



在线学习 当然新东方在线

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



2022 Interim Report





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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Mr. YIN Qiang (尹強), *Chief financial officer*

Non-executive Directors

Mr. YU Minhong (俞敏洪), *Chairman*

Ms. SUN Chang (孫暢)

Mr. WU Qiang (吳強)

Ms. LEUNG Yu Hua Catherine (梁育華)

Independent non-executive Directors

Mr. TONG Sui Bau (董瑞豹)

Mr. KWONG Wai Sun Wilson (鄺偉信)

Mr. LIN Zheyang (林哲瑩)

Board committees

Audit committee

Mr. TONG Sui Bau, *Committee chairman*

Mr. WU Qiang

Mr. KWONG Wai Sun Wilson

Remuneration committee

Mr. LIN 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 Laws and United States Laws

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC Laws

Beijing Tian Yuan Law Firm

As to Cayman Islands Laws

Conyers Dill & Pearman

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited

Principal share registrar

Conyers Trust Company (Cayman) Limited

Principal bank

Bank of China (Hong Kong) Limited

Stock code

1797

Website

www.koolearn.hk

FINANCIAL HIGHLIGHTS

Key financial highlights

	Six months ended 30 November 2021 RMB'000 (unaudited)	Six months ended 30 November 2020 RMB'000 (unaudited)	Period-on-period change %
Revenue	573,509	676,755	(15.3)
Loss for the period before tax	(542,143)	(667,402)	(18.8)
Income tax expense	(1,854)	(7,024)	(73.6)
Loss for the period	(543,997)	(674,426)	(19.3)
Loss for the period attributable to:			
— Owners of our Company	(543,997)	(674,426)	(19.3)
— Non-controlling interests	—	—	—
Loss per share:			
— Basic and diluted (RMB)	(0.54)	(0.72)	(25.0)
Non-IFRS measure: Adjusted Loss ⁽¹⁾	(409,777)	(661,413)	(38.0)
Non-IFRS measure: LBITDA ⁽²⁾	(348,363)	(507,609)	(31.4)

(1) Adjusted loss (“**Adjusted Loss**”) for a given period represents loss for the period less (losses) gain on fair value changes of financial assets at fair value through profit or loss (“**FVTPL**”) plus share-based compensation expenses for that period.

(2) Losses before interest, taxes, depreciation, and amortisation (“**LBITDA**”) represents loss for a given period plus income tax expense, share-based compensation expenses, finance costs, impairment losses (reversed) recognised under expected credit loss model, net, depreciation of property and equipment and depreciation of right-of-use assets, less other income, gains and losses, for that period.

BUSINESS OVERVIEW AND OUTLOOK

Our business

We are a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognised brands known for 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.

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 2021 Student enrolment '000	For the six months ended 30 November 2020 Student enrolment '000
Students		
College education	275	299
K-12 education ⁽¹⁾	1,867	1,838
Pre-school education	—	3
Total	2,142	2,140

Note:

- (1) The Company adjusted its business line during the Reporting Period, including the cessation of its K-9 business in November 2021 (see the Business Update Announcement).

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 2021 RMB	For the six months ended 30 November 2020 RMB
Formal courses		
College education	1,249	1,282
K-12 education ⁽¹⁾	N/A ⁽²⁾	892
Pre-school education	—	990
Sub-total average	1,130	1,010
Entry courses	9	41
Total average	127	369

Note:

- (1) The Company adjusted its business line during the Reporting Period, including the cessation of its K-9 business in November 2021 (see the Business Update Announcement).
- (2) There were tuition fee refunding due to the New Regulations.

Our performance overview

We have been continually dedicated to complying with laws and regulations. In response to the changing landscape of the education industry in China and around the world, we have been shifting our strategic focus and proactively adjusting our four business lines and service offerings. In light of changes in both the education market and our business strategy over the Reporting Period, total net revenues decreased by 15.3% from RMB676.8 million for the six months ended 30 November 2020 to RMB573.5 million over the Reporting Period. The number of student enrolments stabilised at 2.1 million. In the college education segment, we further strengthened our investment through innovative technology system, new learning products and services, and more integrated sales channels between online and offline avenues, which we believe will lay a solid foundation for our sustainable growth going forward. In the K-12 and pre-school segment, after the PRC government released opinions on further reducing student burden from homework and off-campus tutoring in compulsory education in July 2021, we wound down our traditional tutoring subjects and reoriented ourselves towards more quality-oriented and holistic online educational products and services, including, among others, STEAM (science, technology, engineering, arts and mathematics) courses and smart learning hardware. Concurrent with our business development, we have continued to be driven by our goal to using education to improve public welfare. During the Reporting Period, this included us co-organising Tianjin University teaching support courses (支教課) to aid the revitalisation of rural area education and achieve the goal of equal access to education.

College education

In the 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 college test preparation product structure, concentrating on the higher-end and more intensive college test preparation product/service business. This has increased our average spending per enrolment in formal courses of college test preparation business from RMB981 for the six months ended 30 November 2020 to RMB1,023 over the Reporting Period. While in the process of designing new products and upgrading our core products, we also introduced more entry-level courses for overseas test preparation, to attract a more diverse consumer group that is presently outside of our existing customer base, and focusing on how to better meet the demands of our customers and cultivating greater brand loyalty for existing customers. As we continued to navigate the transitional effects from optimising our product lines and further impact from COVID-19 waves which have resulted in continued low demand in students sitting overseas exams, our student enrolment numbers in the college education segment decreased over the Reporting Period, recording 275 thousand in the Reporting Period, compared with 299 thousand for the six months ended 30 November 2020.



Business Overview and Outlook (Continued)

K-12 education

During the Reporting Period, our K-12 course offerings primarily included Koolearn K-12 courses and DFUB courses.

In our K-12 education segment, the total net revenue decreased period-on-period by 19.7% while student enrolments increased period-on-period by 1.6%. In compliance with the New Regulations, the Company has ceased offering tutoring services relating to academic subjects to students in K-9 at the end of 2021. See our Business Update Announcement for more information.

Pre-school education

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 investment in Donut APP and relevant courses.

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 “HarmonyOS” (鴻蒙系統), to provide high-quality educational content to more users.

Strategic update and future development

Looking forward, in view of the New Regulations, we have been actively seeking new market opportunities by leveraging our existing infrastructure and technology, shifting our strategic focus and proactively adjusting our existing business lines and service offerings. On the 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 are implementing structural changes to meet the needs of a changing regulatory and educational environment, by actively exploring new initiatives, to broaden our customer base and offerings. Our new initiatives, that we have been exploring, include livestream marketing of agricultural and other products and developing new intelligent learning innovations. We remain firmly committed to fulfilling our social responsibilities. 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.

Business Overview and Outlook (Continued)

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

- (a) **College education:** we have laid a solid foundation in adult-student training, whilst our primary focus remains on educational offerings for postgraduate entrance exams, we plan to extend our product range by offering new courses targeted for junior college to bachelor degree transfer students, and also broadening the scope of subjects offered (such as tutoring courses for masters of business administration (or MBA), masters of public administration (or MPA) and masters of engineering management (or MEM)). In addition, we will also continue to strengthen our cooperation with offline schools of New Oriental, our parent company, in respect of course content, teaching, marketing and sales channels. We believe this would enable us to upgrade our customer acquisition channels and further expand our student base in order to offer more differentiated services and alternative solutions to our customers.
- (b) **Overseas test-preparation:** during the Reporting Period, we have undergone organisational changes in order to better coordinate the functions of different product lines relating to overseas examination and online operation. We believe that this can strengthen the coordination and synergy between departments, improve efficiency and reduce costs whilst maintaining our product quality. In addition, we have further expanded the range of our international education products (such as offering zero-based courses, Cambridge International English courses, International Baccalaureate courses and one-year Ontario Secondary School Diploma courses), and improved the content of our international courses (such as U.K. A-Level and U.S. Advanced Placement courses). Further, we will continue to explore new market opportunities, including developing online-merge-offline (or OMO) teaching, which we expect to be completed and launched soon.
- (c) **Institutional cooperation:** Looking forward, we will continue to strengthen the cooperation with various universities and institutions, and actively explore the development of vocational education. According to the “Opinions on Promoting the Development of High-quality Modern Vocational Education” published by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC, we have actively participated in projects which aim to integrate vocational and industry education initiated by the relevant authorities in China during the Reporting Period, utilising the Group’s advantages in its integration of technology and education. Among them, we have participated in 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, which aims to nurture craftsmanship for the nation, and have started developing more than 30 professional online courses relating to intelligent manufacturing, fine machining, mechatronics, Computer Numerical Control (or CNC) machining, precision mechanical assembly, and CNC programming, for vocational colleges in China. To date, a number of schools across China have communicated with us on the overall plan of the curriculum and talent training. In addition, we have also launched the “Oriental Tree” (東方樹) comprehensive quality education platform. To date, more than 20 schools across China have communicated with us on the implementation plan of such platform and some of these schools have already entered into contracts with the Group and completed the implementation of the platform.



Business Overview and Outlook (Continued)

- (d) **Livestream commerce business:** leveraging on the technology developed for our original live-broadcast classrooms and with our existing team of talents, we target to establish an e-commerce platform for the sale of agricultural and other products. Towards the end of December 2021, we began pilot livestreaming events on some famous short-video platform such as Douyin. We have continually enriched and broadened the categories of products offered on those platforms, and have made notable progress. Looking forward, we aim to promote traditional Chinese culture and high-quality agricultural and other products from different places of origin in China through our livestreaming business. We also expect to be able to promote the agriculture industry in China through livestream marketing.

- (e) **Intelligent learning products:** the industry of intelligent learning products has developed rapidly in recent years due to advancements in online technology and artificial intelligence. The Company has been engaged in the field of education for over a decade and has not only accumulated educational content, learning methods and related concepts, but has also gained a deep understanding of students' study habits and behaviours. Relying on these experiences, we have built strategic alliances with "Tmallgenie" (天貓精靈) in developing intelligent learning products aimed to meet the specific needs of users and to explore different opportunities on how to best integrate technology into education. We expect to be able to bring more scenario-based and intelligent learning experiences to our users through the development of our intelligent learning products 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 to develop our existing businesses. We remain confident that, going forward, we are able to positively follow and cope with the changes in the regulatory environment in China and continue to grow and consolidate our market share in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue decreased by 15.3% from RMB676.8 million in the six months ended 30 November 2020 to RMB573.5 million in the six months ended 30 November 2021.

College education

Revenue from our college education segment decreased by 8.5% from RMB292.4 million in the six months ended 30 November 2020 to RMB267.6 million in the six months ended 30 November 2021. The decrease was mainly due to adjustment in core products and marketing strategies. The student enrolments in the college education segment decreased from 299 thousand in the six months ended 30 November 2020 to 275 thousand in the six months ended 30 November 2021.

K-12 education

Reference is made to the announcement of the Company published on 26 July 2021 in relation to the update on the New Regulations and the Business Update Announcement. As a result of our Group ceasing our K-9 business during the Reporting Period, revenue from our K-12 education segment decreased by 19.7% from RMB336.9 million in the six months ended 30 November 2020 to RMB270.5 million in the six months ended 30 November 2021. Student enrolments in the K-12 education segment increased by 1.6% from 1.8 million in the six months ended 30 November 2020 to 1.9 million in the six months ended 30 November 2021. We will not take in any new student enrolments for our K-12 segment and have begun gradually winding down student enrolments in our K-12 business by the end of FY2022.

Pre-school education

Revenue from our pre-school education segment decreased by 62.2% from RMB4.4 million in the six months ended 30 November 2020 to RMB1.7 million in the six months ended 30 November 2021, primarily due to the impact from the New Regulations.

Institutional customers

Revenue from our institutional customers decreased by 21.6% from RMB43.0 million in the six months ended 30 November 2020 to RMB33.7 million in the six months ended 30 November 2021.

Cost of revenue, gross profit/loss and gross margin

Our total cost of revenue decreased by 23.5% from RMB523.6 million in the six months ended 30 November 2020 to RMB400.5 million in the six months ended 30 November 2021, primarily because we gradually ceased our K-9 business due to the New Regulations.

Our gross profit increased by 13.0% from RMB153.1 million in the six months ended 30 November 2020 to RMB173.0 million in the six months ended 30 November 2021. Our gross profit margin increased from 22.6% in the six months ended 30 November 2020 to 30.2% in the six months ended 30 November 2021, primarily due to the winding down of our K-9 business, which had incurred gross losses in the financial years ended 31 May 2020 and 2021.



Management Discussion and Analysis (Continued)

College education

Cost of revenue for our college education segment increased by 29.4% from RMB90.3 million in the six months ended 30 November 2020 to RMB116.8 million in the six months ended 30 November 2021, primarily due to the cost related to the cancellation and issuance of options under the Post-IPO ESOP.

Segment gross profit for our college education business decreased by 25.4% from RMB202.2 million in the six months ended 30 November 2020 to RMB150.9 million in the six months ended 30 November 2021, and the segment gross profit margin decreased from 69.1% in the six months ended 30 November 2020 to 56.4% in the six months ended 30 November 2021.

K-12 education

Cost of revenue for our K-12 education segment decreased by 34.7% from RMB426.0 million in the six months ended 30 November 2020 to RMB278.2 million in the six months ended 30 November 2021, primarily due to the winding down of our K-12 business overall and ceasing our K-9 business during the Reporting Period.

The segment gross loss for our K-12 business was RMB7.7 million in the six months ended 30 November 2021, compared to a segment gross loss of RMB89.1 million in the six months ended 30 November 2020. The segment gross loss margin was 2.8% in the six months ended 30 November 2021, compared to a segment gross loss margin of 26.5% in the six months ended 30 November 2020.

Pre-school education

Cost of revenue for our pre-school education segment decreased by 73.0% from RMB3.7 million in the six months ended 30 November 2020 to RMB1.0 million in the six months ended 30 November 2021, primarily due to the cessation of investment in Donut APP and its courses.

Segment gross profit for our pre-school education business recorded RMB0.7 million in the six months ended 30 November 2021, compared to segment gross profit of RMB0.7 million in the six months ended 30 November 2020, and the gross profit margin increased from 16.2% to 40.0%.

Management Discussion and Analysis (Continued)

Institutional customers

Cost of revenue for services to institutional customers increased by 25.5% from RMB3.6 million in the six months ended 30 November 2020 to RMB4.6 million in the six months ended 30 November 2021.

Segment gross profit for our services to institutional customers decreased by 26% from RMB39.4 million in the six months ended 30 November 2020 to RMB29.1 million in the six months ended 30 November 2021, and the gross profit margin decreased from 91.5% to 86.4%.

Other income, gains and losses

Our other income, gains and losses decreased by 80.6% from RMB64.0 million in the six months ended 30 November 2020, to RMB12.4 million in the six months ended 30 November 2021, primarily due to the decrease in gain on changes in fair value of financial assets at FVTPL.

Selling and marketing expenses

Our selling and marketing expenses decreased by 33.9% from RMB515.3 million in the six months ended 30 November 2020 to RMB340.8 million in the six months ended 30 November 2021, primarily due to the reduction in marketing expenditures and marketing personnel expenses in K-12 business caused by the winding down of our K-9 business and the New Regulations.

Research and development expenses

Our research and development expenses decreased by 33% from RMB234.1 million in the six months ended 30 November 2020 to RMB156.8 million in the six months ended 30 November 2021, primarily due to a decrease in staff cost as our technology infrastructure becomes more established and new businesses that we have started fostering during the Reporting Period, which required less research and development, technological staff and engineers.

Administrative expenses

Our administrative expenses increased by 77.3% from RMB128.1 million in the six months ended 30 November 2020 to RMB227.1 million in the six months ended 30 November 2021, primarily due to an increase in share-based compensation expenses as we have canceled and issued options under the Post-IPO ESOP, given the shift in our strategic focus in response to the changing environment.

Share of result of associates

Our share of profit of associates decreased by 33.9% from RMB3.5 million in the six months ended 30 November 2020 to RMB2.3 million in the six months ended 30 November 2021, primarily due to a decrease in profits from our share of the results of Beijing Shidai Yuntu Book Co. Ltd.



Management Discussion and Analysis (Continued)

Income tax expenses

From the six months ended 30 November 2020 to the six months ended 30 November 2021, our income tax expenses decreased by 73.6%, from RMB7.0 million to RMB1.9 million, primarily due to the decrease of deferred tax liabilities during the Reporting Period.

Loss for the period

As a result of the above, our loss for the period decreased by 19.3% from RMB674.4 million in the six months ended 30 November 2020 to RMB544.0 million in the six months ended 30 November 2021.

Non-IFRS measures

To supplement the financial information that is prepared and present in accordance with IFRS, we also used Adjusted Loss and 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 LBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool and you should not consider it in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define Adjusted Loss as loss for the period less (losses) gain on fair value changes of financial assets at FVTPL plus share-based compensation expenses for that period. We have defined LBITDA as loss for a given period plus income tax expense, share-based compensation expenses, finance costs, impairment losses (reversed) recognised under expected credit loss model, net, depreciation of property and equipment and 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 net loss to Adjusted Loss:

	Six months ended 30 November 2021 RMB'000 (unaudited)	Six months ended 30 November 2020 RMB'000 (unaudited)
Reconciliation of our loss for the period to Adjusted Loss:		
Loss for the period	(543,997)	(674,426)
Less:		
(Losses) gain on fair value changes of financial assets at FVTPL		
— Non-current assets	(1,036) ⁽¹⁾	134,092 ⁽¹⁾
Add:		
Share-based compensation expenses	133,184	147,105
Adjusted Loss for the period	(409,777)	(661,413)

Note:

- (1) During the Reporting Period, gain on fair value changes of financial assets at FVTPL includes interest income from wealth management products, which is excluded for calculation of adjusted loss.

Management Discussion and Analysis (Continued)

The following table reconciles our loss to LBITDA:

	Six months ended 30 November 2021 RMB'000 (unaudited)	Six months ended 30 November 2020 RMB'000 (unaudited)
Reconciliation of loss for the period to LBITDA		
Loss for the period	(543,997)	(674,426)
Add:		
Income tax expense	1,854	7,024
Share-based compensation expenses	133,184	147,105
Finance costs	5,221	7,373
Impairment losses (reversed) recognised under expected credit loss model, net	(83)	3,145
Depreciation of property and equipment	28,957	17,793
Depreciation of right-of-use assets	38,906	48,335
Less:		
Other income, gain and losses	12,405	63,958
LBITDA	(348,363)	(507,609)

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 RMB626.6 million as at 30 November 2021 compared to RMB1.5 billion as at 31 May 2021 and RMB1.9 billion as at 30 November 2020. We had term deposits of RMB658.7 million as at 30 November 2021 compared to RMB316.6 million as at 31 May 2021 and RMB330.4 million as at 30 November 2020. In compliance with the New Regulations, we also had RMB7.7 million restricted cash 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.

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, as described in the Company's announcements dated 8 September 2020, 28 September 2020, 5 November 2020 and 24 December 2020, and the circular of the Company dated 14 October 2020.

Management Discussion and Analysis (Continued)

Capital expenditure

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

	Six months ended 30 November 2021 RMB'000 (unaudited)	Six months ended 30 November 2020 RMB'000 (unaudited)
Purchase of property and equipment	18,742	59,714

Our capital expenditures were primarily for purchases of property and equipment in the six months ended 30 November 2020 and 2021, respectively. Our purchases of property and equipment were RMB59.7 million and RMB18.7 million for the six months ended 30 November 2020 and 2021, respectively.

Off-balance sheet commitments and arrangements

As of 30 November 2021, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As of 30 November 2021, we did not have any other foreseeable plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies


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

Employees and remuneration policy

As at 30 November 2021, we had 1,224 full-time employees and 679 part-time employees (30 November 2020: 7,588 full-time employees and 5,756 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 2021 was RMB732.5 million, representing a period on period decrease of 25%.



Management Discussion and Analysis (Continued)

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 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 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 2021, none of our Group's assets were pledged.

Contingent liabilities

As of 30 November 2021, we did not have any material contingent liabilities.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors and chief executives

As at 30 November 2021, 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 executives do not hold any short positions in Shares.

Interest in our Shares

Name of Director or chief executive	Nature of interest	Relevant entity	Number of 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	2.27%
	Beneficiary of a trust	Tigerstep	27,182,832	2.72%
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%
Mr. Wu Qiang ⁽⁶⁾ ("Mr. Wu")	Beneficial owner		1,650,000	0.16%

Notes:

- (1) The percentages are calculated based on our Company's total number of issued shares, being 1,000,724,102 Shares, as at 30 November 2021.
- (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.
- (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.
- (6) These interests comprise: 1,350,000 Shares and 300,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Wu under the Pre-IPO ESOP and Post-IPO ESOP, respectively.

Other Information (Continued)

Interest in our Controlling Shareholder

Name of Director or chief executive	Nature of interest	Total number of shares	Percentage of shareholding in New Oriental ⁽¹⁾
Mr. Yu ⁽¹⁾	Interest in a controlled corporation; beneficiary of a trust	201,634,600	11.9%

Note:

- (1) According to the best knowledge of our Directors and publicly available information of New Oriental accessed as at the end of the Reporting Period (being the Schedule 13G/A filed with the SEC on 27 January 2022), this interest represents: (i) 169,235,000 Shares held by Tigerstep, a company wholly-owned by Mr. Yu, and (ii) 32,399,600 American depositary shares (“ADSs”) (representing the same number of underlying shares of New Oriental), which consist of 32,150,540 ADSs held by Tigerstep and 249,060 ADSs held by Mr. Yu. On 10 March 2021, New Oriental completed a share subdivision, upon which each former common share became ten new common shares and each former ADS became ten new ADSs (representing ten new common shares). The figures in the table represent new common shares. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

Interest in our associated corporations (other than New Oriental)

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

Notes:

- (1) 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, 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 2021, as far as our Directors are aware, the following persons (other than our Directors and the chief executive of our Company) had interests or short positions in our Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO. All of the interests below represent long positions in shares. As far as our Directors are aware, none of the persons listed below held any short positions in Shares.

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

Notes:

- (1) The percentages are calculated based on our Company's total number of issued shares, being 1,000,724,102 Shares, as at 30 November 2021.
- (2) Image Frame Investment (HK) Limited ("**Image Frame**") is a subsidiary of Tencent Holdings Limited ("**Tencent**"). Under the SFO, Tencent is deemed to be interested in all of Image Frame's interests in our Company.

SHARE OPTION SCHEMES

The purpose of our Pre-IPO ESOP and Post-IPO ESOP (collectively, the "**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)

Pre-IPO ESOP

As at 30 November 2021, (a) our Directors held unexercised options under the Pre-IPO ESOP to subscribe for a total of 28,145,285 Shares, representing approximately 2.81% of the issued share capital of our Company (being 1,000,724,102 Shares), and (b) the other 63 grantees held unexercised options under the Pre-IPO ESOP to subscribe for a total of 8,323,950 Shares, representing approximately 0.83% of the issued share capital of our Company (being 1,000,724,102 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	Number of options			
					Outstanding as at 1 June 2021	Exercised during the Reporting Period	Cancelled/lapsed during the Reporting Period	Outstanding as at 30 November 2021
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
Mr. Wu	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	HK\$8.88 per Share	1,350,000	Nil	Nil	1,350,000
Other grantees (in aggregate)	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	HK\$8.88 per Share	8,757,700	153,500	280,250	8,323,950
Total					36,902,985	153,500	280,250	36,469,235

Further details of movements in the Pre-IPO ESOP is set out in Notes 19 to the condensed consolidated financial statements.

Other Information (Continued)

Post-IPO ESOP

As at 30 November 2021, (a) our Directors held unexercised options under the Post-IPO ESOP to subscribe for a total of 12,800,000 Shares, representing approximately 1.28% of the issued share capital of our Company, and (b) other 232 grantees held unexercised options under the Post-IPO ESOP to subscribe for a total of 35,641,590 Shares, representing approximately 3.56% of the issued share capital of our Company, the details of which are set out below:

Name or category of grantee	Date of grant	Vesting period	Exercisable Period	Exercise price	Outstanding as at 1 June 2021	Number of options			Outstanding as at the end of the Reporting Period	Closing price of the Shares immediately before the date of the grant
						Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ lapsed during the Reporting Period		
Mr. Yu	15 November 2021	(1) One-third of the options to vest on the date immediately before the first anniversary of the date of grant (" First Vesting Date ");	Ten years from the date of grant	HK\$5.22 per Share	—	6,000,000	Nil	Nil	6,000,000	HK\$5.22
Mr. Sun	29 January 2020	(2) One-third of the options to vest on the date immediately before the first anniversary of the First Vesting Date (" Second Vesting Date "); and		HK\$25.35 per Share	500,000	—	Nil	500,000	—	HK\$25.35
	15 November 2021	(3) One-third of the options to vest on the date immediately before the first anniversary of the Second Vesting Date (" Third Vesting Date ").		HK\$5.22 per Share	—	4,500,000	Nil	Nil	4,500,000	HK\$5.22
Mr. Yin	29 January 2020			HK\$25.35 per Share	800,000	—	Nil	800,000	—	HK\$25.35
	15 November 2021			HK\$5.22 per Share	—	2,000,000	Nil	Nil	2,000,000	HK\$5.22
Mr. Wu	15 November 2021			HK\$5.22 per Share	—	300,000	Nil	Nil	300,000	HK\$5.22
Other grantees (in aggregate)	29 January 2020			HK\$25.35 per Share	28,241,815	—	Nil	28,241,815	—	HK\$25.35
	25 August 2020	25 August 2020 to 24 August 2024 (both dates inclusive)		HK\$34.00 per Share	20,848,000	Nil	Nil	20,848,000	—	HK\$33.35
	15 November 2021	(1) First Vesting Date; (2) Second Vesting Date; and (3) Third Vesting Date.		HK\$5.22 per Share	—	35,641,590	Nil	Nil	35,641,590	HK\$5.22
Total					50,389,815	48,441,590	Nil	50,389,815	48,441,590	



Other Information (Continued)

EVENTS AFTER THE REPORTING PERIOD

We refer to the “Connected transactions” section of the Prospectus and the Company’s announcements dated 21 August 2020 and 14 May 2021. The Company (for itself and on behalf of the Group) and New Oriental (for the Retained New Oriental Group) entered into the New Oriental Framework Agreement and the 2021 New Oriental Framework Agreement on 13 March 2019 and 14 May 2021 respectively, pursuant to which, the Group and the Retained New Oriental Group shall provide each other or by one to other certain products and services. The transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 21 January 2022, the Company and New Oriental entered into a supplemental agreement to the 2021 New Oriental Framework Agreement (the “**Supplemental New Oriental Framework Agreement**”), pursuant to which, the Group and the Retained New Oriental Group shall provide each other with resources related to (i) the livestream commerce business of the Group, and (ii) the intelligent learning products business of the Group, in addition to the provision of the existing products and services pursuant to the New Oriental Framework Agreement and the 2021 New Oriental Framework Agreement. The transactions contemplated under the Supplemental New Oriental Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For further details of the Supplemental New Oriental Framework Agreement, please see the announcement of the Company dated 21 January 2022.

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

CORPORATE GOVERNANCE PRACTICES

Our Company is 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 in the *Corporate Governance Code* as stated in Appendix 14 of the Listing Rules.

OUR DIRECTORS’ COMPLIANCE WITH THE MODEL CODE

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. Having made specific enquiry of all our Directors, all Directors confirm that they have complied with the provisions of the Model Code during the Reporting Period.

AUDIT COMMITTEE

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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: Mr. TONG Sui Bau (as the Audit Committee's chairperson), Mr. WU Qiang and Mr. KWONG Wai Sun Wilson.

The Audit Committee, together with the external auditor, Deloitte Touche Tohmastu, has reviewed our Group's unaudited condensed consolidated financial statements for the six months ended 30 November 2021. 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 Board has 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

As at 30 November 2021, our Company was not involved in any material litigation or arbitration. Nor were the Directors of our Company aware of any material litigation or claims that were pending or threatened against our Company.

INTERIM DIVIDEND

Our Board does not recommend the distribution of an interim dividend for the Reporting Period (six months ended 30 November 2020: nil).

CHANGES IN THE INFORMATION OF DIRECTORS

There is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information (Continued)

CHANGE IN USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION

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. As at 30 November 2021, our Group had used the net proceeds from the Share Subscription in the following manner and according to the intended uses set out in our circular dated 14 October 2020. On 21 January 2022, the Board has resolved to change the use of the remaining net proceeds (the “Change in Use of Proceeds”). The utilisation of the net proceeds and the latest change in the use of the net proceeds from the Share Subscription are summarised as follows:

	Net proceeds from the Share Subscription	Utilised as at 30 November 2021	Utilised during the six months ended 30 November 2021	Remaining amount	Proposed change of use of the remaining net proceeds
HK\$ million⁽¹⁾					
Sales and marketing	712.4	467.7	423.0	244.7	276.2
Technology infrastructure	712.4	203.6	193.2	508.8	138.1
Teachers and other business related staff ⁽²⁾	178.1	20.1	20.1	158.0	230.2
Working capital	178.1	169.0	39.6	9.1	276.2
Total remaining amount				920.7	920.7

Notes:

- (1) The amounts “utilised during the six months ended 30 November 2021” are based on the exchange rate of HK\$1.23:RMB1. The “remaining amount” is calculated as the “net proceeds from the Share Subscription” less the amounts “utilised as at 30 November 2021”.
- (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 livestream 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 this report.
- (3) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

Reasons for the Change in Use of Proceeds

The Change in Use of Proceeds reflects the change in our Group's business focus and the development in the two new businesses namely, the livestream commerce and intelligent learning products businesses. Due to the New Regulations and the cessation of the K-9 business, the Company sees the need to shift its business focus. On one hand, it will continue to focus on consolidating and expanding its existing business in education and customer base and improving its existing platforms, products and services. On the other hand, it will also allocate resources into developing the new businesses, such as hiring new staff who has specialties in the area and to improve and expand the livestream commerce and intelligent learning products businesses. The Board believes that the Change in Use of Proceeds is consistent with our Company's new business focuses and in the best interests of our Company and its Shareholders as a whole. For details, please refer to the section "Strategic update and future development" in this report.

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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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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 29 to 59, which comprise the condensed consolidated statement of financial position as of 30 November 2021 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

21 January 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 November 2021

	NOTES	Six months ended 30 November	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	573,509	676,755
Cost of revenue		(400,514)	(523,621)
Gross profit		172,995	153,134
Other income, gains and losses	6	12,405	63,958
Impairment losses reversed (recognised) under expected credit loss model, net	15	83	(3,145)
Selling and marketing expenses		(340,844)	(515,316)
Research and development expenses		(156,758)	(234,100)
Administrative expenses		(227,139)	(128,095)
Share of results of associates		2,336	3,535
Finance costs		(5,221)	(7,373)
Loss before tax		(542,143)	(667,402)
Income tax expense	7	(1,854)	(7,024)
Loss for the period	8	(543,997)	(674,426)
Total comprehensive expense for the period		(543,997)	(674,426)
Loss for the period attributable to:			
Owners of the Company		(543,997)	(674,426)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(543,997)	(674,426)
Loss per share			
— Basic and diluted (RMB)	9	(0.54)	(0.72)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 November 2021

		30 November 2021	31 May 2021
	NOTES	RMB'000 (unaudited)	RMB'000 (audited)
Non-current Assets			
Property and equipment	11	75,990	113,552
Right-of-use assets	11	75,252	302,622
Interests in associates	12	74,603	90,246
Financial assets at fair value through profit or loss	13	206,461	207,497
Deposits for acquisition of property and equipment		1,258	4,188
Refundable rental deposits		10,086	20,467
		443,650	738,572
Current Assets			
Inventories		791	—
Trade and other receivables	14	39,441	30,881
Prepayments		59,472	55,417
Financial assets at fair value through profit or loss	13	298,321	624,235
Term deposits		658,677	316,649
Restricted cash		7,749	—
Bank balances and cash		626,648	1,519,564
		1,691,099	2,546,746
Current Liabilities			
Lease liabilities		47,639	104,316
Contract liabilities	16	176,200	397,461
Refund liabilities		25,441	93,293
Trade payables	17	24,735	42,909
Accrued expenses and other payables		203,292	404,863
Income tax payables		1,798	—
		479,105	1,042,842
Net Current Assets		1,211,994	1,503,904
Total Assets less Current Liabilities		1,655,644	2,242,476

Condensed Consolidated Statement of Financial Position (Continued)
At 30 November 2021

		30 November 2021	31 May 2021
	NOTES	RMB'000 (unaudited)	RMB'000 (audited)
Capital and Reserves			
Share capital	18	129	129
Reserves		1,599,051	2,008,743
Total Equity		1,599,180	2,008,872
Non-current Liabilities			
Deferred tax liabilities		23,988	24,092
Lease liabilities		32,476	209,512
		56,464	233,604
Net Assets		1,599,180	2,008,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2021

	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 2020 (audited)	120	2,491,663	23,978	220	161,683	(140,767)	(673,197)	1,863,700
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(674,426)	(674,426)
Recognition of equity-settled share-based payments	—	—	—	—	147,105	—	—	147,105
Exercise of share options (Note 18)	1	8,525	—	—	(2,510)	—	—	6,016
At 30 November 2020 (unaudited)	121	2,500,188	23,978	220	306,278	(140,767)	(1,347,623)	1,342,395
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 18)	—	1,628	—	—	(507)	—	—	1,121
Forfeiture and cancellation of share options (Note 19)	—	—	—	—	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2021

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(865,352)	(403,226)
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	1,489,547	232,216
Purchases of financial assets at fair value through profit or loss	(1,136,476)	(710,500)
Proceeds on disposal of property and equipment	3,647	30
Interest received from term deposits	1,144	46,773
Purchase of property and equipment	(18,742)	(59,714)
Payments for right-of-use assets	—	(213)
Payments for early termination of lease contracts	(634)	—
Payments for rental deposits	(29)	(1,512)
Refund of rental deposits	7,124	193
Placement of term deposits	(654,336)	(353,953)
Withdrawal of term deposits	320,432	1,413,859
Placement of restricted cash	(7,749)	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	3,928	567,179
FINANCING ACTIVITIES		
Advances from a related party for ordinary shares to be issued	—	1,314,739
Payment of issue costs relating to ordinary shares to be issued	—	(132)
Proceeds from issuance of shares upon exercise of share options	1,121	6,114
Repayment of lease liabilities	(31,181)	(52,881)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(30,060)	1,267,840
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(891,484)	1,431,793
CASH AND CASH EQUIVALENTS AT 1 JUNE	1,519,564	480,251
Effect of exchange rate changes	(1,432)	(59,205)
CASH AND CASH EQUIVALENTS AT 30 NOVEMBER, REPRESENTED BY BANK BALANCES AND CASH	626,648	1,852,839



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 November 2021

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 service to pre-school children, primary and middle school students, college students and other occupational people in the People’s Republic of China (the “PRC”). The Group also provides education and related services to institutional customers such as public libraries and universities in the PRC.

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”). Please refer to Note 1 of the consolidated financial statements of the Company for the year ended 31 May 2021 for more details. Subsequent to the release of the Opinion, the Group has ceased sales of courses in relation to Compulsory Stage Education to comply with the requirement of the Opinion, please refer to the Company’s announcement dated 25 October 2021 for details.

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 2021

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.

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 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 May 2021.

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 annual period beginning on or after 1 January 2021 or 1 April 2021 for the preparation of the Group’s condensed 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 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

Termination benefits

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

Share-based payments

Equity-settled share-based payment transactions

Cancellations

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognizes the cancellation of share options as an acceleration of vesting as share based payment expenses.

Inventories

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

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Timing of revenue recognition		
Over time	553,842	650,729
A point in time	19,667	26,026
Total	573,509	676,755
Type of customer		
Students	539,789	633,726
Institutional customers	33,720	43,029
Total	573,509	676,755
Type of service		
Live online course services provided to students	359,238	381,302
Pre-recorded online course services provided to students	160,884	226,425
Pre-recorded online education package services to institutional customers	33,720	43,002
Sales of online testing package	8,185	9,110
Others	11,482	16,916
Total	573,509	676,755

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 2021

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.

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

1. College Education — online education service targeted to college and above students and adults.
2. K12 Education — online education service targeted to the Compulsory Stage Education and high school education.
3. Pre-school Education — online education service targeted to pre-school children.
4. Institutional customers — online education service provided to institutional customers.

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

For the six months ended 30 November 2021 (unaudited)

	College Education RMB'000	K-12 Education RMB'000	Pre-school Education RMB'000	Institutional customers RMB'000	Total RMB'000
Revenue	267,641	270,469	1,679	33,720	573,509
Cost of revenue	(116,778)	(278,150)	(1,008)	(4,578)	(400,514)
Segment gross profit (loss)	150,863	(7,681)	671	29,142	172,995
Unallocated income and expenses:					
Other income, gains and losses					12,405
Impairment losses reversed under expected credit loss model, net					83
Selling and marketing expenses					(340,844)
Research and development expenses					(156,758)
Administrative expenses					(227,139)
Share of results of associates					2,336
Finance costs					(5,221)
Loss before tax					(542,143)

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 November 2020 (unaudited)

	College Education RMB'000	K-12 Education RMB'000	Pre-school Education RMB'000	Institutional customers RMB'000	Total RMB'000
Revenue	292,419	336,860	4,447	43,029	676,755
Cost of revenue	(90,253)	(425,996)	(3,725)	(3,647)	(523,621)
Segment gross profit (loss)	202,166	(89,136)	722	39,382	153,134
Unallocated income and expenses:					
Other income, gains and losses					63,958
Impairment losses recognised under expected credit loss model, net					(3,145)
Selling and marketing expenses					(515,316)
Research and development expenses					(234,100)
Administrative expenses					(128,095)
Share of results of associates					3,535
Finance costs					(7,373)
Loss before tax					(667,402)

Segment gross profit (loss) is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Segment gross profit (loss) is gross profit earned (gross loss incurred) by each segment and other income, gains and losses, impairment losses under expected credit loss model, net of reversal, 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 segment are presented.

All of the Group's revenue were generated from external customers in the PRC during the six months ended 30 November 2021 and 2020. The Group's non-current assets are all located in the PRC.

No service provided to a single customer exceeds 10% or more of the total revenue of the Group for the six months ended 30 November 2021 (six months ended 30 November 2020: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Gain on termination of lease contracts	17,485	222
Loss on disposal of property and equipment	(15,122)	(1)
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL")	8,142	142,072
Impairment loss on prepayments for Compulsory Stage Education	(8,050)	—
Interest income from bank balances	1,568	1,766
Net foreign exchange gain (loss)	3,133	(97,031)
Government grants	1,097	2,538
Additional value added tax ("VAT") input deduction and VAT exemption ⁽ⁱ⁾	678	9,542
Interest income from rental deposits	400	404
Interest income from term deposits	4,702	4,412
Others	(1,628)	34
	12,405	63,958

Note:

- (i) Additional VAT input deduction and VAT exemption amounting to RMB678,000 (six months ended 30 November 2020: RMB4,284,000) and nil (six months ended 30 November 2020: RMB5,258,000), were recognized in profit or loss due to the VAT reform and VAT exemption caused by COVID-19 pandemic, respectively in the current interim period. In accordance with VAT Reformation Article No.39, the Group became eligible for VAT credits of 10% additional VAT input deduction from 1 April 2019 to 31 December 2021 upon meeting all applicable criteria.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

7. INCOME TAX EXPENSE

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax	1,958	(79)
Deferred tax	(104)	7,103
	1,854	7,024

The Company and Dong Fund Co., Ltd. were incorporated in the Cayman Islands. Both are tax exempted under the tax laws of the Cayman Islands, as no business is carried out in the Cayman Islands. There were no material change of tax status of the Group during the six months ended 30 November 2021. 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 2020: 25%) during the six months ended 30 November 2021.

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. In 2017, Beijing Xuncheng obtained the "high and new technology enterprise" (the "HNTE") status and enjoy the preferential tax rate of 15% from calendar year 2017 to 2019. Under the EIT Law effective on 1 January 2008, the HNTE status is valid for three years and qualifying entities can reapply for an additional three years provided their business operations continue to qualify for the new HNTE status. In 2020, Beijing Xuncheng renewed the certificate and continues to enjoy the preferential tax rate from calendar year 2020 to 2022. In 2018, Kuxue Huisi obtained the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2018 to 2020. Kuxue Huisi did not renew the certificate and was subject to the tax rate of 25% from calendar year 2021. In 2020, Dexin Dongfang obtained the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. 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 2020: 175%) of such expenses for income tax deduction purpose upon approval from the relevant tax authority during the six months ended 30 November 2021.

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 2020: 15%) during the six months ended 30 November 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Depreciation of property and equipment	28,957	17,793
Depreciation of right-of-use assets	38,906	48,335
Total depreciation and amortisation	67,863	66,128

9. LOSS PER SHARE

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

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(543,997)	(674,426)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,000,690,478	939,928,452

The calculation of basic loss per share for the six months ended 30 November 2021 and 2020 was based on the loss for the period attributable to owners of the Company.

The calculation of the number of shares for the purpose of basic loss per share for the six months ended 30 November 2021 and 2020 has been taken into account the weighted average number of ordinary shares outstanding with regard to the issuance of shares upon exercise of share options.

The calculation of diluted loss per share for the six months ended 30 November 2021 and 2020 does not assume the exercise of the Company's share options since the assumed exercise of share options would result in a decrease in loss per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 November 2021 (six months ended 30 November 2020: nil). The board of directors of the Company (the "Directors") have determined that no dividend will be paid in respect of the six months ended 30 November 2021 (six months ended 30 November 2020: nil).

11. 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 RMB18,769,000 (six months ended 30 November 2020: RMB31,000) for cash proceeds of RMB3,647,000 (six months ended 30 November 2020: RMB30,000), resulting in a loss on disposal of RMB15,122,000 (six months ended 30 November 2020: RMB1,000).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from one to two years (six months ended 30 November 2020: one to five years). On lease commencement date, the Group recognised right-of-use assets of RMB2,199,000 (six months ended 30 November 2020: RMB47,157,000) and lease liabilities of RMB2,195,000 (six months ended 30 November 2020: RMB46,716,000) after consideration of lease payments made at or before the commencement date.

During the six months ended 30 November 2021, the Group terminated several lease agreements and derecognised right-of-use assets and lease liabilities of RMB182,160,000 and RMB201,444,000 (six months ended 30 November 2020: RMB591,000 and RMB809,000), respectively, resulting in a gain on termination of RMB17,485,000 (six months ended 30 November 2020: RMB222,000).

12. INTERESTS IN ASSOCIATES

In July 2021, Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.) ("New Venture"), an associate of the Group, transferred its preferred share investment in Beijing Xizi Education Technology Co., Ltd ("Xizi Education") in proportion to its investors, and 5% equity interest of Xizi Education was transferred to the Group at a consideration of RMB2,475,000 which equals the cost of investment of the proportionate interest in Xizi Education incurred by New Venture, immediately after which Xizi Education repurchased those preferred shares held by the Group for a consideration of US\$3,161,000 (equivalent to RMB20,454,000). The above arrangements were determined to be a single transaction and accounted for as distribution from New Venture to the Group and the excess was accounted for as a return of investment to the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Non-current assets		
Financial assets at FVTPL		
— unlisted equity investments ^(a)	206,461	207,497
Current assets		
Financial assets at FVTPL		
— wealth management products ^(b)	298,321	624,235

(a) Included in the equity investments are the Group's investments in preferred shares of Beijing Edutainment World Education Technology Co., Ltd. ("Edutainment World") and EEO Group ("EEO") incorporated in the Cayman Island and PRC, respectively.

(b) Wealth management products are purchased from various banks with expected rate of return ranging from 2.7% to 3.8% per annum (31 May 2021: 2.7% to 3.9%), and maturity period ranging from 1 day to 355 days (31 May 2021: 1 day to 182 days). The principals and returns of these wealth management products are not guaranteed.

During the six months ended 30 November 2021, the Group made purchases of online course services and referral services from Edutainment World amounting to RMB743,000 (six months ended 30 November 2020: nil).

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 2020: RMB9,176,000).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

14. TRADE AND OTHER RECEIVABLES

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Trade receivables	18,044	15,893
Less: allowance for credit losses	(9,362)	(9,445)
	8,682	6,448
Other receivables	30,759	24,433
Trade and other receivables	39,441	30,881

Trade receivables arising from institutional customers

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 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
1–90 days	6,614	3,309
91–180 days	923	1,290
181 days–365 days	968	1,810
over 365 days	177	39
	8,682	6,448

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

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

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Impairment loss (reversed) recognised in respect of:		
Trade receivables	(83)	3,145

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 May 2021.

16. CONTRACT LIABILITIES

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Contract liabilities in relation to:		
Students	151,198	368,692
Institutional customers	25,002	28,769
	176,200	397,461

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

16. CONTRACT LIABILITIES (Continued)

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

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Expected to be recognised within one year		
Students	130,267	358,717
Institutional customers	23,049	28,423
Expected to be recognised over one year		
Students	20,931	9,975
Institutional customers	1,953	346
Total	176,200	397,461

17. TRADE PAYABLES

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

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
1–90 days	12,962	33,937
91–180 days	5,193	5,650
181 days–1 year	5,809	2,399
1 year–2 years	48	123
> 2 years	723	800
	24,735	42,909

Included in trade payables, RMB4,668,000 as at 30 November 2021 (31 May 2021: RMB1,747,000) were amounts due to related parties (details as set out in Note 22), which were aged within 90 days based on the invoice date.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

18. SHARE CAPITAL

Details of the movements of share capital of the Company are as follows:

Issued and fully paid	Number of ordinary shares	Par value per ordinary share		Share capital	
		US\$	RMB	US\$	RMB
At 1 June 2020	939,464,602			18,789	120,442
Exercise of share options ^(a)	760,500	0.00002	0.00014	15	105
At 30 November 2020 (unaudited)	940,225,102			18,804	120,547
At 1 June 2021	1,000,570,602			20,011	128,688
Exercise of share options ^(a)	153,500	0.00002	0.00013	3	20
At 30 November 2021 (unaudited)	1,000,724,102			20,014	128,708

- (a) As a result of exercise of share options, 153,500 ordinary shares were issued by the Company during the six months ended 30 November 2021 (six months ended 30 November 2020: 760,500). Upon the exercise of share options, RMB1,628,000 (six months ended 30 November 2020: RMB8,525,000) was credited to share premium and RMB507,000 (six months ended 30 November 2020: RMB2,510,000) was debited to share option reserve.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

19. 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 2020	39,251,485
Forfeited during the period	(500,000)
Exercised during the period	(760,500)
Outstanding as at 30 November 2020 (unaudited)	37,990,985
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

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$10.70 (equivalent to RMB8.80) during the six months ended 30 November 2021 (six months ended 30 November 2020: HK\$32.56, equivalent to RMB29.12).

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 recognized immediately in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

19. 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 2020	38,199,000
Forfeited during the period	(2,493,000)
Cancelled during the period	(30,000)
Outstanding as at 30 November 2020 (unaudited)	35,676,000
Outstanding as at 1 June 2021	29,541,815
Forfeited during the period	(10,088,192)
Cancelled during the period	(19,453,623)
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 recognized immediately in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

19. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option II (Continued)

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

	Number of share options
Granted on 25 August 2020	25,000,000
Forfeited during the period	(420,000)
Outstanding as at 30 November 2020 (unaudited)	24,580,000
Outstanding as at 1 June 2021	20,848,000
Forfeited during the period	(6,445,000)
Cancelled during the period	(14,403,000)
Outstanding as at 30 November 2021 (unaudited)	—

Post-IPO Share Option III

On 15 November 2021, the Company granted 48,441,590 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.

All the share options granted under the Post-IPO Share Option III are outstanding as at 30 November 2021. The estimated fair values of the share options under the Post-IPO Share Option III determined at the grant date were RMB87,082,000.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

19. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Post-IPO Share Option III (Continued)

The following assumptions were used to calculate the grant date fair values of the share options under the Post-IPO Share Option III:

	15 November 2021
Grant date share price	HK\$5.22 (RMB4.28)
Exercise price	HK\$5.22 (RMB4.28)
Expected life	10 years
Expected volatility	61.10%
Dividend yield	0.00%
Risk-free interest rate	1.63%

The binomial option-pricing model has been used to estimate the fair value of the share options under the Post-IPO Share Option III. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

20. CAPITAL COMMITMENTS

	30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Capital commitments in respect of the acquisition of office equipment	2,560	22,081

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

21. 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 2021 (unaudited)

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity securities	—	206,461	206,461
Financial assets at FVTPL			
Wealth management products	298,321	—	298,321

Fair value hierarchy as at 31 May 2021 (audited)

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity securities	—	207,497	207,497
Financial assets at FVTPL			
Wealth management products	624,235	—	624,235

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

21. 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 2021 (unaudited)	31 May 2021 (audited)			
Wealth management products issued by banks classified as financial assets at FVTPL	Wealth management products issued by banks — RMB298,321,000	Wealth management products issued by banks — RMB624,235,000	Level 2	Discounted cash flow — future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A
Private equity investments classified as financial assets at FVTPL	23.38% equity investment in Edutainment World which engaged in education research, product development and education service — RMB93,340,000	23.84% equity investment in Edutainment World which engaged in education research, product development and education service — RMB93,340,000	Level 3	Market approach — the option pricing model ("OPM") backsolve approach was used to calculate the implied equity value of the investee. Once an overall equity value was determined, amounts were allocated to the various classes of equity based on the security class preferences. The inputs to the OPM backsolve approach are the recent transaction price for one component of the capital structure, expected time to exit, the risk-free interest rate and expected volatility.	Estimated volatility of 67% taking into account peer companies' volatility used by market participants when pricing the investment (Note 1).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

21. 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 2021 (unaudited)	31 May 2021 (audited)			
Private equity investments classified as financial assets at FVTPL	5.61% equity investment in EEO which engaged in development of computer platforms used in online education services — RMB113,121,000	5.61% equity investment in EEO which engaged in development of computer platforms used in online education services — RMB114,157,000	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate 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 II). WACC determined using a Capital Asset Pricing Model is 25% (Note III). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (Note IV).

Note I: An increase in the estimated volatility used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the estimated volatility holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB927,000/RMB1,073,000 as at 30 November 2021 (31 May 2021: RMB870,000/RMB1,218,000).

Note II: An increase in the long-term revenue growth rates used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 1% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB352,000 as at 30 November 2021 (31 May 2021: RMB373,000).

Note III: An increase in the WACC used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 3% increase/decrease in the WACC holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB3,161,000 as at 30 November 2021 (31 May 2021: RMB3,121,000).

Note IV: An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB7,503,000 as at 30 November 2021 (31 May 2021: RMB7,580,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

The following table represents the reconciliation of level 3 fair value measurements of private equity investments during the six months ended 30 November 2021 and 2020.

	Six months ended 30 November 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
At the beginning of the period	207,497	183,328
Changes in fair value	(1,036)	134,092
At the end of the period	206,461	317,420

The total gains or losses for the period included an unrealised loss of RMB1,036,000 relating to private equity investments that are measured at fair value at the end of the reporting period (six months ended 30 November 2020: an unrealised gain of RMB134,092,000). 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 of the Company 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 2021

22. 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	
			2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
New Oriental Group	Controlling shareholder of the Company and its fellow subsidiaries	Trade sales	8,709	9,314
		Trade purchases	16,556	6,390
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding") ^(a)	A company wholly owned by the Chairman of the Company	Interest expenses on lease liabilities	266	627
		Management fee expenses	937	644
Tencent Holdings Limited ("Tencent" and with its subsidiaries the "Tencent Group")	Non-controlling shareholder of the Company and its fellow subsidiaries	Trade purchases	6,739	10,760
Beijing Shidai Yuntu Book Co., Ltd. ("Shidai Yuntu")	Associate	Trade sales	1,208	550
		Trade purchases	426	4,197

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 November 2021

22. RELATED PARTY TRANSACTIONS (Continued)

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

		30 November 2021 RMB'000 (unaudited)	31 May 2021 RMB'000 (audited)
Nature of balance			
New Oriental Group	Trade and other receivables	1,681	2,123
	Prepayments	3,221	32
	Trade payables	2,538	1,087
	Accrued expenses and other payables	8,100	9,552
Metropolis Holding ^(a)	Leases liabilities	3,367	14,217
	Trade and other receivables	1,808	4,448
	Prepayments	—	226
	Accrued expenses and other payables	766	53
Tencent Group	Prepayments	3	215
	Trade payables	2,130	488
	Accrued expenses and other payables	247	383
Shidai Yuntu	Trade and other receivables	—	738
	Trade payables	—	172

- (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, and derecognised right-of-use assets and lease liabilities of RMB7,389,000 and RMB8,054,000 (six months ended 30 November 2020: nil and nil), respectively, with a gain of RMB676,000 recognised on termination (six months ended 30 November 2020: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 30 November 2021

22. 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 2021 and 2020 are as follows:

	Six months ended 30 November	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term benefits	1,596	1,584
Retirement benefits	54	46
Equity-settled share-based expense	10,541	15,499
	12,191	17,129


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



DEFINITIONS

“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 wholly-owned subsidiary of our Company
“Board”	the board of directors of our Company
“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 (新東方在線科技控股有限公司), an exempted company with limited liability incorporated under the Laws of the Cayman Islands on 7 February 2018
“DFUB”	an online education platform operating by Dongfang Youbo, including the website at http://dfub.xdf.cn/
“Director(s)”	the director(s) of our Company
“Dongfang Youbo”	Beijing Dongfang Youbo Network Technology Co., Ltd. (北京東方優播網絡科技有限公司), a company incorporated under the Laws of the PRC on 23 June 2016 and a wholly-owned subsidiary of our Company
“Donut APP”	Donut English-learning application
“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 Year Nine

“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 Main Board Listing Rules
“New Oriental” or “Controlling Shareholder”	New Oriental Education & Technology Group Inc., a company registered 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), and our Controlling Shareholder (as defined in the Listing Rules)
“New Regulations”	the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education” published in July 2021 by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC and the related implementation rules, regulations and measures promulgated by competent authorities
“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 Prospectus
“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 Prospectus. 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



Definitions (Continued)

“Reporting Period”	the six months ended 30 November 2021
“Retained New Oriental Group”	New Oriental and its subsidiaries (including consolidated affiliated entities) but excluding the Group
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company currently with a par value of US\$0.00002 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules and includes consolidated affiliated entities controlled by our Group through the Contractual Arrangements (as defined in the Prospectus and set out in the section headed “Contractual Arrangements” therein)
“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