the aim to build a complete ecosystem for students who plan to study abroad, and (b) solution-based product portfolio. In addition, we will continue to increase customer acquisition channels, such as acquiring new potential customers through offering exclusive authorised questions on SEO and APPs, and also explore customer acquisition methods adopted by other multi-media platforms. Further, we will actively cooperate with upstream and downstream institutions, such as study abroad agencies and international schools, in order to broaden our customer base.
- (c) **Institutional cooperation:** During the Reporting Period, we have strengthened the cooperation with different schools and institution. In terms of the vocational education, apart from the “Craftsmen in the New Era Institution” (新時代工匠學院) project, we are also investing in the research and development in new energy and smart building projects and all-media operator projects, and planing to establish industrial research institutes in higher vocational and undergraduate colleges. As of 31 May 2022, we have entered into agreements with more than ten schools in relation to the intention to cooperate in industry-education integration projects to cultivate skilled talents. Further, we have also established a strategic cooperation arrangement with JD Logistics Education (京東物流教育). In terms of primary and secondary schools and public libraries, we have increased our investment in content relating to cultural quality education, and in particular, content relating to technology and graphics which is more popular in public libraries. We have also established a strategic cooperation arrangement with China Digital Library (中國數字圖書館) to establish smart reading spaces and smart classrooms in primary and secondary schools and public libraries by leveraging the virtual reality technology and with the aim to improve and enhance the overall development of children.
- (d) **Livestreaming e-commerce business:** We have started this new line of business since 2021 and during the Reporting Period, leveraging the technology of our live-broadcast classrooms with an existing pool of talents, we have established Dong Fang Zhen Xuan, a brand new e-commerce platform for selling high-quality agricultural and other products by using livestreaming marketing. The platform not only offers an alternate outlet for farmers and local companies to sell their high-quality agricultural and other products to a broader customer base, but also provides a platform which offers a large range of quality products with transparency in pricing to consumers. Therefore, we believe that it is worthwhile for our Group to continue engaging in the new business line and shift our strategic focuses to livestreaming e-commerce business. Dong Fang Zhen Xuan will strengthen its team of talented livestreamers to continually create positive, unique and interesting content to attract users to its platform and at the same time promote traditional Chinese culture. On one hand, our Group will continue to pilot livestreaming events on Douyin, exploring different innovative modes of broadcasting, such as bilingual live-broadcasting, indoor and outdoors broadcasting, etc., and continuously broadening and enriching

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

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

## **FINANCIAL REVIEW**

### **Revenue**

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

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

### ***College education***

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

### ***K-12 education and Pre-school education***

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

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

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

### ***Institutional customers***

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

### ***Livestreaming e-commerce***

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

### **Cost of revenue, gross profit/loss and gross margin**

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

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

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

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

### ***College education***

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

Segment gross profit for our college education business decreased by 9.4% from RMB368.5 million in FY2021 to RMB333.9 million in FY2022, and the segment profit margin decreased from 67.1% in FY2021 to 64.5% in FY2022. This was primarily due to an adjustment in business strategy, which led to a reduction in marketing activities, as well as the launching of new product offerings, which required more upfront investment.

### ***Institutional customers***

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

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

### ***Livestreaming e-commerce***

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

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

### **Other income, gains and losses**

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

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

### **Selling and marketing expenses**

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

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

### **Research and development expenses**

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

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

## **Administrative expenses**

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

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

## **Share of results of associates**

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

## **Income tax credit**

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

## **Loss for the year**

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

## **Non-IFRS measures**

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

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

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

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

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

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

## OTHER INFORMATION ABOUT OUR FINANCIAL PERFORMANCE

### Liquidity and capital resources

During the Reporting Period, we met our cash requirements primarily from cash and cash equivalents and proceeds from the Share Subscription. We had cash and cash equivalents of RMB547.4 million as at 31 May 2022 compared to RMB626.6 million as at 30 November 2021 and RMB1.5 billion as at 31 May 2021. We had term deposits of RMB682.6 million as at 31 May 2022, compared to RMB658.7 million as at 30 November 2021 and RMB316.6 million as at 31 May 2021. We also had financial assets (Current) at FVTPL was RMB359.0 million as at 31 May 2022, compared to RMB298.3 million as at 30 November 2021 and RMB624.2 million as at 31 May 2021. Cash and cash equivalents were represented by bank balances and cash; and bank balances and cash comprised of cash and short-term deposits with an original maturity of three months or less. Financial assets (Current) at FVTPL comprised of wealth management products.

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

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

### Cash flow

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

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

### *Net cash used in operating activities*

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

### *Net cash used in investing activities*

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

### *Net cash used in financing activities*

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

### **Capital expenditure**

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

	<b>FY2022</b> <b>RMB'000</b>	FY2021 <b>RMB'000</b>
Purchase of property and equipment	<b>20,333</b>	118,131

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

### **Off-balance sheet commitments and arrangements**

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

### **Future plans for material investments and capital assets**

As at 31 May 2022, we did not have any other foreseeable plans for material investments and capital assets.

### **Material acquisitions and/or disposals of subsidiaries and affiliated companies**

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

### **Employees and remuneration policy**

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

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

### **Foreign exchange risk**

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

### **Indebtedness**

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

### **Pledge of assets**

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

### **Contingent liabilities**

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

### **Purchase, Sale or Redemption of our Listed Securities**

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with Corporate Governance Code**

We are committed to maintaining and promoting stringent corporate governance. The principle of our Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Reporting Period, our Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Previous CG Code**") as stated in Appendix 14 of the Listing Rules.

On 1 January 2022, an amended Corporate Governance Code (the "**New CG Code**") came into effect. 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, our Company was governed by the Previous CG Code. Commencing from 1 June 2022, our Company will be governed by 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.

### **Board Committees**

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

The Audit Committee, together with our Company's external auditor, Deloitte Touche Tohmatsu, have reviewed our Group's audited consolidated financial statements for FY2022. 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.

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

### **Compliance with the Model Code**

We have adopted the Model Code 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.

### **Material litigation**

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

## **Scope of work of our Company’s external auditor**

The figures of our Group’s consolidated results for FY2022, contained in this announcement, have been agreed by our Company’s external auditor, to the figures set out in the audited consolidated financial statements of our Group for FY2022. The external auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The work performed by the external auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the external auditor on this announcement.

## **FINAL DIVIDEND**

The Board does not recommend the distribution of a final dividend for FY2022 (FY2021: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

An annual general meeting of our Company will be held on or around Thursday, 3 November 2022. The register of members of our Company will be closed from Monday, 31 October 2022 to Thursday, 3 November 2022 (both days inclusive) in order to determine the identity of our Shareholders who are entitled to attend this annual general meeting, during which period no share transfers will be registered. To be eligible to attend this annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 28 October 2022.

## **NET PROCEEDS FROM THE SHARE SUBSCRIPTION**

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

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

*Notes:*

- (1) The amounts “utilised during FY2022” are based on the exchange rate of HK\$1.1474:RMB1. The “remaining amount” is calculated as the “Change of use of net proceeds as at 21 January 2022” less the amounts “utilised after the change of use of net proceeds”.
- (2) Prior to the Change in Use of Proceeds, this item was “teachers and teaching staff”, which includes teachers and staff which was engaged in teaching and other education related work. Due to the change in business focus of the Group and with the new livestreaming commerce and intelligent learning products businesses, this item has been changed to “teachers and other business related staff”, which includes teachers for the existing education businesses and also other staff which specialises in the two new business lines. For details, please refer to our circular dated 14 October 2020 and the section “Reasons for the Change in Use of Proceeds” in the announcement of the Company dated 21 January 2022.
- (3) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

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

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company website at [www.koolearn.hk](http://www.koolearn.hk). Our Group's annual report for FY2022 will be published on the same websites of the Stock Exchange and our Company and will be dispatched to our Shareholders in due course.

## **RESIGNATION OF NON-EXECUTIVE DIRECTORS AND CHANGE IN THE COMPOSITION OF AUDIT COMMITTEE**

Our Board announces that Ms. LEUNG Yu Hua Catherine (梁育華) and Mr. WU Qiang (吳強) have resigned from their respective positions as a non-executive Director of our Board, effective from the date of this announcement, to focus on their other professional obligations. Ms. LEUNG and Mr. WU have each confirmed that, as of the date of this announcement, they do not have any claims against our Company in relation to their resignation from our Board and that there are no disagreements with our Board. There are no other matters relating to Ms. LEUNG's or Mr. WU's resignation that ought be disclosed. We sincerely thank Ms. LEUNG and Mr. WU for their service and contribution to our Company and we wish Ms. LEUNG and Mr. WU well in their future endeavours.

Upon Mr. WU's resignation becoming effective, Mr. WU will cease to be a member of the Audit Committee and Mr. LIN Zheyin will be appointed as a member of the Audit Committee with effect from the date of this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

Other than as disclosed in this announcement, there are no significant events affecting our Group have occurred since the end of the Reporting Period to the date of this announcement.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2022

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> <i>(Restated)</i>
<b>Continuing operations</b>			
Revenue	3	<b>600,526</b>	623,630
Cost of revenue	3	<b>(209,674)</b>	(188,602)
Gross profit		<b>390,852</b>	435,028
Other income, gains and losses, net	4	<b>70,665</b>	(99,207)
Impairment losses recognised under expected credit loss model, net		<b>(2,635)</b>	(5,702)
Selling and marketing expenses		<b>(270,113)</b>	(319,908)
Research and development expenses		<b>(64,427)</b>	(121,787)
Administrative expenses		<b>(214,146)</b>	(148,461)
Share of results of associates		<b>3,085</b>	7,788
Finance costs	5	<b>(2,580)</b>	(2,736)
Loss before tax		<b>(89,299)</b>	(254,985)
Income tax credit	6	<b>18,305</b>	1,000
Loss and total comprehensive expense for the year from continuing operations	7	<b>(70,994)</b>	(253,985)
<b>Discontinued operations</b>	8		
Loss and total comprehensive expense for the year from discontinued operations		<b>(462,970)</b>	(1,404,407)
<b>Loss and total comprehensive expense for the year</b>	7	<b>(533,964)</b>	(1,658,392)
Loss and total comprehensive expense for the year attributable to owners of the Company			
— from continuing operations		<b>(70,984)</b>	(253,985)
— from discontinued operations		<b>(462,970)</b>	(1,404,407)
		<b>(533,954)</b>	(1,658,392)
Loss and total comprehensive expense for the year attributable to non-controlling interests			
— from continuing operations		<b>(10)</b>	—
— from discontinued operations		<b>—</b>	—
		<b>(10)</b>	—

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> <i>(Restated)</i>
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		<b>(533,954)</b>	(1,658,392)
Non-controlling interests		<b>(10)</b>	—
		<u><b>(533,964)</b></u>	<u>(1,658,392)</u>
<b>Loss per share</b>	9		
From continuing and discontinued operations Basic and diluted (RMB)		<b>(0.53)</b>	(1.72)
From continuing operations Basic and diluted (RMB)		<b>(0.07)</b>	(0.26)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2022

	<i>NOTES</i>	At 31 May 2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current Assets</b>			
Property and equipment		34,409	113,552
Right-of-use assets		48,107	302,622
Interests in associates		178,151	90,246
Financial assets at fair value through profit or loss	11	99,429	207,497
Deposits for acquisition of property and equipment		72	4,188
Refundable rental deposits		7,744	20,467
		<u>367,912</u>	<u>738,572</u>
<b>Current Assets</b>			
Inventories		4,633	—
Trade and other receivables	12	37,568	30,881
Prepayments		60,198	55,417
Financial assets at fair value through profit or loss	11	359,049	624,235
Term deposits		682,588	316,649
Bank balances and cash		547,445	1,519,564
		<u>1,691,481</u>	<u>2,546,746</u>
<b>Current Liabilities</b>			
Lease liabilities		27,529	104,316
Contract liabilities	13	163,240	397,461
Refund liabilities	14	13,926	93,293
Trade payables	15	23,598	42,909
Accrued expenses and other payables		163,236	404,863
Income tax payables		1,798	—
		<u>393,327</u>	<u>1,042,842</u>
<b>Net current assets</b>		<u>1,298,154</u>	<u>1,503,904</u>
<b>Total assets less current liabilities</b>		<u>1,666,066</u>	<u>2,242,476</u>
<b>Capital and Reserves</b>			
Share capital		129	129
Reserves		1,640,879	2,008,743
Equity attributable to owners of the Company		<u>1,641,008</u>	<u>2,008,872</u>
Non-controlling interests		—	—
<b>Total equity</b>		<u>1,641,008</u>	<u>2,008,872</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		3,818	24,092
Lease liabilities		21,240	209,512
		<u>25,058</u>	<u>233,604</u>
<b>Net assets</b>		<u>1,641,008</u>	<u>2,008,872</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is an investment holding company. The principal activities of the Group are providing online education service to pre-school children, primary and middle school students (such business was discontinued during the year ended 31 May 2022 (Note 8)), college students and other occupational people. The Group operates a business to business platform using online education modules to provide software-as-a-service online education service to institutional customers such as public libraries and universities. During the current year, the Group has started livestreaming e-commerce business for sales of products to individual customers and others.

The shares of the Company have been listed on the Stock Exchange with effect from 28 March 2019.

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

On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of six years and middle school education of 3 years, together as the “**Compulsory Stage Education**”)” (the “**Opinion**”). The Opinion has a material adverse impact on the Group’s after-school tutoring services relating to academic subjects in the PRC’s Compulsory Stage Education, which is part of the Group’s K12 education business. In order to fully comply with the Opinion, the Group ceased its K12 and pre-school businesses during the year ended 31 May 2022, which were presented as discontinued operations in the consolidated financial statements. Accordingly, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2021 has been restated to present such businesses as discontinued operations.

## Basis of preparation of consolidated financial statements

### *Contractual Arrangements*

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

- expose, or has rights, to variable returns from its involvement with the Consolidated Affiliated Entities and has ability to affect those returns through its power over the Consolidated Affiliated Entities;
- exercise equity holders’ controlling voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC laws. Dexin Dongfang may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dexin Dongfang; and
- obtain a pledge over the entire equity interest of the Beijing Xuncheng from their equity holders as collateral security for all of Beijing Xuncheng’s and Kuxue Huisi’s payments due to Dexin Dongfang and to secure performance of Beijing Xuncheng’s and Kuxue Huisi’s obligations under the Contractual Arrangements.

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

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS(s)”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 June 2021 for the preparation of the consolidated financial statements:

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

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

### *New and amendments to IFRSs in issue but not yet effective*

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

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>1</sup>

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

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

3 Effective for annual periods beginning on or after a date to be determined

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

### 3. SEGMENT INFORMATION

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

Operating segments regarding the online education service targeted to the Compulsory Stage Education and the high school education (“**K12 Education**”) and online education service targeted to pre-school children (“**Pre-school Education**”) were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 8.

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

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows.

1. College Education — online education service targeted to college and above students and adults.
2. Institutional Customers — online education service provided to institutional customers.
3. Livestreaming E-Commerce — online live e-commerce with goods sold to individual customers and others.

#### For the year ended 31 May 2022

#### Continuing operations

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

## For the year ended 31 May 2021 (restated)

### Continuing operations

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment gross profit is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Segment gross profit is gross profit earned by each segment, other income, gains and losses, impairment losses reversed or recognised under expected credit loss model, net, selling and marketing expenses, research and development expenses, administrative expenses, share of results of associates and finance costs are excluded from segment results.

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

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

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

#### 4. OTHER INCOME, GAINS AND LOSSES

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

Notes:

- (i) Government grants amounted to RMB1,243,500 (2021: Nil) and RMB71,000 (2021: RMB1,489,000) have been recognised for the subsidies relating to business development in Wuhan and Beijing and job stabilization during the year ended 31 May 2022. For the year ended 31 May 2021, government grants amounted to RMB1,000,000 (2022: Nil) have been recognised for the subsidies relating to enterprise research and development expenditure. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the year in which they were recognised.
- (ii) Additional VAT input deduction amounted to RMB2,542,000 (2021: RMB7,268,000) was recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No. 39, the Group is eligible for additional VAT credits by 10% of the current period creditable VAT input from 1 April 2019 to 31 December 2021. The implementation period was further extended to 31 December 2022 according to announcement No. 11 by General Department of Taxation in 2022.

#### 5. FINANCE COSTS

	Year ended 31 May	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
<b>Continuing operations</b>		
Interest on lease liabilities	<b>2,580</b>	2,736

## 6. INCOME TAX CREDIT

	Year ended 31 May	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
<b>Continuing operations</b>		
Current tax:		
PRC enterprise income tax	<b>1,969</b>	556
Deferred tax	<b>(20,274)</b>	(1,556)
	<u><b>(18,305)</b></u>	<u>(1,000)</u>

## 7. LOSS FOR THE YEAR

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

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

*Note:*

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

## 8. DISCONTINUED OPERATIONS

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

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

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

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

### Staff cost

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

## 9. LOSS PER SHARE

### For continuing operations

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
<b>Loss:</b>		
Loss for the year attributable to owners of the Company	<b>(533,954)</b>	(1,658,392)
<b>Less:</b>		
Loss for the year from discontinued operations attributable to owners of the Company	<u><b>(462,970)</b></u>	<u>(1,404,407)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u><b>(70,984)</b></u>	<u>(253,985)</u>
	<b>2022</b>	2021
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><b>1,000,706,916</b></u>	<u>966,045,935</u>

The diluted loss per share for both years does not assume the exercise of the Company's share options since the assumed exercise of share options would result in a decrease in loss per share.

### From continuing and discontinued operations

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

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

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

## From discontinued operations

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

## 10. DIVIDENDS

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

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### Notes:

- (i) The unlisted equity investment as at 31 May 2021 is the Group's investment in preferred shares of Edutainment World and EEO Education Technology Co., Ltd. ("EEO") incorporated in the PRC and the Cayman Islands respectively. During the current year, the investment in Edutainment World was transferred from financial assets at FVTPL to investment in associate.
- (ii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.25 % to 3.55% (2021: 2.7% to 3.9%) per annum, and maturity period ranging from 1 day to 60 days (2021: 1 day to 182 days). The principals and returns of these wealth management products are not guaranteed.

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

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

## 12. TRADE AND OTHER RECEIVABLES

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

*Note:*

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

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

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

### 13. CONTRACT LIABILITIES

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

### 14. REFUND LIABILITIES

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Refund liabilities		
Arising from right of refund	<b>13,926</b>	93,293
	<u><b>13,926</b></u>	<u>93,293</u>

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

### 15. TRADE PAYABLES

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

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

## DEFINITIONS

Unless otherwise stated or set out below, capitalised terms have the same meaning as defined below.

“APP”	software that causes a computer, smartphone, or electronic mobile device to perform tasks, specifically in our Company’s context, it refers to an English-learning application
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“China” or “the PRC”	the People’s Republic of China
“Company”	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
“Corporate Governance Code”	the <i>Corporate Governance Code</i> as set out in Appendix 14 to the Main Board Listing Rules, as amended from time to time
“DFUB”	an online education platform operating by Dongfang Youbo, including the website at <a href="http://dfub.xdf.cn/">http://dfub.xdf.cn/</a> and related APPs
“Director(s)”	the directors of our Company
“Donut APP”	Donut English-learning application
“FVTPL”	fair value through profit or loss
“Global Offering”	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus and set out in the section headed “Structure of the Global Offering” therein)
“Group”	the Company and its subsidiaries from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

<b>“IELTS”</b>	International English Language Testing System, an international standardised test for English language proficiency jointly owned by the British Council, IDP: IELTS Australia and Cambridge Assessment English
<b>“IFRS(s)”</b>	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
<b>“K-9”</b>	Kindergarten to Grade Nine
<b>“K-12”</b>	Kindergarten to Grade Twelve
<b>“Listing Rules”</b>	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
<b>“Model Code”</b>	the <i>Model Code for Securities Transactions by Directors of Listed Issuers</i> as set out in Appendix 10 to the Main Board Listing Rules
<b>“New Oriental Group”</b>	New Oriental Education & Technology Group Inc.
<b>“New Regulations”</b>	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
<b>“Post-IPO ESOP”</b>	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 Prospectus
<b>“Previous Period” or “FY2021”</b>	the financial year ended 31 May 2021
<b>“Prospectus”</b>	the prospectus of the Company in relation to the listing of the Shares on the Main Board of the Stock Exchange and the Global Offering dated 15 March 2019
<b>“Reporting Period” or “FY2022”</b>	the financial year ended 31 May 2022
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of China
<b>“SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)”	ordinary share(s) in the share capital of the 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 the Subscribers for a subscription price of HK\$30.00 per subscription share, which was completed on 24 December 2020, the further details of which are contained in the Company’s circular dated 14 October 2020 and our Company’s interim report for the six months ended 30 November 2021, both of which are available for viewing the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the website of our Company at <a href="http://www.koolearn.hk">www.koolearn.hk</a>
“Subscribers”	New Oriental Group and Tigerstep
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tigerstep”	Tigerstep Developments Limited, a company incorporated under the Laws of the British Virgin Islands, and a connected person of the Company
“TOEFL”	Test of English as a Foreign Language, an international standardised test for English language proficiency designed and administered by the Educational Testing Service (or ETS)

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

Hong Kong, 26 August 2022

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